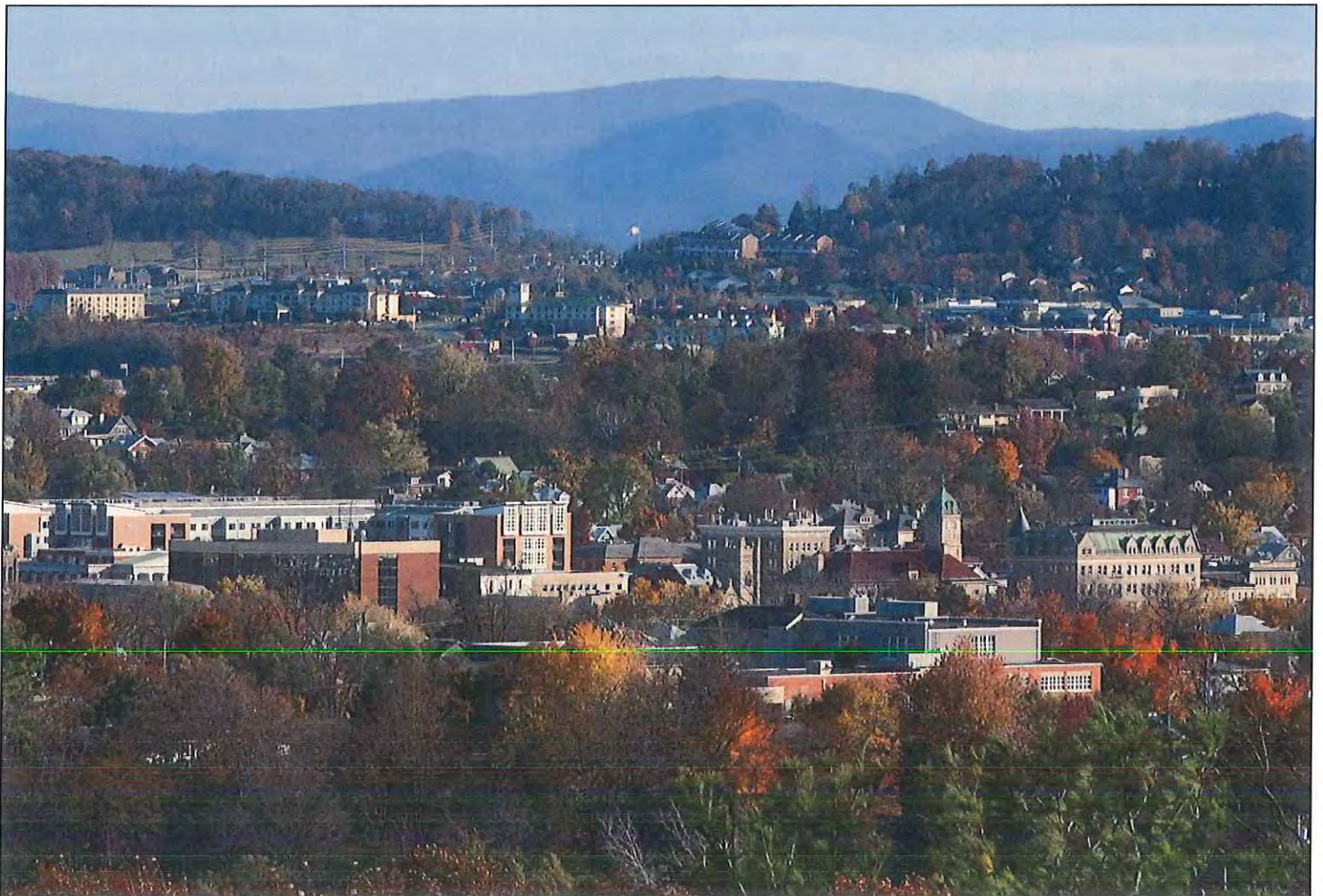


# City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013





# **City of Harrisonburg, Virginia**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



This Report  
Prepared by Department of Finance



**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CITY OF HARRISONBURG, VIRGINIA**  
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# INTRODUCTORY SECTION

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

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# City of Harrisonburg, Virginia

## Office of the City Manager

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

Kurt D. Hodgen  
City Manager

November 25, 2013

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

The Comprehensive Annual Financial Report of the City of Harrisonburg, Virginia (City), for the fiscal year ended June 30, 2013 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 of 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, 2013, 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 federal Single Audit Act Amendments of 1996 and the related U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* 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 was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 51,800.

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 School Board. The City voters elect the six members of the School Board, 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 house 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 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 being 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 5 members appointed for 3-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. On the basis of the budget, 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 are able to live and work in an enviable environment. The significant projects and activities are as follows:

- Appropriated \$14.7 million from a bond issuance and from state and federal funding sources for the construction of a new public transportation facility.
- Appropriated \$8 million to complete the funding of the Reservoir Street improvement project with \$1 million funded by the General Fund and \$7 million funded by the Virginia Department of Transportation (VDOT) revenue sharing program.
- Appropriated \$3 million for the Carlton Street and Chicago Avenue/Mount Clinton Pike improvement projects with \$1.5 million funded by the General Fund and \$1.5 million funded by VDOT's revenue sharing program.
- Appropriated \$1.47 million for the purchase of four new replacement transit buses with 90 percent of the funding provided by state and federal sources.
- Appropriated \$1.25 million for a remediation project at the City's closed landfill site and for the associated Ramblewood athletic field's reconstruction.
- Appropriated \$600,000 for initial funding of the Northend Greenway trail. The City subsequently was awarded \$600,000 in matching funds from VDOT's revenue sharing program in fiscal year 2014.
- Appropriated \$443,000 for the Bluestone Trail. The City subsequently was awarded \$450,000 in funding from VDOT's revenue sharing program in fiscal year 2014.
- Appropriated \$625,000 for new revenue software for the Treasurer and Commissioner of the Revenue.
- Appropriated \$400,000 for a down payment on a new ladder truck for the Fire Department.

## **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 four institutions of higher learning with a total enrollment of approximately 28,250. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 19,900 students. Eastern Mennonite University, a private institution with approximately 1,500 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,850 students. State-supported Blue Ridge Community College has an enrollment of approximately 5,000 students.

Rockingham Memorial Hospital provides hospital and many other related healthcare services. Air, rail and bus transportation is available in the area. Frontier Airlines and Silver Airways 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. Interstate 81 runs North and South through the area and intersects with Interstate 64 East and West at Staunton, Virginia for travel by car.

**Long-term financial planning.** Each year the City prepares a comprehensive Capital Improvements Program (CIP). The CIP is prepared in an effort 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 in order to ensure that assets are acquired or constructed in time to meet specific needs and to spread costs over several fiscal years in order to avoid a large peak in capital expenditures during a single year.

The City continues to plan and work on the Stone Spring Road and Erickson Avenue Improvement project. It is planned that this project will be completed in at least four phases with Phases 1 and 2 having already been completed. Phase 3 construction continued during the year and was completed in November 2013. Phase 3 construction is entirely funded by the Commonwealth of Virginia with an estimated cost of approximately \$6.5 million. There are currently no construction plans for Phase 4 of the project.

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The initial phases of this project include the installation of waterlines from the City's water treatment plant across the City to the eastern City limits. The estimated total cost of the project is \$32.4 million of which \$11.7 million has already been expended and there is \$2.1 million in available cash. It is anticipated that this project will require a future \$18.6 million bond issue in order to complete. The projected completion date is undetermined at this time and will depend on supply/demand, partnering opportunities and the bidding environment.

The City is currently in the process of purchasing right-of-way for improvements to Reservoir Street. It is estimated that this project will cost approximately \$14 million. The project is funded by \$7 million from state funding sources and \$7 million in local sources which included \$6 million in bonds issued in December 2011. Construction is projected to begin in fiscal year 2015 and to be completed in fiscal year 2016.

The City is currently in the process of constructing a new public transportation administration and maintenance facility that will replace the current facility. The project is being funded by the City, the Virginia Department of Rail and Public Transportation and the Federal Transit Administration. Based upon estimated usage of the new facility, the funding for this project will be approximately 37 percent Federal, 5 percent Commonwealth and 58 percent City. Construction began in December 2012 and will be completed in June of 2014 at an estimated cost of \$16 million. The City issued \$8 million in bonds in December 2012 to finance the City's portion of the project.



## **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

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

Respectfully submitted,



Kurt D. Hodgen  
City Manager



Larry L. Propst, CPA  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Harrisonburg  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



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graph TD
    Voters --> CityCouncil[City Council]
    CityCouncil --> Mayor[Mayor]
    CityCouncil --> CityManager[City Manager]
    CityCouncil --> CityClerk[City Clerk]
    CityCouncil --> CityAttorney[City Attorney]
    CityCouncil --> Treasurer[Treasurer]
    CityCouncil --> SchoolBoard[School Board]
    CityCouncil --> SchoolSuperintendent[School Superintendent]
    CityCouncil --> CommissionerOfRevenue[Commissioner of the Revenue]
    CityManager --> PlanningCommission[Planning Commission]
    CityManager --> BoardOfZoningAppeals[Board of Zoning Appeals]
    CityManager --> BoardOfEqualization[Board of Equalization]
    CityManager --> ParksAndRecreation[Parks and Recreation Commission]
    CityClerk --> HarrisonburgElectric[Harrisonburg Electric Commission]
    CityClerk --> ShenandoahValleyAirport[Shenandoah Valley Airport Commission]
    CityClerk --> ShenandoahValleyDetention[Shenandoah Valley Detention Commission]
    Mayor --> GeneralAssembly[General Assembly Representatives]
    Mayor --> BoardOfElections[Board of Elections]
    Mayor --> Registrar[Registrar]
    Mayor --> HburgR'hamEnergy[Hburg-R'ham Energy Communications Center]
    Mayor --> HburgR'hamSocial[Hburg-R'ham Social Services District]
    Mayor --> HburgR'hamComm[Hburg-R'ham Community Services Board]
    Mayor --> HburgR'hamIndustrial[Hburg Industrial Development Authority]
    Mayor --> HburgR'hamRegional[Hburg-R'ham Regional Sewer Authority]
    Mayor --> HburgR'hamMetro[Hburg-R'ham Metro Planning Organization]
    Mayor --> ParksAndRecreation[Parks and Recreation]
    Mayor --> PublicTransportation[Public Transportation]
    Mayor --> PlanningAndCommunityDevelopment[Planning and Community Development]
    Mayor --> EconomicDevelopment[Economic Development]
    Mayor --> Finance[Finance]
    Mayor --> InformationTechnology[Information Technology]
    Mayor --> Police[Police]
    Mayor --> Fire[Fire]
    Mayor --> PublicWorks[Public Works]
    Mayor --> HumanResources[Human Resources]
    Mayor --> PublicUtilities[Public Utilities]
    Mayor --> WaterTreatment[Water Treatment]
    Mayor --> SanitarySewer[Sanitary Sewer]
    Mayor --> UtilityBilling[Utility Billing]
    Mayor --> Parks[Parks]
    Mayor --> RecreationCenters[Recreation Centers and Playgrounds]
    Mayor --> WestoverPool[Westover Pool]
    Mayor --> Athletics[Athletics]
    Mayor --> SimmsContinuing[Simms Continuing Education Center]
    Mayor --> BlacksRun[Blacks Run Greenway]
    Mayor --> NationalGuard[National Guard Armory]
    Mayor --> GolfCourse[Golf Course]
    Mayor --> GeneralEngineering[General Engineering]
    Mayor --> Planning[Planning]
    Mayor --> Zoning[Zoning Administration]
    Mayor --> Inspection[Inspection]
    Mayor --> GeneralProperties[General Properties]
    Mayor --> VisitorTourism[Visitor and Tourism Services]
    Mayor --> DowntownParking[Downtown Parking Services]
    Mayor --> Operations[Operations]
    Mayor --> CriminalInvestigation[Criminal Investigation]
    Mayor --> SupportServices[Support Services]
    Mayor --> SpecialOperations[Special Operations]
    Mayor --> AnimalControl[Animal Control]
    Mayor --> Suppression[Suppression]
    Mayor --> Prevention[Prevention]
    Mayor --> Training[Training]
    Mayor --> EmergencyServices[Emergency Services]
    Mayor --> PublicSafetyBuilding[Public Safety Building]
    Mayor --> ChildSafety[Child Safety Alliance]
    Mayor --> StreetsHighways[Streets and Highways]
    Mayor --> TrafficEngineering[Traffic Engineering]
    Mayor --> InsectRodent[Insect and Rodent Control]
    Mayor --> CentralStores[Central Stores]
    Mayor --> Sanitation[Sanitation]
    Mayor --> SteamPlant[Steam Plant]
    Mayor --> RefuseCollection[Refuse Collection]
    Mayor --> Recycling[Recycling]
    Mayor --> CD5G[CD5G]
    Mayor --> Purchasing[Purchasing]
    Mayor --> Finance[Finance]
    Mayor --> TransitBuses[Transit Buses]
    Mayor --> SchoolBuses[School Buses]
    Mayor --> CentralGarage[Central Garage]
  
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**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2013**

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**CITY COUNCIL**

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J. Ted Byrd	Mayor
Charles R. Chenault	Vice Mayor
Richard A. Baugh	Council Member
Kai E. Degner	Council Member
Abram J. "Abe" Shearer	Council Member

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**CITY OFFICIALS**

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Kurt D. Hodgen	City Manager
Anne C. Lewis	Assistant City Manager
Jeffrey L. Shafer	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
G. Chris Brown	City Attorney
Erica S. Kann	City Clerk
Stephen P. Monticelli	Police Chief
Larry W. Shifflett	Fire Chief
Larry L. Propst	Director of Finance
A. Michael Collins	Director of Public Utilities
James D. Baker	Director of Public Works
Stacy H. Turner	Director of Planning and Community Development
Reginald S. "Reggie" Smith	Director of Public Transportation
Jennifer L. Whistleman	Director of Human Resources
E. Lee Foerster, Jr.	Director of Parks and Recreation
Brian B. Shull	Director of Economic Development
Paul A. Malabad	Director of Information Technology
Deborah Logan	City Registrar

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**SCHOOL BOARD**

---

Steve S. Barranco	Chairperson
Dominic D. "Nick" Swayne	Vice Chairperson
Dany Fleming	Board Member
Polly B. Fravel	Board Member
Sallie Strickler	Board Member
Kerri M. Wilson	Board Member

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**SCHOOL OFFICIALS**

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Scott R. Kizner, Ph.D.	Superintendent of Schools
Lisa M. Lantz	Clerk
Denise E. "DD" Dawson	Director of Finance

# FINANCIAL SECTION

This part of the City's comprehensive annual financial report contains the financial statements which include the basic financial statements, notes to financial statements and other supplementary information. This part also provides management's analysis of the City's current financial position and the outcome of its operations, as well as, the independent auditor's report.

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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards and Commissions*, both issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budget and actual schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 25, 2013

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

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As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$262.1 million (net position). Of this amount, \$57.5 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 \$5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52.1 million, an increase of \$4.3 million in comparison with the previous year. Approximately 45.9 percent of this total amount, \$23.9 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23.9 million, or 25.4 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$1.3 million during the current fiscal year.

### **Overview of the Financial Statements**

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 of the 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 and steam plant operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. To obtain a copy of the separately issued audited financial statements for HEC, contact the Harrisonburg Electric Commission, 89 West Bruce Street, Harrisonburg, Virginia 22801. The School Board does not issue separate financial statements.

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of 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 five 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 and General Capital Projects Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report.

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

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, public transportation and steam plant 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 four enterprise funds and three internal service funds. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Public Transportation Fund and Steam Plant Fund, which are considered to be major enterprise funds. Also, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 34 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 through 69 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 70 through 71 of this report.

**Other supplementary information.** This report also presents certain other supplementary information concerning the combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, agency funds and School Board individual fund financial statements. This information is presented immediately following required supplementary information. The combining and individual fund statements and schedules can be found on pages 72 through 92 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 exceed liabilities by \$262.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position (78 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 \$57.5 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 107,272,450	\$ 103,530,541	\$ 25,612,213	\$ 24,118,922	\$ 132,884,663	\$ 127,649,463
Capital assets	258,698,106	256,409,681	94,699,138	94,176,539	353,397,244	350,586,220
<b>Total assets</b>	<b>\$ 365,970,556</b>	<b>\$ 359,940,222</b>	<b>\$ 120,311,351</b>	<b>\$ 118,295,461</b>	<b>\$ 486,281,907</b>	<b>\$ 478,235,683</b>
Current and other liabilities	\$ 42,067,538	\$ 40,681,947	\$ 5,374,686	\$ 2,418,959	\$ 47,442,224	\$ 43,100,906
Long-term liabilities	144,855,785	144,334,926	31,915,226	33,777,340	176,771,011	178,112,266
<b>Total liabilities</b>	<b>\$ 186,923,323</b>	<b>\$ 185,016,873</b>	<b>\$ 37,289,912</b>	<b>\$ 36,196,299</b>	<b>\$ 224,213,235</b>	<b>\$ 221,213,172</b>
Net position:						
Net investment in capital assets	\$ 140,255,728	\$ 136,766,462	\$ 64,061,195	\$ 61,531,423	\$ 204,316,923	\$ 198,297,885
Restricted	253,898	436,546	-	-	253,898	436,546
Unrestricted	38,537,607	37,720,341	18,960,244	20,567,739	57,497,851	58,288,080
<b>Total net position</b>	<b>\$ 179,047,233</b>	<b>\$ 174,923,349</b>	<b>\$ 83,021,439</b>	<b>\$ 82,099,162</b>	<b>\$ 262,068,672</b>	<b>\$ 257,022,511</b>

The information for the previous year for governmental activities has been restated. The restatement is explained further in Note 28 of the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 20,519,343	\$ 18,419,491	\$ 22,953,466	\$ 20,711,474	\$ 43,472,809	\$ 39,130,965
Operating grants and contributions	6,468,579	6,420,728	1,649,862	1,469,284	8,118,441	7,890,012
Capital grants and contributions	4,057,173	3,431,309	3,277,876	3,226,291	7,335,049	6,657,600
General revenues:						
Property taxes	33,642,817	31,997,146	-	-	33,642,817	31,997,146
Sales and use taxes	11,450,969	10,744,198	-	-	11,450,969	10,744,198
Restaurant food taxes	9,948,280	8,815,101	-	-	9,948,280	8,815,101
Business license taxes	5,892,503	5,932,606	-	-	5,892,503	5,932,606
Other local taxes	5,877,472	5,599,612	-	-	5,877,472	5,599,612
Grants and contributions not restricted to specific programs	3,476,659	3,423,474	-	-	3,476,659	3,423,474
Payment from component units	4,900,000	4,900,000	-	-	4,900,000	4,900,000
Investment revenue	84,162	68,365	31,340	32,121	115,502	100,486
Other revenue	1,973,222	2,265,535	1,805,733	1,308,949	3,778,955	3,574,484
Gain on disposal of capital assets	-	-	15,055	10,863	15,055	10,863
<b>Total revenues</b>	<b>\$ 108,291,179</b>	<b>\$ 102,017,565</b>	<b>\$ 29,733,332</b>	<b>\$ 26,758,982</b>	<b>\$ 138,024,511</b>	<b>\$ 128,776,547</b>
<b>Expenses:</b>						
General government administration	\$ 15,200,128	\$ 14,871,365	\$ -	\$ -	\$ 15,200,128	\$ 14,871,365
Jail and judicial administration	3,697,318	3,353,068	-	-	3,697,318	3,353,068
Public safety	19,435,983	18,759,038	-	-	19,435,983	18,759,038
Public works	16,087,945	15,430,666	-	-	16,087,945	15,430,666
Health and welfare	3,792,389	3,684,731	-	-	3,792,389	3,684,731
Education	32,985,755	30,976,814	-	-	32,985,755	30,976,814
Parks, recreation and cultural	5,396,157	5,319,618	-	-	5,396,157	5,319,618
Planning and community development	3,628,594	3,734,283	-	-	3,628,594	3,734,283
Interest on long-term debt	5,304,302	5,602,256	-	-	5,304,302	5,602,256
Water	-	-	5,281,491	5,398,401	5,281,491	5,398,401
Sewer	-	-	9,501,243	9,217,798	9,501,243	9,217,798
Public transportation	-	-	4,915,643	4,817,708	4,915,643	4,817,708
Steam plant/sanitation	-	-	7,751,402	6,670,472	7,751,402	6,670,472
<b>Total expenses</b>	<b>\$ 105,528,571</b>	<b>\$ 101,731,839</b>	<b>\$ 27,449,779</b>	<b>\$ 26,104,379</b>	<b>\$ 132,978,350</b>	<b>\$ 127,836,218</b>
Excess (deficiency) before transfers	\$ 2,762,608	\$ 285,726	\$ 2,283,553	\$ 654,603	\$ 5,046,161	\$ 940,329
Special item	-	(1,446,706)	-	-	-	(1,446,706)
Transfers	1,361,276	6,335,894	(1,361,276)	(6,335,894)	-	-
<b>Change in net position</b>	<b>\$ 4,123,884</b>	<b>\$ 5,174,914</b>	<b>\$ 922,277</b>	<b>\$ (5,681,291)</b>	<b>\$ 5,046,161</b>	<b>\$ (506,377)</b>
Net position - beginning	174,923,349	169,748,435	82,099,162	87,780,453	257,022,511	257,528,888
Net position - ending	<u>\$ 179,047,233</u>	<u>\$ 174,923,349</u>	<u>\$ 83,021,439</u>	<u>\$ 82,099,162</u>	<u>\$ 262,068,672</u>	<u>\$ 257,022,511</u>

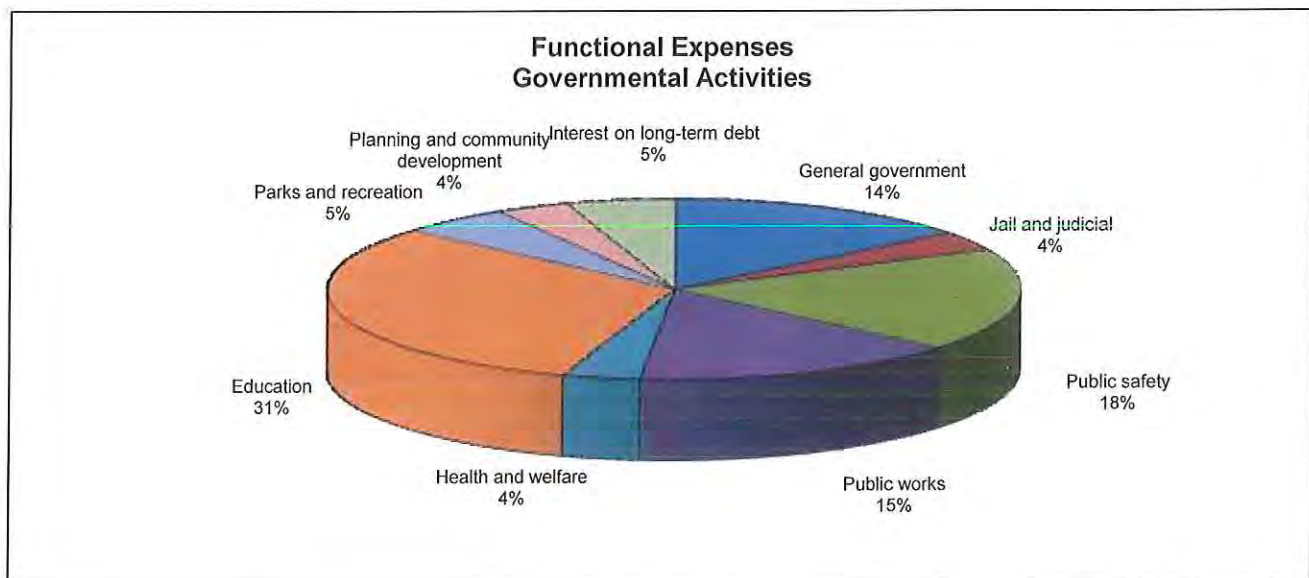
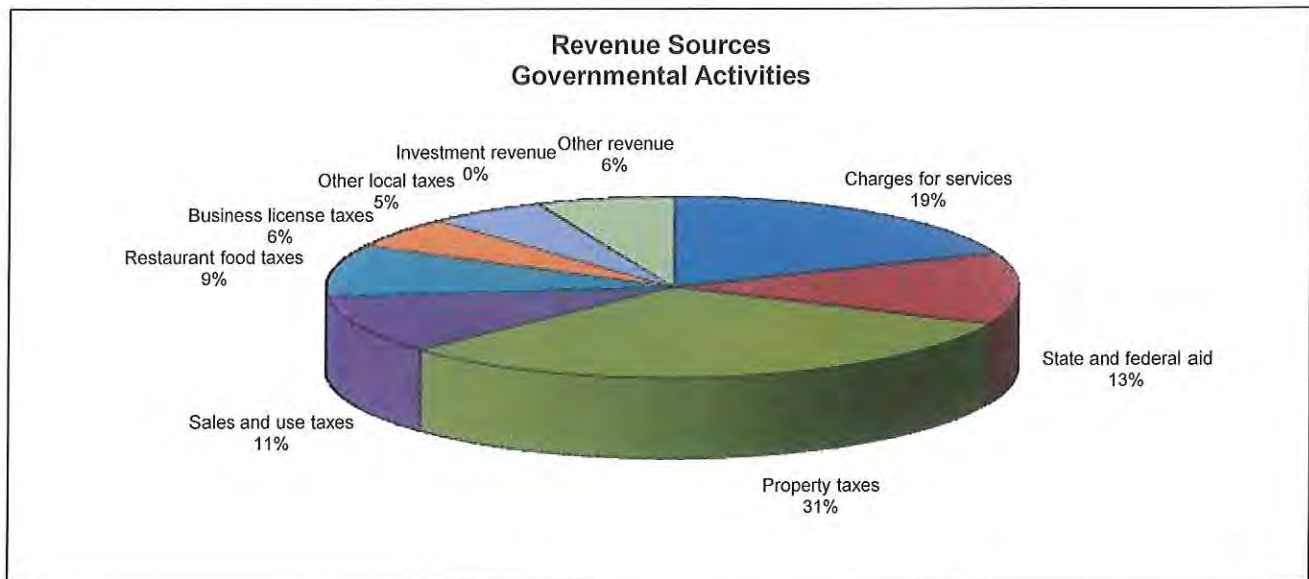
The information for the previous year for governmental activities has been restated. The restatement is explained further in Note 28 of the notes to the financial statements.

**Governmental activities.** Governmental activities increased the City's net position by \$4.1 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$2.1 million (11.4 percent) due to an increase in monthly rates for solid waste management fees.



- Capital grants and contributions increased \$1 million (34.3 percent) mainly due to intergovernmental revenue reimbursements for the Stone Spring Road/Erickson Avenue construction project.
- Property tax revenue increased \$1.65 million (5.1 percent) during the current year as a result of a four cent increase in the real estate tax rate and increased personal property tax collections.
- Restaurant food taxes increased \$1.1 million (12.85 percent) as a result of an increase in the tax rate from 6 percent to 6.5 percent and from a general improvement in economic activity.
- Expenses in the public works activity increased \$657,279 (4.3 percent) primarily due to a full year of depreciation from the completion of the Erickson Avenue/Stone Spring Road Phase 2 project.
- Expenses in the education activity increased \$2 million (6.5 percent) primarily due to an increase in funding to the Harrisonburg City School Board.
- Expenses for interest on long-term debt decreased \$297,954 (5.3 percent) primarily the result of debt refinancings completed in prior fiscal years.



**Business-type activities.** Business-type activities increased the City's net position by \$922,277. Key elements affecting business-type activities are as follows:

- Charges for services increased \$2.2 million (10.8 percent) mainly from steam plant charges for services that increased \$1.4 million (31 percent). Water charges for services increased \$230,153 (4 percent) while sewer charges for services increased \$504,347 (5.8 percent).
- Expenses in the steam plant activity increased \$1.1 million (16.2 percent) mainly due to increased costs associated with ash disposal at the Rockingham County landfill.

### **Government-wide Financial Analysis (Component Units)**

**School Board activities.** The net position of the School Board increased \$341,027 during the year, as compared to an \$181,084 increase in the previous year. School Board expenses increased \$4.15 million (7 percent) due to a general increase in instructional expenses. The School Board returned \$591,734 to the City in unused funding while still receiving an additional \$2.8 million in operating funds from the City compared to the previous year. State operating funding increased \$2.3 million due to increased enrollment, while Federal funding decreased \$315,000 as a result of decreased federal stimulus funding.

**HEC activities.** HEC's net position increased \$2.9 million during the year, as compared to a \$933,182 decrease in the previous year. Operating revenues increased \$512,920 (0.8 percent) during the current year, while expenses decreased \$3.55 million (5.6 percent). The decrease in expenses was partly a result of a lower fuel adjustment factor as well as a favorable outcome to the contractual true-up provided for in the power supply contract with Virginia Dominion Power.

### **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 \$23.9 million, while total fund balance was \$31.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents 25.4 percent (30 percent in the prior year) of total General Fund expenditures and other financing uses (less debt refunding transactions), while total fund balance represents 33.1 percent (37 percent in the prior year) of that same amount.

Total fund balance in the General Fund decreased \$279,857 mainly from a mid-year supplemental appropriation that transferred approximately \$3.9 million to the general capital projects fund and provided funds for one-time bonuses to City and School Board employees. This funding was provided by accumulated unassigned fund balance surpluses. This was offset by better than anticipated personal property tax collections, restaurant food tax collections and solid waste management fees. 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 \$20.6 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$18.5 million, of which \$4.8 million was intergovernmental revenue, \$8 million was the issuance of bonds and \$5.5 million was transfers from other funds. Intergovernmental revenue included \$3.4 million in funding

from the state and federal government for the Stone Spring Road/Erickson Avenue improvement project. The \$8 million in proceeds from the issuance of bonds was for the construction of a new public transportation facility. The \$5.5 million in transfers from other funds included \$750,000 from the Steam Plant Fund for expenditures associated with the closed City landfill project. Expenditures totaled \$13.8 million, of which the most significant were Phase 2 and Phase 3 construction expenditures for the Stone Spring Road/Erickson Avenue improvement projects, construction of a new public transportation facility and the purchase of right-of-way for the Reservoir Street improvement project.

**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 \$480,312 compared to a decrease of \$492,745 in the previous year. Operating revenues increased \$230,153 (4 percent) due a small water rate increase, while total operating expenses remained essentially flat.

**Sewer Fund.** The net position of the Sewer Fund decreased \$632,649 compared to a decrease of \$1.1 million in the previous year. Operating revenues increased \$504,347 (5.8 percent) due to a sewer authority rate increase, while total operating expenses increased \$291,340 (3.2 percent). An increase in contributions to the Harrisonburg-Rockingham Regional Sewer Authority was the primary factor for the increase in operating expenses.

**Public Transportation Fund.** The net position of the Public Transportation Fund increased \$2.1 million. Operating revenues increased \$93,550 (5.8 percent) mainly due to an increase in funding from James Madison University for transit bus services, while total operating expenses increased \$130,370 (2.7 percent). Expenses increased primarily due to an increase in maintenance and repair on buses. Capital contributions from federal and state sources for the construction of a new public transportation facility amounted to \$1.97 million.

**Steam Plant Fund.** The net position of the Steam Plant Fund decreased \$915,094. Operating revenues increased \$1.4 million (6 percent) due to an increase in steam sales to James Madison University, while total operating expenses increased \$1.1 million (19.3 percent) primarily due to increased costs associated with ash disposal at the Rockingham County landfill.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$6.6 million, or 7.2 percent of the original budget, and can be briefly summarized as follows:

- \$3.9 million appropriated for capital project purposes. Approximately \$3.55 million was used as matching funds for the Virginia Department of Transportation Revenue Sharing program.
- \$1.7 million appropriated for one-time bonuses to City and School Board employees.
- \$1 million appropriated for prior year encumbrances.
- \$291,632 appropriated for various fire department purposes including state and federal grants.
- \$284,297 appropriated for debt service to make a final payment on a capital lease obligation.
- \$177,469 appropriated for various police department purposes including state and federal grants.
- \$197,961 appropriated for other purposes.
- \$251,971 budgetary reduction in the City's payment to the School Board.
- \$684,908 in budgetary reductions for fund balance commitments associated with information technology and parks and recreation.

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

- General property tax revenues were over the final amended budget by approximately \$757,912. The variance was primarily the result of higher than anticipated personal property tax collections.



- Other local tax revenues were over the final amended budget by approximately \$977,475. The variance was primarily the result of higher than anticipated sales tax and restaurant food tax collection from improving economic activity.
- Public works expenditures were under the final amended budget by approximately \$1.9 million. The variance was primarily the result of the timing in street repaving, sidewalk repair and capital outlay expenditures.

### 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 \$353.4 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), JMU land and steam agreement (an intangible asset) and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$2.8 million.

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

- Construction was completed on the Stone Spring Road/Erickson Avenue Phase 2 improvement project increasing governmental activities' infrastructure and decreasing construction in progress by \$16.2 million.
- Construction continued on the Stone Spring Road/Erickson Avenue Phase 3 improvement project increasing governmental activities' construction in progress by \$2.8 million.
- Began purchasing right-of-way and engineering design continued on the Reservoir Street improvement project increasing governmental activities' land by \$2.65 million and construction in progress by \$1.2 million.
- Construction began on a new public transportation facility increasing governmental and business-type activities' construction in progress by \$2.4 million and \$2.2 million, respectively.
- Construction and engineering continued on the eastern source water line development project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$1.5 million.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 49,667,796	\$ 47,013,629	\$ 442,295	\$ 442,295	\$ 50,110,091	\$ 47,455,924
Easements	899,066	899,066	333,687	333,687	1,232,753	1,232,753
Construction in progress	14,739,819	21,868,204	15,844,562	12,313,171	30,584,381	34,181,375
Buildings	85,020,073	89,992,069	8,050,626	8,338,698	93,070,699	98,330,767
Improvements other than buildings	7,883,270	8,318,876	12,654,859	13,065,918	20,538,129	21,384,794
Machinery and equipment	14,322,733	15,224,111	19,048,736	20,541,972	33,371,469	35,766,083
Intangibles:						
JMU agreement	-	-	212,357	238,902	212,357	238,902
Other	78,000	104,000	-	-	78,000	104,000
Infrastructure	86,087,349	72,989,726	38,112,016	38,901,896	124,199,365	111,891,622
<b>Total capital assets</b>	<b>\$ 258,698,106</b>	<b>\$ 256,409,681</b>	<b>\$ 94,699,138</b>	<b>\$ 94,176,539</b>	<b>\$ 353,397,244</b>	<b>\$ 350,586,220</b>

Additional information on the City's capital assets can be found in Note 7 on pages 44 through 46 of this report. The information for the previous year for governmental activities has been restated. The restatement is explained further in Note 28 of the notes to the financial statements.



**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$176.8 million. Of this amount, \$161.65 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt decreased \$1.3 million during the current fiscal year.

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

- The issuance of \$8 million in general obligation bonds to partially fund the construction of a new transportation facility in governmental activities.
- Made the final \$540,000 principal payment on a capital lease obligation that was due in June 2014 in governmental activities.

City of Harrisonburg's Long-term Debt Outstanding (net of premiums/discounts and deferred refunding charges)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 131,015,191	\$ 129,469,015	\$ 30,637,943	\$ 32,405,122	\$ 161,653,134	\$ 161,874,137
General obligation revenue bonds	-	-	-	239,994	-	239,994
Capital leases	3,321,531	4,827,885	-	-	3,321,531	4,827,885
Moral obligation pledge	365,972	595,404	-	-	365,972	595,404
Compensated absences	3,245,927	3,073,941	732,823	696,729	3,978,750	3,770,670
Postretirement healthcare benefits	2,474,926	1,965,433	544,460	435,495	3,019,386	2,400,928
City landfill closure costs	1,734,273	1,705,283	-	-	1,734,273	1,705,283
County landfill obligation	2,697,965	2,697,965	-	-	2,697,965	2,697,965
<b>Total long-term debt</b>	<b>\$ 144,855,785</b>	<b>\$ 144,334,926</b>	<b>\$ 31,915,226</b>	<b>\$ 33,777,340</b>	<b>\$ 176,771,011</b>	<b>\$ 178,112,266</b>

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

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$391.1 million of which \$227.9 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 48 through 57 of this report. The information for the previous year for governmental activities has been restated. The restatement is explained further in Note 28 of the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

The approved \$96.1 million fiscal year 2014 General Fund budget included the use of approximately \$1.6 million from unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2014 General Fund budget.

- The unemployment rate for the City in December 2012 was 6 percent, which was a decrease from a rate of 6.6 percent in December 2011. This rate was higher than the 5.5 percent state rate but still compares favorably to the 7.6 percent national rate in December 2012.
- Flat real estate assessed values.
- Modest growth in sales tax and restaurant food tax revenue.
- A two percent salary increase for City and School Board employees.
- A 15 percent increase in health insurance premiums.

A water rate increase of \$0.07 per one thousand gallons (approximately 3 percent) was approved to provide continued funding for the financing of the construction of a waterline from the Shenandoah River.

A sewer authority rate increase of \$0.19 per one thousand gallons (approximately 5.8 percent) was approved to provide funding for the City's share of debt service for the Harrisonburg-Rockingham Regional Sewer Authority's \$90 million wastewater treatment plant expansion and increased operational costs associated with the expansion.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of this report in its entirety may be downloaded from the City's website at [www.harrisonburgva.gov](http://www.harrisonburgva.gov). Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Harrisonburg, Director of Finance, 345 South Main Street, Harrisonburg, VA 22801.

**BASIC  
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA  
STATEMENT OF NET POSITION  
At June 30, 2013

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 44,866,178	\$ 23,742,379	\$ 68,608,557	\$ 7,275,541	\$ 7,661,070
Investments	-	-	-	-	11,000,000
Receivables (net of allowance for uncollectibles)	40,042,956	3,971,541	44,014,497	1,868,365	6,395,077
Due from primary government	-	-	-	-	177,169
Due from component units	33,510	-	33,510	55,776	100,874
Internal balances	2,508,745	(2,508,745)	-	-	-
Inventory	1,431,022	-	1,431,022	104,839	1,657,960
Prepaid expenses	158,215	57,111	215,326	570,218	139,301
Loans receivable	9,269,899	-	9,269,899	-	-
Restricted assets	7,851,385	-	7,851,385	-	-
Bond issue costs	1,110,540	349,927	1,460,467	-	-
Capital assets:					
Capital assets, not being depreciated	65,306,681	16,620,544	81,927,225	5,701,759	7,148,059
Capital assets (net of accumulated depreciation)	193,391,425	78,078,594	271,470,019	28,455,659	53,747,633
<b>Total assets</b>	<b>\$ 365,970,556</b>	<b>\$ 120,311,351</b>	<b>\$ 486,281,907</b>	<b>\$ 44,032,157</b>	<b>\$ 88,027,143</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,495,141	\$ 838,172	\$ 4,333,313	\$ 94,855	\$ 4,152,579
Accrued payroll	535,013	103,725	638,738	6,157,261	-
Accrued interest	2,244,513	452,364	2,696,877	-	-
Due to primary government	-	-	-	27,027	6,483
Due to component units	100,364	76,805	177,169	100,874	55,776
Customer deposits	-	295,031	295,031	-	890,147
Unearned revenue	34,188,163	3,565,824	37,753,987	-	-
Other liabilities	868,576	42,765	911,341	529,714	409,105
Liabilities payable from restricted assets	635,768	-	635,768	-	-
Long-term liabilities:					
Due within one year	8,940,094	2,651,769	11,591,863	286,921	394,195
Due in more than one year	135,915,691	29,263,457	165,179,148	3,533,829	772,172
<b>Total liabilities</b>	<b>\$ 186,923,323</b>	<b>\$ 37,289,912</b>	<b>\$ 224,213,235</b>	<b>\$ 10,730,481</b>	<b>\$ 6,680,457</b>
<b>Net position</b>					
Net investment in capital assets	\$ 140,255,728	\$ 64,061,195	\$ 204,316,923	\$ 34,157,418	\$ 60,895,692
Restricted for:					
Public safety	253,898	-	253,898	-	-
Unrestricted	38,537,607	18,960,244	57,497,851	(855,742)	20,450,994
<b>Total net position</b>	<b>\$ 179,047,233</b>	<b>\$ 83,021,439</b>	<b>\$ 262,068,672</b>	<b>\$ 33,301,676</b>	<b>\$ 81,346,686</b>

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 15,200,128	\$ 9,808,618	\$ 281,641	\$ -
Jail and judicial administration	3,697,318	526,549	-	-
Public safety	19,435,983	268,391	1,636,472	-
Public works	16,087,945	5,714,587	4,037,451	4,057,173
Health and welfare	3,792,389	-	-	-
Education	32,985,755	2,402,874	-	-
Parks, recreation and cultural	5,396,157	1,078,285	6,986	-
Planning and community development	3,628,594	720,039	506,029	-
Interest on long-term debt	5,304,302	-	-	-
Total governmental activities	\$ 105,528,571	\$ 20,519,343	\$ 6,468,579	\$ 4,057,173
Business-type activities:				
Water	\$ 5,281,491	\$ 6,033,702	\$ 10,685	\$ 307,000
Sewer	9,501,243	9,135,855	-	236,840
Public transportation	4,915,643	1,652,106	1,639,177	2,734,036
Steam plant	7,751,402	6,131,803	-	-
Total business-type activities	\$ 27,449,779	\$ 22,953,466	\$ 1,649,862	\$ 3,277,876
Total primary government	\$ 132,978,350	\$ 43,472,809	\$ 8,118,441	\$ 7,335,049
Component units:				
School Board	\$ 63,735,671	\$ 2,182,673	\$ 16,230,954	\$ -
Harrisonburg Electric Commission (HEC)	60,212,539	62,763,637	-	317,155
Total component units	\$ 123,948,210	\$ 64,946,310	\$ 16,230,954	\$ 317,155

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	HEC	
\$ (5,109,869)	\$ -	\$ (5,109,869)	\$ -	\$ -	-
(3,170,769)	-	(3,170,769)	-	-	-
(17,531,120)	-	(17,531,120)	-	-	-
(2,278,734)	-	(2,278,734)	-	-	-
(3,792,389)	-	(3,792,389)	-	-	-
(30,582,881)	-	(30,582,881)	-	-	-
(4,310,886)	-	(4,310,886)	-	-	-
(2,402,526)	-	(2,402,526)	-	-	-
(5,304,302)	-	(5,304,302)	-	-	-
\$ (74,483,476)	\$ -	\$ (74,483,476)	\$ -	\$ -	-
\$ -	\$ 1,069,896	\$ 1,069,896	\$ -	\$ -	-
-	(128,548)	(128,548)	-	-	-
-	1,109,676	1,109,676	-	-	-
-	(1,619,599)	(1,619,599)	-	-	-
\$ -	\$ 431,425	\$ 431,425	\$ -	\$ -	-
\$ (74,483,476)	\$ 431,425	\$ (74,052,051)	\$ -	\$ -	-
\$ -	\$ -	\$ -	\$ (45,322,044)	\$ -	-
-	-	-	-	2,868,253	-
\$ -	\$ -	\$ -	\$ (45,322,044)	\$ 2,868,253	-
\$ 33,642,817	\$ -	\$ 33,642,817	\$ -	\$ -	-
11,450,969	-	11,450,969	-	-	-
9,948,280	-	9,948,280	-	-	-
5,892,503	-	5,892,503	-	-	-
5,877,472	-	5,877,472	-	-	-
3,476,659	-	3,476,659	19,683,198	-	-
-	-	-	25,726,478	-	-
4,900,000	-	4,900,000	-	-	-
84,162	31,340	115,502	1,985	51,873	-
1,973,222	1,805,733	3,778,955	251,410	-	-
-	15,055	15,055	-	-	-
1,361,276	(1,361,276)	-	-	-	-
\$ 78,607,360	\$ 490,852	\$ 79,098,212	\$ 45,663,071	\$ 51,873	-
\$ 4,123,884	\$ 922,277	\$ 5,046,161	\$ 341,027	\$ 2,920,126	-
174,923,349	82,099,162	257,022,511	32,960,649	78,426,560	-
\$ 179,047,233	\$ 83,021,439	\$ 262,068,672	\$ 33,301,676	\$ 81,346,686	-

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2013**

**Exhibit 3**

	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 27,225,810	\$ 14,035,999	\$ 397,215	\$ 41,659,024
Receivables (net of allowance for uncollectibles)	38,883,015	1,054,614	100,877	40,038,506
Due from other funds	1,431,441	-	-	1,431,441
Due from component units	-	-	27,027	27,027
Inventory	92,738	-	-	92,738
Prepaid expenditures	145,305	-	4,546	149,851
Loans receivable	9,206,100	-	63,798	9,269,898
Restricted assets	-	7,851,385	-	7,851,385
<b>Total assets</b>	<b>\$ 76,984,409</b>	<b>\$ 22,941,998</b>	<b>\$ 593,463</b>	<b>\$ 100,519,870</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,114,934	\$ 984,141	\$ 91,586	\$ 2,190,661
Accrued payroll	401,983	-	120,826	522,809
Due to other funds	46,905	23,009	6,768	76,682
Due to component units	98,861	-	865	99,726
Deferred revenue	43,214,122	700,407	65,441	43,979,970
Other liabilities	868,576	-	-	868,576
Liabilities payable from restricted assets	-	635,768	-	635,768
<b>Total liabilities</b>	<b>\$ 45,745,381</b>	<b>\$ 2,343,325</b>	<b>\$ 285,486</b>	<b>\$ 48,374,192</b>
<b>Fund Balances:</b>				
Nonspendable	\$ 613,043	\$ -	\$ 4,546	\$ 617,589
Restricted	253,898	7,215,617	-	7,469,515
Committed	3,386,367	13,383,056	303,431	17,072,854
Assigned	3,053,319	-	-	3,053,319
Unassigned	23,932,401	-	-	23,932,401
<b>Total fund balances</b>	<b>\$ 31,239,028</b>	<b>\$ 20,598,673</b>	<b>\$ 307,977</b>	<b>\$ 52,145,678</b>
<b>Total liabilities and fund balances</b>	<b>\$ 76,984,409</b>	<b>\$ 22,941,998</b>	<b>\$ 593,463</b>	<b>\$ 100,519,870</b>

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, 2013**

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**Exhibit 4**

Total fund balances of governmental funds (Exhibit 3)	\$ 52,145,678
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.	10,368,236
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	258,029,208
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(145,809,485)
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>4,313,596</u>
Net position of governmental activities (Exhibit 1)	\$ <u><u>179,047,233</u></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, 2013

Exhibit 5

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 33,745,312	\$ -	\$ -	\$ 33,745,312
Other local taxes	33,134,475	-	-	33,134,475
Permits, privilege fees and regulatory licenses	536,965	-	-	536,965
Fines and forfeitures	662,961	-	-	662,961
Use of money and property	174,848	19,785	130	194,763
Charges for services	7,075,434	-	2,420,617	9,496,051
Miscellaneous	1,923,959	23,000	58,999	2,005,958
Recovered costs	-	165,551	-	165,551
Payments from component units	4,900,000	-	-	4,900,000
Intergovernmental	9,491,755	4,776,110	542,023	14,809,888
Total revenues	\$ 91,645,709	\$ 4,984,446	\$ 3,021,769	\$ 99,651,924
<b>Expenditures:</b>				
Current:				
General government administration	\$ 4,082,373	\$ -	\$ -	\$ 4,082,373
Jail and judicial administration	3,400,357	-	-	3,400,357
Public safety	18,348,671	-	-	18,348,671
Public works	11,691,698	-	-	11,691,698
Health and welfare	3,770,524	-	-	3,770,524
Education	25,726,478	-	2,770,785	28,497,263
Parks, recreation and cultural	4,666,748	-	-	4,666,748
Planning and community development	3,219,776	-	495,550	3,715,326
Debt service:				
Principal retirement	8,016,601	-	-	8,016,601
Interest and fiscal charges	5,335,520	-	-	5,335,520
Capital projects	-	13,820,417	-	13,820,417
Total expenditures	\$ 88,258,746	\$ 13,820,417	\$ 3,266,335	\$ 105,345,498
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 3,386,963	\$ (8,835,971)	\$ (244,566)	\$ (5,693,574)
<b>Other financing sources (uses):</b>				
Long-term debt issued	\$ -	\$ 8,050,000	\$ -	\$ 8,050,000
Transfers in	2,453,652	5,501,958	295,058	8,250,668
Transfers out	(6,120,472)	(208,056)	-	(6,328,528)
Total other financing sources (uses)	\$ (3,666,820)	\$ 13,343,902	\$ 295,058	\$ 9,972,140
<b>Net change in fund balances</b>	\$ (279,857)	\$ 4,507,931	\$ 50,492	\$ 4,278,566
Fund balances at beginning of year	31,518,885	16,090,742	257,485	47,867,112
Fund balances at end of year	\$ 31,239,028	\$ 20,598,673	\$ 307,977	\$ 52,145,678

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, 2013**

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**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 4,278,566
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.	(544,784)
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.	5,543,109
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.	(2,624,892)
The transfer of capital assets to other funds affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(621,345)
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 issuance costs, 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.	171,513
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.	(651,308)
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>(1,426,975)</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u><u>4,123,884</u></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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 32,987,400	\$ 32,987,400	\$ 33,745,312	\$ 757,912
Other local taxes	32,157,000	32,157,000	33,134,475	977,475
Permits, privilege fees and regulatory licenses	465,250	465,250	536,965	71,715
Fines and forfeitures	449,000	449,000	662,961	213,961
Use of money and property	145,000	145,000	174,848	29,848
Charges for services	6,342,800	6,395,237	7,075,434	680,197
Miscellaneous	1,876,310	1,913,162	1,923,959	10,797
Payments from component units	4,900,000	4,900,000	4,900,000	-
Intergovernmental	9,358,825	9,619,228	9,491,755	(127,473)
Total revenues	<u>\$ 88,681,585</u>	<u>\$ 89,031,277</u>	<u>\$ 91,645,709</u>	<u>\$ 2,614,432</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 4,949,695	\$ 4,364,213	\$ 4,082,373	\$ 281,840
Jail and judicial administration	3,132,350	3,400,357	3,400,357	-
Public safety	18,340,638	19,011,872	18,348,671	663,201
Public works	12,844,935	13,613,921	11,691,698	1,922,223
Health and welfare	3,753,888	3,770,524	3,770,524	-
Education	25,657,310	26,318,211	25,726,478	591,733
Parks, recreation and cultural	4,965,721	5,079,285	4,666,748	412,537
Planning and community development	3,456,794	3,488,129	3,219,776	268,353
Debt service:				
Principal retirement	7,476,601	8,016,601	8,016,601	-
Interest and fiscal charges	5,313,913	5,340,479	5,335,520	4,959
Total expenditures	<u>\$ 89,891,845</u>	<u>\$ 92,403,592</u>	<u>\$ 88,258,746</u>	<u>\$ 4,144,846</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (1,210,260)</u>	<u>\$ (3,372,315)</u>	<u>\$ 3,386,963</u>	<u>\$ 6,759,278</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 2,453,652	\$ 2,453,652	\$ 2,453,652	\$ -
Transfers out	(1,995,244)	(6,120,472)	(6,120,472)	-
Total other financing sources (uses)	<u>\$ 458,408</u>	<u>\$ (3,666,820)</u>	<u>\$ (3,666,820)</u>	<u>\$ -</u>
<b>Net change in fund balance</b>	<u>\$ (751,852)</u>	<u>\$ (7,039,135)</u>	<u>\$ (279,857)</u>	<u>\$ 6,759,278</u>
Fund balance at beginning of year			31,518,885	
Fund balance at end of year			<u>\$ 31,239,028</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, 2013

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,497,246	\$ 4,554,966	\$ 101,943	\$ 12,588,224	\$ 23,742,379	\$ 3,207,154
Receivables (net of allowance for uncollectibles)	692,175	1,049,326	10,214	150,697	1,902,412	4,451
Due from other funds	-	-	-	46,905	46,905	-
Due from component units	-	-	-	-	-	6,483
Due from other governments	10,685	-	2,058,444	-	2,069,129	-
Inventory	-	-	-	-	-	1,338,284
Prepaid expenses	-	1,802	19,969	35,340	57,111	8,364
Total current assets	\$ 7,200,106	\$ 5,606,094	\$ 2,190,570	\$ 12,821,166	\$ 27,817,936	\$ 4,564,736
Noncurrent assets:						
Bond issue costs	\$ 135,226	\$ -	\$ -	\$ 214,701	\$ 349,927	\$ -
Capital assets (net of accumulated depreciation)	47,665,825	22,928,921	8,245,678	15,858,714	94,699,138	668,898
Total noncurrent assets	\$ 47,801,051	\$ 22,928,921	\$ 8,245,678	\$ 16,073,415	\$ 95,049,065	\$ 668,898
<b>Total assets</b>	<b>\$ 55,001,157</b>	<b>\$ 28,535,015</b>	<b>\$ 10,436,248</b>	<b>\$ 28,894,581</b>	<b>\$ 122,867,001</b>	<b>\$ 5,233,634</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 168,754	\$ 42,694	\$ 459,293	\$ 167,431	\$ 838,172	\$ 1,304,480
Accrued payroll	31,233	22,478	22,136	27,878	103,725	12,204
Accrued interest	165,482	-	-	286,882	452,364	-
Due to other funds	-	-	1,175,151	-	1,175,151	226,513
Due to component units	9,973	4,067	787	61,978	76,805	638
Customer deposits	295,031	-	-	-	295,031	-
Unearned revenue	239,250	156,400	-	3,170,174	3,565,824	576,429
Other liabilities	42,765	-	-	-	42,765	-
Compensated absences	132,030	68,273	56,788	57,543	314,634	47,873
Current portion of bonds payable	385,011	-	-	1,952,124	2,337,135	-
Total current liabilities	\$ 1,469,529	\$ 293,912	\$ 1,714,155	\$ 5,724,010	\$ 9,201,606	\$ 2,168,137
Noncurrent liabilities:						
Compensated absences	\$ 154,457	\$ 105,606	\$ 70,243	\$ 87,883	\$ 418,189	\$ 50,240
Postretirement healthcare benefits	171,090	143,599	84,734	145,037	544,460	82,160
Bonds payable	10,696,461	-	-	17,604,347	28,300,808	-
Total noncurrent liabilities	\$ 11,022,008	\$ 249,205	\$ 154,977	\$ 17,837,267	\$ 29,263,457	\$ 132,400
<b>Total liabilities</b>	<b>\$ 12,491,537</b>	<b>\$ 543,117</b>	<b>\$ 1,869,132</b>	<b>\$ 23,561,277</b>	<b>\$ 38,465,063</b>	<b>\$ 2,300,537</b>
<b>Net position</b>						
Net investment in capital assets	\$ 36,584,353	\$ 22,928,921	\$ 8,245,678	\$ (3,697,757)	\$ 64,061,195	\$ 668,898
Unrestricted	5,925,267	5,062,977	321,438	9,031,061	20,340,743	2,264,199
<b>Total net position</b>	<b>\$ 42,509,620</b>	<b>\$ 27,991,898</b>	<b>\$ 8,567,116</b>	<b>\$ 5,333,304</b>	<b>\$ 84,401,938</b>	<b>\$ 2,933,097</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,380,499)	
Net position of business-type activities (Exhibit 1)					\$ 83,021,439	

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



## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 5,903,062	\$ 9,131,072	\$ 1,652,106	\$ 6,054,308	\$ 22,740,548	\$ 17,147,685
Connection fees	130,640	4,783	-	-	135,423	-
Total operating revenues	\$ 6,033,702	\$ 9,135,855	\$ 1,652,106	\$ 6,054,308	\$ 22,875,971	\$ 17,147,685
<b>Operating expenses:</b>						
Personal services	\$ 1,438,208	\$ 1,042,131	\$ 1,704,274	\$ 1,351,890	\$ 5,536,503	\$ 639,764
Fringe benefits	470,354	391,011	379,368	492,028	1,732,761	215,913
Purchased services	358,164	123,510	92,425	1,780,565	2,354,664	743,338
Internal services	231,232	272,272	1,308,394	87,257	1,899,155	4,033
Other charges	470,979	125,964	226,990	1,294,150	2,118,083	923,521
Materials and supplies	256,414	52,030	42,195	361,381	712,020	50,892
Contributions to regional sewer authority	-	6,096,937	-	-	6,096,937	-
Depreciation and amortization	1,805,052	1,365,290	1,144,102	1,632,164	5,946,608	32,150
Cost of inventory issued	-	-	-	-	-	3,674,115
Claims related charges	-	-	-	-	-	12,516,303
Total operating expenses	\$ 5,030,403	\$ 9,469,145	\$ 4,897,748	\$ 6,999,435	\$ 26,396,731	\$ 18,800,029
<b>Operating income (loss)</b>	\$ 1,003,299	\$ (333,290)	\$ (3,245,642)	\$ (945,127)	\$ (3,520,760)	\$ (1,652,344)
<b>Nonoperating revenues (expenses):</b>						
Intergovernmental revenue	\$ 10,685	\$ -	\$ 1,639,177	\$ -	\$ 1,649,862	\$ -
Connection application fees	250,510	383,018	-	-	633,528	-
Miscellaneous revenue	37,425	9,026	95,754	-	142,205	7,857
Reimbursement of bond payment	-	-	-	1,107,495	1,107,495	-
Investment revenue	11,037	7,042	267	12,994	31,340	5,394
Interest expense	(168,546)	-	-	(732,865)	(901,411)	-
Gain on disposal of capital assets	-	1,530	12,025	1,500	15,055	-
Total nonoperating revenues (expenses)	\$ 141,111	\$ 400,616	\$ 1,747,223	\$ 389,124	\$ 2,678,074	\$ 13,251
<b>Income (loss) before contributions and transfers</b>	\$ 1,144,410	\$ 67,326	\$ (1,498,419)	\$ (556,003)	\$ (842,686)	\$ (1,639,093)
Capital contributions	735,322	429,863	2,734,036	-	3,899,221	-
Transfers in	30,142	24,760	905,728	390,909	1,351,539	165,481
Transfers out	(1,429,562)	(1,154,598)	-	(750,000)	(3,334,160)	(105,000)
<b>Change in net position</b>	\$ 480,312	\$ (632,649)	\$ 2,141,345	\$ (915,094)	\$ 1,073,914	\$ (1,578,612)
Net position at beginning of year	42,029,308	28,624,547	6,425,771	6,248,398		4,511,709
Net position at end of year	\$ 42,509,620	\$ 27,991,898	\$ 8,567,116	\$ 5,333,304		\$ 2,933,097
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(151,637)	
Change in net position of business-type activities (Exhibit 2)					\$ 922,277	

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

CITY OF HARRISONBURG, VIRGINIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2013

Exhibit 10  
 Page 1

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 5,868,234	\$ 9,026,716	\$ 1,652,818	\$ 9,153,957	\$ 25,701,725	\$ 4,655,323
Receipts from premiums	-	-	-	-	-	12,576,204
Receipts from other sources	39,925	9,026	93,086	-	142,037	309,042
Receipts from customer deposits	152,635	-	-	-	152,635	-
Payments to employees	(1,421,567)	(1,031,008)	(1,702,593)	(1,361,321)	(5,516,489)	(632,341)
Payments for fringe benefits	(438,841)	(354,568)	(360,247)	(468,422)	(1,622,078)	(198,754)
Payments to vendors	(1,060,652)	(276,488)	(363,056)	(3,461,170)	(5,161,366)	(5,400,973)
Payments for internal services	(231,232)	(272,272)	(1,308,394)	(87,257)	(1,899,155)	(4,033)
Payments to other governmental units	-	(6,096,937)	-	-	(6,096,937)	-
Payments to refund customer deposits	(148,901)	-	-	-	(148,901)	-
Payments for claims related charges	-	-	-	-	-	(12,311,779)
Net cash provided by (used for) operating activities	\$ 2,759,601	\$ 1,004,469	\$ (1,988,386)	\$ 3,775,787	\$ 5,551,471	\$ (1,007,311)
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	\$ -	\$ -	\$ 1,660,428	\$ -	\$ 1,660,428	\$ -
Transfers in	30,142	24,760	905,728	390,909	1,351,539	165,481
Transfers out	(1,429,562)	(1,154,598)	-	(750,000)	(3,334,160)	(105,000)
Interfund loan	-	-	1,175,151	-	1,175,151	47,685
Net cash provided by (used for) noncapital financing activities	\$ (1,399,420)	\$ (1,129,838)	\$ 3,741,307	\$ (359,091)	\$ 852,958	\$ 108,166
<b>Cash flows from capital and related financing activities:</b>						
Capital grants	\$ -	\$ -	\$ 1,095,860	\$ -	\$ 1,095,860	\$ -
Connection application fees	199,500	255,000	-	-	454,500	-
Payment from JMU for long-term debt	-	-	-	1,176,344	1,176,344	-
Proceeds from sale of capital assets	-	1,530	12,025	1,500	15,055	-
Principal paid on long-term debt	(392,867)	-	-	(1,719,668)	(2,112,535)	-
Interest paid on long-term debt	(371,069)	-	-	(688,288)	(1,059,357)	-
Purchase and construction of capital assets	(1,666,243)	(292,862)	(2,816,047)	(145,031)	(4,920,183)	(23,703)
Net cash used for capital and related financing activities	\$ (2,230,679)	\$ (36,332)	\$ (1,708,162)	\$ (1,375,143)	\$ (5,350,316)	\$ (23,703)
<b>Cash flows from investing activities:</b>						
Interest received	\$ 11,037	\$ 7,043	\$ 267	\$ 12,994	\$ 31,341	\$ 5,395
Net cash provided by investing activities	\$ 11,037	\$ 7,043	\$ 267	\$ 12,994	\$ 31,341	\$ 5,395
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (859,461)	\$ (154,658)	\$ 45,026	\$ 2,054,547	\$ 1,085,454	\$ (917,453)
<b>Cash and cash equivalents:</b>						
Beginning	7,356,707	4,709,624	56,917	10,533,677	22,656,925	4,124,607
Ending	\$ 6,497,246	\$ 4,554,966	\$ 101,943	\$ 12,588,224	\$ 23,742,379	\$ 3,207,154

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2013

Exhibit 10  
 Page 2

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 1,003,299	\$ (333,290)	\$ (3,245,642)	\$ (945,127)	\$ (3,520,760)	\$ (1,652,344)	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,805,052	1,365,290	1,144,102	1,632,164	5,946,608	32,150	
Connection fees	(130,640)	(4,783)	-	-	(135,423)	-	
Miscellaneous revenue	39,925	9,026	93,086	-	142,037	9,042	
Change in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	(37,090)	(104,356)	712	50,325	(90,409)	(812)	
Due from other funds	-	-	-	(46,905)	(46,905)	-	
Due from component units	-	-	-	-	-	(635)	
Inventory	-	-	-	-	-	306,896	
Prepaid expenses	2,890	-	(3,190)	(24,546)	(24,846)	(104)	
Increase (decrease) in:							
Accounts payable	20,843	25,668	1,316	(3,340)	44,487	188,658	
Accrued payroll	(886)	(744)	234	(13,219)	(14,615)	(483)	
Due to component units	1,171	740	(31)	2,132	4,012	(33)	
Customer deposits	3,734	-	-	-	3,734	-	
Unearned revenue	-	-	-	3,096,229	3,096,229	85,288	
Other liabilities	2,262	-	-	-	2,262	-	
Compensated absences	18,784	12,700	1,563	3,048	36,095	8,459	
Postretirement healthcare benefits	30,257	34,218	19,464	25,026	108,965	16,607	
Net cash provided by (used for) operating activities	\$ 2,759,601	\$ 1,004,469	\$ (1,988,386)	\$ 3,775,787	\$ 5,551,471	\$ (1,007,311)	
Non - cash capital and related financing activities:							
Additions to capital assets:							
Contributed by developers	\$ 307,000	\$ 236,840	\$ -	\$ -	\$ 543,840	\$ -	
Contributed by other funds	428,322	193,023	-	-	621,345	-	
Purchase and construction on account	87,543	9,418	404,431	-	501,392	-	
Capitalized interest	229,430	-	-	-	229,430	-	

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



CITY OF HARRISONBURG, VIRGINIA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
At June 30, 2013

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,392,611
Receivables	154,889
Prepaid items	<u>89,468</u>
<b>Total assets</b>	<b>\$ <u>3,636,968</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 40,494
Accrued payroll	32,687
Amounts held for others	<u>3,563,787</u>
<b>Total liabilities</b>	<b>\$ <u>3,636,968</u></b>

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

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

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

### **A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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, franchise license, and utility 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. Property and other taxes not collected or remitted within 60 days after year-end are reflected as deferred revenue.

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.

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.

**Steam Plant Fund** – This fund accounts for the activities of the City's steam plant operations.

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.

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

*Agency funds* account for assets held by the City in the **Juvenile Crime Control Fund** for the 26<sup>th</sup> Judicial District Court Service Unit as a participant in the Virginia Juvenile Community Crime Control Act (VJCCCA), the **Industrial Development Authority Fund** and the **Emergency Communications Center Fund**.

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

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

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

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

### **D. Budgets and Budgetary Accounting**

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

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented is the original budget and the final budget as of June 30, 2013.

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 made during the year in the General Fund totaling \$6,636,975. 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

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

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 and Net Position or Fund Equity**

**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. 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 LGIP is not registered with the Securities Exchange Commission (SEC); however, the pool is managed consistent with the definition of a "2a-7 like pool" as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 a voluntary participant in the Virginia State Non-Arbitrage Program (SNAP), which is an open-end management investment company registered with the SEC. The fair value of the investment in these pools is determined by the pool's share price.

**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, 2013. 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 deferred revenue 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, 2013 amounted to \$837,177.

**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.

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

**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 \$5,000 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 \$25,000 to \$100,000. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Water Fund incurred \$397,976 in interest expense during the current fiscal year of which \$229,430 was capitalized.

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

Buildings	40 years
Improvements other than buildings	10-50 years
Machinery and equipment	2-30 years
Infrastructure	20-40 years
James Madison University land and steam agreement	25 years

**8. School Board Capital Assets.** Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$2,624,892 in net capital assets to the School Board during the current year on the government-wide statement of activities.

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

**10. Compensated absences.** It is the City's policy to permit employees to accumulate earned but not used vacation 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 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, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Deferred amounts from bond refundings are amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts from bond refundings. Unamortized bond issuance costs are reported in other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**12. Fund balance.** In the fund financial statements, the City may report certain fund balance amounts as nonspendable, restricted, committed, assigned or unassigned. *Nonspendable fund balance* consists of amounts that cannot be spent because they are either not in spendable form such as inventories or prepaid items or amounts that are legally or contractually required to be maintained intact. *Restricted fund balance* is a constraint on fund balance that is externally imposed such as by creditors or grantors or imposed by law or enabling legislation for a specific purpose. *Committed fund balance* is a constraint imposed by formal action of 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 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 12 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 16 percent of the General Fund budget.

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

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

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

A reconciliation between the total fund balance as reported in the governmental fund balance sheet and the net position of governmental activities as reported in the government-wide statement of net position is provided on Exhibit 4. One element of that reconciliation explains that "Certain liabilities, including bonds and related accounts, are

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

not payable from current financial resources and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ (131,231,286)
Bond issue premiums/discounts (net)	(1,061,608)
Deferred charge for bond issue costs	1,110,540
Deferred charge for bond refunding	1,277,703
Capital leases	(3,321,531)
Moral obligation pledge	(365,972)
Compensated absences (not including internal service funds)	(3,147,814)
Postretirement healthcare benefits (not including internal service funds)	(2,392,766)
Landfill closure and postclosure	(1,734,273)
County landfill contractual obligation	(2,697,965)
Accrued interest	<u>(2,244,513)</u>
Net adjustment	\$ <u><u>(145,809,485)</u></u>

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

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

Capital outlay	\$ 14,510,462
Depreciation expense (not including internal service funds)	<u>(8,967,353)</u>
Net adjustment	\$ <u><u>5,543,109</u></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 issuance costs, 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:

Debt issued	\$ (8,050,000)
Deferred charge for bond issue costs on debt issued	43,796
Principal payments	8,246,033
Amortization of bond premiums/discounts (net)	64,861
Amortization of bond issue costs	(61,893)
Amortization of deferred bond refunding charges	<u>(71,284)</u>
Net adjustment	\$ <u><u>171,513</u></u>



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

Another element of that reconciliation states that "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)	\$	(163,527)
Postretirement healthcare benefits (not including internal service funds)		(492,886)
Landfill closure and postclosure		(28,990)
Accrued interest		<u>34,095</u>
Net adjustment	\$	<u>(651,308)</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, 2013, 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, 2013, 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, 2013.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 68,267,775	\$ 6,961,818	\$ 527	\$ 75,230,120
State Non-Arbitrage Pool (SNAP)	7,851,385	-	-	7,851,385
Certificates of Deposit	-	-	5,000,000	5,000,000
Money Market Account	-	-	6,000,000	6,000,000
Deposits	<u>3,714,580</u>	<u>313,023</u>	<u>7,658,243</u>	<u>11,685,846</u>
Total deposits and investments	<u>\$ 79,833,740</u>	<u>\$ 7,274,841</u>	<u>\$ 18,658,770</u>	<u>\$ 105,767,351</u>

**Note 4. Receivables**

The following is a summary of receivables at June 30, 2013.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 35,040,577	\$ -	\$ 35,040,577	\$ -	\$ -
Other taxes receivable	1,470,713	-	1,470,713	-	-
Accounts receivable	523,842	1,969,348	2,493,190	-	6,395,077
Other receivables	289,478	8,561	298,039	618,125	-
Due from other governments:					
Commonwealth of Virginia	3,243,199	250,956	3,494,155	1,008,201	-
Federal Government	312,324	1,818,173	2,130,497	242,039	-
Allowance for uncollectibles	(837,177)	(75,497)	(912,674)	-	-
Total	\$ <u>40,042,956</u>	\$ <u>3,971,541</u>	\$ <u>44,014,497</u>	\$ <u>1,868,365</u>	\$ <u>6,395,077</u>

**Note 5. Restricted Assets**

The City has certain assets presented on the government-wide statement of net position and the governmental fund balance sheet as restricted for specific purposes. Restricted assets for governmental activities in the amount of \$7,851,385 represent unspent bond proceeds.

**Note 6. Loans Receivable**

The following is a summary of loans receivable at June 30, 2013.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	December 6, 2011	17.5	3.19%	\$ 5,770,000	\$ 270,000
HRHA*	October 24, 2006	26.5	4.21%	3,061,100	100,450
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
Total General Fund				\$ <u>9,206,100</u>	\$ <u>370,450</u>
2013-03	January 31, 2013	4	4.5%	\$ 23,084	\$ 5,924
2013-02	August 29, 2012	3	4.5%	15,250	7,150
2013-01	July 3, 2012	5	4.5%	20,827	4,753
2012-02	March 14, 2012	4	4.5%	1,640	1,640
2012-01	December 28, 2011	4	4.5%	2,998	1,215
Total Business Loan Program Fund				\$ <u>63,799</u>	\$ <u>20,682</u>
Total Governmental Activities				\$ <u>9,269,899</u>	\$ <u>391,132</u>

\*Harrisonburg Redevelopment and Housing Authority

## Note 7. Capital Assets

### Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2013.

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 47,013,629	\$ 2,654,167	\$ -	\$ 49,667,796
Easements	899,066	-	-	899,066
Construction in progress	21,868,204	10,802,868	(17,931,253)	14,739,819
Capital assets, not being depreciated	<u>\$ 69,780,899</u>	<u>\$ 13,457,035</u>	<u>\$ (17,931,253)</u>	<u>\$ 65,306,681</u>
Capital assets, being depreciated:				
Buildings	\$ 115,329,342	\$ 442,391	\$ (3,261,071)	\$ 112,510,662
Improvements other than buildings	12,226,013	27,660	-	12,253,673
Machinery and equipment	32,367,391	1,049,470	(828,041)	32,588,820
Intangibles	130,000	-	-	130,000
Infrastructure	135,428,528	16,867,517	-	152,296,045
Capital assets, being depreciated	<u>\$ 295,481,274</u>	<u>\$ 18,387,038</u>	<u>\$ (4,089,112)</u>	<u>\$ 309,779,200</u>
Less accumulated depreciation:				
Buildings	\$ (25,337,273)	\$ (2,789,495)	\$ 636,179	\$ (27,490,589)
Improvements other than buildings	(3,907,137)	(463,266)	-	(4,370,403)
Machinery and equipment	(17,143,280)	(1,950,848)	828,041	(18,266,087)
Intangibles	(26,000)	(26,000)	-	(52,000)
Infrastructure	(62,438,802)	(3,769,894)	-	(66,208,696)
Accumulated depreciation	<u>\$ (108,852,492)</u>	<u>\$ (8,999,503)</u>	<u>\$ 1,464,220</u>	<u>\$ (116,387,775)</u>
Capital assets, being depreciated (net)	<u>\$ 186,628,782</u>	<u>\$ 9,387,535</u>	<u>\$ (2,624,892)</u>	<u>\$ 193,391,425</u>

The beginning balances for land, buildings and accumulated depreciation for buildings have been restated by \$190,100, \$926,850 and \$11,586, respectively. See Note 28 for further details.

The primary government has included in the preceding schedule land in the amount of \$113,878, buildings in the amount of \$874,603 (\$371,706 in accumulated depreciation) and machinery and equipment in the amount of \$5,939,144 (\$1,361,203 in accumulated depreciation) that are associated with capital lease obligations.

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

General government administration	\$ 57,053
Jail and judicial administration	296,961
Public safety	1,269,728
Public works	4,381,062
Health and welfare	21,865
Education	2,087,439
Parks, recreation and culture	714,271
Planning and community development	138,974
Internal service funds (allocated to various functions)	32,150
Total governmental activities depreciation expense	<u>\$ 8,999,503</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 2013.

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 442,295	\$ -	\$ -	\$ 442,295
Easements	333,687	-	-	333,687
Construction in progress	<u>12,313,171</u>	<u>4,299,156</u>	<u>(767,765)</u>	<u>15,844,562</u>
Capital assets, not being depreciated	<u>\$ 13,089,153</u>	<u>\$ 4,299,156</u>	<u>\$ (767,765)</u>	<u>\$ 16,620,544</u>
Capital assets, being depreciated:				
Buildings	\$ 12,580,649	\$ -	\$ (5,030)	\$ 12,575,619
Improvements other than buildings	19,705,946	86,525	-	19,792,471
Machinery and equipment	46,899,831	1,307,612	(157,998)	48,049,445
Intangibles:				
JMU land and steam agreement	2,041,898	-	-	2,041,898
Infrastructure	<u>75,067,299</u>	<u>1,524,658</u>	<u>(23,859)</u>	<u>76,568,098</u>
Capital assets, being depreciated	<u>\$ 156,295,623</u>	<u>\$ 2,918,795</u>	<u>\$ (186,887)</u>	<u>\$ 159,027,531</u>
Less accumulated depreciation:				
Buildings	\$ (4,241,951)	\$ (288,072)	\$ 5,030	\$ (4,524,993)
Improvements other than buildings	(6,640,028)	(497,584)	-	(7,137,612)
Machinery and equipment	(26,357,859)	(2,800,848)	157,998	(29,000,709)
Intangibles:				
JMU land and steam agreement	(1,802,996)	(26,545)	-	(1,829,541)
Infrastructure	<u>(36,165,403)</u>	<u>(2,314,538)</u>	<u>23,859</u>	<u>(38,456,082)</u>
Accumulated depreciation	<u>\$ (75,208,237)</u>	<u>\$ (5,927,587)</u>	<u>\$ 186,887</u>	<u>\$ (80,948,937)</u>
Capital assets, being depreciated (net)	<u>\$ 81,087,386</u>	<u>\$ (3,008,792)</u>	<u>\$ -</u>	<u>\$ 78,078,594</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 \$11,829. 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	\$ 1,798,034
Sewer	1,365,290
Public transportation	1,144,102
Steam plant	<u>1,608,332</u>
Total business-type activities depreciation expense	<u>\$ 5,915,758</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 2013.

**Component Unit – School Board:**

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 5,611,429	\$ -	\$ -	\$ 5,611,429
Construction in progress	-	90,330	-	90,330
Capital assets, not being depreciated	<u>\$ 5,611,429</u>	<u>\$ 90,330</u>	<u>\$ -</u>	<u>\$ 5,701,759</u>
Capital assets, being depreciated:				
Buildings	\$ 41,965,526	\$ 3,180,400	\$ -	\$ 45,145,926
Improvements other than buildings	95,168	-	-	95,168
Machinery and equipment	4,936,775	362,030	-	5,298,805
Capital assets, being depreciated	<u>\$ 46,997,469</u>	<u>\$ 3,542,430</u>	<u>\$ -</u>	<u>\$ 50,539,899</u>
Less accumulated depreciation:				
Buildings	\$ (17,175,061)	\$ (1,649,031)	\$ -	\$ (18,824,092)
Improvements other than buildings	(27,730)	(4,758)	-	(32,488)
Machinery and equipment	(2,814,349)	(413,311)	-	(3,227,660)
Accumulated depreciation	<u>\$ (20,017,140)</u>	<u>\$ (2,067,100)</u>	<u>\$ -</u>	<u>\$ (22,084,240)</u>
Capital assets, being depreciated (net)	<u>\$ 26,980,329</u>	<u>\$ 1,475,330</u>	<u>\$ -</u>	<u>\$ 28,455,659</u>

**Component Unit – HEC:**

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 3,094,507	\$ -	\$ -	\$ 3,094,507
Construction in progress	2,375,469	3,968,376	(2,290,293)	4,053,552
Capital assets, not being depreciated	<u>\$ 5,469,976</u>	<u>\$ 3,968,376</u>	<u>\$ (2,290,293)</u>	<u>\$ 7,148,059</u>
Capital assets, being depreciated:				
Buildings	\$ 2,789,571	\$ 29,009	\$ -	\$ 2,818,580
Machinery and equipment	6,098,553	271,342	(40,940)	6,328,955
Infrastructure	107,228,329	2,107,181	(262,357)	109,073,153
Capital assets, being depreciated	<u>\$ 116,116,453</u>	<u>\$ 2,407,532</u>	<u>\$ (303,297)</u>	<u>\$ 118,220,688</u>
Less accumulated depreciation:				
Buildings	\$ (1,779,843)	\$ (74,438)	\$ -	\$ (1,854,281)
Machinery and equipment	(5,796,968)	(243,457)	46,693	(5,993,732)
Infrastructure	(53,182,755)	(3,782,341)	340,054	(56,625,042)
Accumulated depreciation	<u>\$ (60,759,566)</u>	<u>\$ (4,100,236)</u>	<u>\$ 386,747</u>	<u>\$ (64,473,055)</u>
Capital assets, being depreciated (net)	<u>\$ 55,356,887</u>	<u>\$ (1,692,704)</u>	<u>\$ 83,450</u>	<u>\$ 53,747,633</u>

## Note 8. Interfund Balances

The General Fund has due from other funds in the amount \$1,431,441. This amount is mainly comprised of loans to the Public Transportation Fund, Community Development Block Grant Fund and Central Stores Fund in the amounts of \$1,175,151, \$6,768 and \$226,513, respectively. The purpose of these loans is to eliminate year-end cash and cash equivalents deficit balances and are anticipated to be repaid within the subsequent fiscal year. The amount due from the Public Transportation Fund is the result of the timing of intergovernmental revenue reimbursements associated with the construction of a new public transportation facility. All other balances are for services provided between funds.

## Note 9. 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, 2013.

Transfer in	Transfer out						Total
	General Fund	General Capital Projects Fund	Water Fund	Sewer Funds	Steam Plant Fund	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 1,310,160	\$ 1,143,492	\$ -	\$ -	\$ 2,453,652
General Capital Projects Fund	4,751,958	-	-	-	750,000	-	5,501,958
Other Governmental Funds	190,058	-	-	-	-	105,000	295,058
Water Fund	30,142	-	-	-	-	-	30,142
Sewer Fund	24,760	-	-	-	-	-	24,760
Public Transportation Fund	697,672	208,056	-	-	-	-	905,728
Steam Plant Fund	390,909	-	-	-	-	-	390,909
Internal Service Funds	34,973	-	119,402	11,106	-	-	165,481
Total	<u>\$ 6,120,472</u>	<u>\$ 208,056</u>	<u>\$ 1,429,562</u>	<u>\$ 1,154,598</u>	<u>\$ 750,000</u>	<u>\$ 105,000</u>	<u>\$ 9,767,688</u>

## Note 10. Unearned Revenue/Deferred Revenue

The following is a summary of unearned and deferred revenue at June 30, 2013.

	Governmental Activities				Total
	General Fund	General Capital Projects Fund	Other Governmental Funds	Internal Service Funds	
Property taxes billed in fiscal year 2014	\$ 33,366,891	\$ -	\$ -	\$ -	\$ 33,366,891
Advance collection of parking leases	59,583	-	-	-	59,583
Golf course season passes	42,975	-	-	-	42,975
Health insurance premiums	-	-	-	576,429	576,429
Other unearned revenue	-	142,285	-	-	142,285
Total unearned revenue	<u>\$ 33,469,449</u>	<u>\$ 142,285</u>	<u>\$ -</u>	<u>\$ 576,429</u>	<u>\$ 34,188,163</u>
Total unearned revenue	\$ 33,469,449	\$ 142,285	\$ -	\$ 576,429	\$ 34,188,163
Uncollected property tax billings	595,178	-	-	-	595,178
Other local taxes	85,124	-	-	-	85,124
Reimbursement from Housing Authority	126,009	-	-	-	126,009
Intergovernmental	65,027	558,122	-	-	623,149
Loans receivable	8,831,100	-	63,799	-	8,894,899
Other deferred revenue	42,235	-	1,642	-	43,877
Total deferred revenue	<u>\$ 43,214,122</u>	<u>\$ 700,407</u>	<u>\$ 65,441</u>	<u>\$ 576,429</u>	<u>\$ 44,556,399</u>

**Note 10. Unearned Revenue/Deferred Revenue (continued)**

Unearned revenue for business-type activities in the amount of \$3,565,824 represents connection application fees for which the services had not been provided as of year-end and certain prepayments made by James Madison University. This amount is comprised of \$239,250 in the Water Fund, \$156,400 in the Sewer Fund and \$3,170,174 in the Steam Plant Fund.

**Note 11. Long-term Liabilities****Primary Government**

The following is a summary of the debt service requirements for the long-term liabilities of the governmental activities as of June 30, 2013.

Year Ending June 30,	General		Capital Leases		Total	
	Obligation Bonds				Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 6,689,477	\$ 5,044,357	\$ 470,142	\$ 122,370	\$ 7,159,619	\$ 5,166,727
2015	6,682,363	4,811,767	490,060	102,469	7,172,423	4,914,236
2016	6,920,959	4,564,111	510,329	81,652	7,431,288	4,645,763
2017	7,164,682	4,302,376	437,000	61,382	7,601,682	4,363,758
2018	6,810,546	4,048,687	454,000	44,631	7,264,546	4,093,318
2019-2023	36,964,327	15,913,233	960,000	36,434	37,924,327	15,949,667
2024-2028	38,513,932	8,142,690	-	-	38,513,932	8,142,690
2029-2033	21,160,000	2,335,585	-	-	21,160,000	2,335,585
2034-2035	325,000	13,100	-	-	325,000	13,100
Total	<u>\$ 131,231,286</u>	<u>\$ 49,175,906</u>	<u>\$ 3,321,531</u>	<u>\$ 448,938</u>	<u>\$ 134,552,817</u>	<u>\$ 49,624,844</u>

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2013.

Year Ending June 30,	General		Total	
	Obligation Bonds		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,442,483	\$ 990,285	\$ 2,442,483	\$ 990,285
2015	2,511,174	923,518	2,511,174	923,518
2016	2,570,565	853,247	2,570,565	853,247
2017	2,159,256	789,615	2,159,256	789,615
2018	2,217,245	725,079	2,217,245	725,079
2019-2023	9,935,979	2,447,218	9,935,979	2,447,218
2024-2028	6,015,857	1,011,621	6,015,857	1,011,621
2029-2033	3,159,333	410,228	3,159,333	410,228
2034-2038	814,333	12,500	814,333	12,500
2039-2040	75,733	-	75,733	-
Total	<u>\$ 31,901,958</u>	<u>\$ 8,163,311</u>	<u>\$ 31,901,958</u>	<u>\$ 8,163,311</u>

## Note 11. Long-term Liabilities (continued)

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2013.

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 129,691,533	\$ 8,050,000	\$ (6,510,247)	\$ 131,231,286	\$ 6,689,477
Bond premiums/discounts (net)	1,126,469	-	(64,861)	1,061,608	64,856
Deferred bond refunding charges	(1,348,987)	-	71,284	(1,277,703)	(71,284)
Total bonds payable	\$ 129,469,015	\$ 8,050,000	\$ (6,503,824)	\$ 131,015,191	\$ 6,683,049
Capital leases	4,827,885	-	(1,506,354)	3,321,531	470,142
Moral obligation pledge	595,404	-	(229,432)	365,972	240,978
Compensated absences	3,073,941	1,828,752	(1,656,766)	3,245,927	1,459,226
Postretirement healthcare benefits	1,965,433	859,890	(350,397)	2,474,926	-
City landfill closure costs	1,705,283	28,990	-	1,734,273	86,699
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Governmental activities long-term debt	\$ 144,334,926	\$ 10,767,632	\$ (10,246,773)	\$ 144,855,785	\$ 8,940,094

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, 2013, \$98,113 and \$82,160 of compensated absences and postretirement healthcare benefits, 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 2013.

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 33,774,493	\$ -	\$ (1,872,535)	\$ 31,901,958	\$ 2,442,483
General obligation revenue bonds	240,000	-	(240,000)	-	-
Bond premiums/discounts (net)	1,224,826	-	(99,252)	1,125,574	99,266
Deferred bond refunding charges	(2,594,203)	-	204,614	(2,389,589)	(204,614)
Total bonds payable	\$ 32,645,116	\$ -	\$ (2,007,173)	\$ 30,637,943	\$ 2,337,135
Compensated absences	696,729	367,156	(331,062)	732,823	314,634
Postretirement healthcare benefits	435,495	183,904	(74,939)	544,460	-
Business-type activities long-term debt	\$ 33,777,340	\$ 551,060	\$ (2,413,174)	\$ 31,915,226	\$ 2,651,769

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2013.

### General Obligation Bonds:

\$4,250,000 School Bonds (Virginia Public School Authority), Series 1994A, issued May 5, 1994, maturing annually with interest payable semi-annually:

Bonds bearing interest at 6.30% maturing on July 15, 2013	\$ 220,000
Subtotal	\$ 220,000



**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$2,005,000 School Bonds (Virginia Public School Authority), Series 1999A, issued May 13, 1999, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.725% maturing on July 15, 2013	\$ 100,000
Bonds bearing interest at 4.725% maturing on July 15, 2014	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2015	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2016	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2017	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2018	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2019	100,000
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Subtotal	\$ 700,000

\$5,100,000 School Bonds (Virginia Public School Authority), Series 2000A, issued May 13, 2000, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.600% maturing on July 15, 2013	\$ 255,000
Bonds bearing interest at 5.600% maturing on July 15, 2014	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	255,000
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Subtotal	\$ 2,040,000

\$41,500,000 School Bonds (Virginia Public School Authority), Series 2001C, issued November 15, 2001, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.100% maturing on July 15, 2013	\$ 1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020	2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021	2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022	2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023	2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024	2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025	2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026	2,945,000
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Subtotal	\$ 30,295,000

**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$7,250,000 Bonds, Series 2005, issued June 29, 2005, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.55% maturing on July 15, 2013	\$	326,094
Bonds bearing interest at 3.55% maturing on July 15, 2014		337,671
Bonds bearing interest at 3.55% maturing on July 15, 2015		349,658
Bonds bearing interest at 3.55% maturing on July 15, 2016		362,071
Bonds bearing interest at 3.55% maturing on July 15, 2017		374,924
Bonds bearing interest at 3.55% maturing on July 15, 2018		388,234
Bonds bearing interest at 3.55% maturing on July 15, 2019		402,016
Bonds bearing interest at 3.55% maturing on July 15, 2020		416,288
Bonds bearing interest at 3.55% maturing on July 15, 2021		431,066
Bonds bearing interest at 3.55% maturing on July 15, 2022		446,369
Bonds bearing interest at 3.55% maturing on July 15, 2023		462,215
Bonds bearing interest at 3.55% maturing on July 15, 2024		478,624
Bonds bearing interest at 3.55% maturing on July 15, 2025		495,615
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Subtotal	\$	5,270,845

\$50,000,000 Public Improvement Bonds, Series 2006, issued October 25, 2006, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.000% maturing on February 1, 2014	\$	1,435,000
Bonds bearing interest at 5.000% maturing on February 1, 2015		1,495,000
Bonds bearing interest at 5.125% maturing on February 1, 2016		1,570,000
Bonds bearing interest at 4.000% maturing on February 1, 2017		1,650,000
Bonds bearing interest at 3.750% maturing on February 1, 2018		1,715,000
Bonds bearing interest at 4.000% maturing on February 1, 2019		1,780,000
Bonds bearing interest at 4.000% maturing on February 1, 2020		1,850,000
Bonds bearing interest at 4.000% maturing on February 1, 2021		1,925,000
Bonds bearing interest at 4.100% maturing on February 1, 2022		2,000,000
Bonds bearing interest at 4.100% maturing on February 1, 2023		2,080,000
Bonds bearing interest at 4.125% maturing on February 1, 2024		2,170,000
Bonds bearing interest at 4.125% maturing on February 1, 2025		2,255,000
Bonds bearing interest at 4.125% maturing on February 1, 2026		2,350,000
Bonds bearing interest at 4.125% maturing on February 1, 2027		2,445,000
Bonds bearing interest at 4.250% maturing on February 1, 2028		2,550,000
Bonds bearing interest at 4.250% maturing on February 1, 2029		2,655,000
Bonds bearing interest at 4.250% maturing on February 1, 2030		2,770,000
Bonds bearing interest at 4.250% maturing on February 1, 2031		2,885,000
Bonds bearing interest at 4.250% maturing on February 1, 2032		3,010,000
Bonds bearing interest at 4.250% maturing on February 1, 2033		3,140,000
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Subtotal	\$	43,730,000

**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$1,125,000 Public Safety Refunding Bonds (Virginia Resources Authority Pooled Financing Program), Series 2009A, issued June 17, 2009, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.125% maturing on October 1, 2013	\$	80,000
Bonds bearing interest at 4.419% maturing on October 1, 2014		85,000
Bonds bearing interest at 4.792% maturing on October 1, 2015		90,000
Bonds bearing interest at 4.809% maturing on October 1, 2016		95,000
Bonds bearing interest at 5.125% maturing on October 1, 2017		100,000
Bonds bearing interest at 5.125% maturing on October 1, 2018		105,000
Bonds bearing interest at 4.839% maturing on October 1, 2019		105,000
Bonds bearing interest at 4.852% maturing on October 1, 2020		110,000
Bonds bearing interest at 3.951% maturing on October 1, 2021		<u>115,000</u>
Subtotal	\$	<u>885,000</u>

\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2013	\$	380,000
Bonds bearing interest at 2.000% maturing on July 15, 2014		385,000
Bonds bearing interest at 2.000% maturing on July 15, 2015		395,000
Bonds bearing interest at 2.000% maturing on July 15, 2016		405,000
Bonds bearing interest at 4.000% maturing on July 15, 2017		415,000
Bonds bearing interest at 4.000% maturing on July 15, 2018		430,000
Bonds bearing interest at 2.500% maturing on July 15, 2019		445,000
Bonds bearing interest at 3.000% maturing on July 15, 2020		460,000
Bonds bearing interest at 3.000% maturing on July 15, 2021		470,000
Bonds bearing interest at 3.000% maturing on July 15, 2022		485,000
Bonds bearing interest at 3.000% maturing on July 15, 2023		500,000
Bonds bearing interest at 3.125% maturing on July 15, 2024		515,000
Bonds bearing interest at 3.250% maturing on July 15, 2025		535,000
Bonds bearing interest at 3.375% maturing on July 15, 2026		550,000
Bonds bearing interest at 3.500% maturing on July 15, 2027		570,000
Bonds bearing interest at 3.500% maturing on July 15, 2028		590,000
Bonds bearing interest at 3.625% maturing on July 15, 2029		615,000
Bonds bearing interest at 3.750% maturing on July 15, 2030		<u>635,000</u>
Subtotal	\$	<u>8,780,000</u>

\$5,691,105 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2013	\$	325,383
Bonds bearing interest at 3.000% maturing on July 15, 2014		331,692
Bonds bearing interest at 2.000% maturing on July 15, 2015		342,301
Bonds bearing interest at 3.000% maturing on July 15, 2016		348,611
Bonds bearing interest at 3.000% maturing on July 15, 2017		360,622
Bonds bearing interest at 5.000% maturing on July 15, 2018		371,839

**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

Bonds bearing interest at 3.000% maturing on July 15, 2019	310,236
Bonds bearing interest at 4.000% maturing on July 15, 2020	322,247
Bonds bearing interest at 4.000% maturing on July 15, 2021	335,660
Bonds bearing interest at 3.000% maturing on July 15, 2022	348,372
Bonds bearing interest at 3.000% maturing on July 15, 2023	360,383
Bonds bearing interest at 3.125% maturing on July 15, 2024	368,095
Bonds bearing interest at 3.250% maturing on July 15, 2025	120,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	125,000
Bonds bearing interest at 3.375% maturing on July 15, 2027	125,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	130,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	140,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	140,000
Bonds bearing interest at 4.000% maturing on July 15, 2031	145,000
Bonds bearing interest at 4.000% maturing on July 15, 2032	155,000
Bonds bearing interest at 4.000% maturing on July 15, 2033	160,000
Bonds bearing interest at 4.000% maturing on July 15, 2034	165,000
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Subtotal	\$ 5,530,441

\$27,265,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on August 1, 2013	\$ 1,570,000
Bonds bearing interest at 2.000% maturing on August 1, 2014	1,605,000
Bonds bearing interest at 2.000% maturing on August 1, 2015	1,645,000
Bonds bearing interest at 2.000% maturing on August 1, 2016	1,680,000
Bonds bearing interest at 2.000% maturing on August 1, 2017	1,120,000
Bonds bearing interest at 4.000% maturing on August 1, 2018	1,165,000
Bonds bearing interest at 3.000% maturing on August 1, 2019	1,215,000
Bonds bearing interest at 4.000% maturing on August 1, 2020	1,265,000
Bonds bearing interest at 4.000% maturing on August 1, 2021	1,315,000
Bonds bearing interest at 3.000% maturing on August 1, 2022	1,370,000
Bonds bearing interest at 3.000% maturing on August 1, 2023	1,415,000
Bonds bearing interest at 3.000% maturing on August 1, 2024	1,475,000
Bonds bearing interest at 3.000% maturing on August 1, 2025	1,525,000
Bonds bearing interest at 3.125% maturing on August 1, 2026	1,575,000
Bonds bearing interest at 3.250% maturing on August 1, 2027	1,640,000
Bonds bearing interest at 3.375% maturing on August 1, 2028	1,705,000
Bonds bearing interest at 3.500% maturing on August 1, 2029	1,670,000
Bonds bearing interest at 3.625% maturing on August 1, 2030	380,000
Bonds bearing interest at 3.625% maturing on August 1, 2031	395,000
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Subtotal	\$ 25,730,000

**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$8,050,000 Bonds, Series 2012, issued December 7, 2012, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.2% maturing on August 1, 2013	\$ 458,000
Bonds bearing interest at 2.2% maturing on August 1, 2014	468,000
Bonds bearing interest at 2.2% maturing on August 1, 2015	479,000
Bonds bearing interest at 2.2% maturing on August 1, 2016	489,000
Bonds bearing interest at 2.2% maturing on August 1, 2017	500,000
Bonds bearing interest at 2.2% maturing on August 1, 2018	511,000
Bonds bearing interest at 2.2% maturing on August 1, 2019	523,000
Bonds bearing interest at 2.2% maturing on August 1, 2020	534,000
Bonds bearing interest at 2.2% maturing on August 1, 2021	546,000
Bonds bearing interest at 2.2% maturing on August 1, 2022	558,000
Bonds bearing interest at 2.2% maturing on August 1, 2023	571,000
Bonds bearing interest at 2.2% maturing on August 1, 2024	584,000
Bonds bearing interest at 2.2% maturing on August 1, 2025	596,000
Bonds bearing interest at 2.2% maturing on August 1, 2026	610,000
Bonds bearing interest at 2.2% maturing on August 1, 2027	<u>623,000</u>
Subtotal	\$ <u>8,050,000</u>
Total General Obligation Bonds	\$ <u><u>131,231,286</u></u>

## Capital Leases:

\$1,066,000 lease agreement with the Harrisonburg Redevelopment and Housing Authority effective August 24, 1995 with principal and interest payable semi-annually.

Lease bearing interest at 6.08% maturing August 24, 2013 and February 26, 2014	\$ 79,142
Lease bearing interest at 6.08% maturing August 24, 2014 and February 26, 2015	84,060
Lease bearing interest at 6.08% maturing August 24, 2015 and February 26, 2016	<u>89,329</u>
Subtotal	\$ <u>252,531</u>

\$5,740,000 lease purchase effective December 17, 2004, maturing annually with interest payable semi-annually:

Lease bearing interest at 3.76% maturing on December 1, 2013	\$ 391,000
Lease bearing interest at 3.76% maturing on December 1, 2014	406,000
Lease bearing interest at 3.76% maturing on December 1, 2015	421,000
Lease bearing interest at 3.76% maturing on December 1, 2016	437,000
Lease bearing interest at 3.76% maturing on December 1, 2017	454,000
Lease bearing interest at 3.76% maturing on December 1, 2018	471,000
Lease bearing interest at 3.76% maturing on December 1, 2019	<u>489,000</u>
Subtotal	\$ <u>3,069,000</u>
Total Capital Leases	\$ <u><u>3,321,531</u></u>

**Note 11. Long-term Liabilities (continued)**

The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2013.

**General Obligation Bonds:**

\$4,260,000 Solid Waste Disposal System Refunding Bonds (Virginia Resources Authority Pooled Financing Program), Series 2004B, issued November 17, 2004, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.6250% maturing on October 1, 2013	\$ 420,000
Bonds bearing interest at 3.6250% maturing on October 1, 2014	435,000
Bonds bearing interest at 4.4766% maturing on October 1, 2015	<u>455,000</u>
Subtotal	\$ <u>1,310,000</u>

\$1,000,000 Bonds, Series 2008, issued August 21, 2008, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.65% maturing on August 21, 2013	\$ 100,000
Bonds bearing interest at 3.65% maturing on August 21, 2014	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2015	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2016	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2017	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2018	<u>100,000</u>
Subtotal	\$ <u>600,000</u>

\$1,136,000 Water Bonds, Series 2009 (Virginia Resources Authority Drinking Water State Revolving Fund), issued November 20, 2009, maturing semi-annually:

Bonds bearing interest at 0% maturing on August 1, 2013 and February 1, 2014	\$ 37,866
Bonds bearing interest at 0% maturing on August 1, 2014 and February 1, 2015	37,866
Bonds bearing interest at 0% maturing on August 1, 2015 and February 1, 2016	37,866
Bonds bearing interest at 0% maturing on August 1, 2016 and February 1, 2017	37,867
Bonds bearing interest at 0% maturing on August 1, 2017 and February 1, 2018	37,867
Bonds bearing interest at 0% maturing on August 1, 2018 and February 1, 2019	37,867
Bonds bearing interest at 0% maturing on August 1, 2019 and February 1, 2020	37,866
Bonds bearing interest at 0% maturing on August 1, 2020 and February 1, 2021	37,866
Bonds bearing interest at 0% maturing on August 1, 2021 and February 1, 2022	37,867
Bonds bearing interest at 0% maturing on August 1, 2022 and February 1, 2023	37,867
Bonds bearing interest at 0% maturing on August 1, 2023 and February 1, 2024	37,867
Bonds bearing interest at 0% maturing on August 1, 2024 and February 1, 2025	37,867
Bonds bearing interest at 0% maturing on August 1, 2025 and February 1, 2026	37,867
Bonds bearing interest at 0% maturing on August 1, 2026 and February 1, 2027	37,867
Bonds bearing interest at 0% maturing on August 1, 2027 and February 1, 2028	37,867
Bonds bearing interest at 0% maturing on August 1, 2028 and February 1, 2029	37,867
Bonds bearing interest at 0% maturing on August 1, 2029 and February 1, 2030	37,866
Bonds bearing interest at 0% maturing on August 1, 2030 and February 1, 2031	37,866
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2032	37,867
Bonds bearing interest at 0% maturing on August 1, 2032 and February 1, 2033	37,867
Bonds bearing interest at 0% maturing on August 1, 2033 and February 1, 2034	37,867
Bonds bearing interest at 0% maturing on August 1, 2034 and February 1, 2035	37,866

**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

Bonds bearing interest at 0% maturing on August 1, 2035 and February 1, 2036	37,866
Bonds bearing interest at 0% maturing on August 1, 2036 and February 1, 2037	37,867
Bonds bearing interest at 0% maturing on August 1, 2037 and February 1, 2038	37,867
Bonds bearing interest at 0% maturing on August 1, 2038 and February 1, 2039	37,867
Bonds bearing interest at 0% maturing on August 1, 2039 and February 1, 2040	<u>37,866</u>
Subtotal	\$ <u>1,022,399</u>

\$28,063,895 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2013	\$ 1,824,617
Bonds bearing interest at 3.000% maturing on July 15, 2014	1,878,308
Bonds bearing interest at 2.000% maturing on July 15, 2015	1,917,699
Bonds bearing interest at 3.000% maturing on July 15, 2016	1,961,389
Bonds bearing interest at 3.000% maturing on July 15, 2017	2,014,378
Bonds bearing interest at 5.000% maturing on July 15, 2018	2,103,161
Bonds bearing interest at 3.000% maturing on July 15, 2019	1,704,764
Bonds bearing interest at 4.000% maturing on July 15, 2020	1,762,753
Bonds bearing interest at 4.000% maturing on July 15, 2021	1,829,340
Bonds bearing interest at 3.000% maturing on July 15, 2022	1,891,628
Bonds bearing interest at 3.000% maturing on July 15, 2023	1,949,617
Bonds bearing interest at 3.125% maturing on July 15, 2024	2,006,905
Bonds bearing interest at 3.250% maturing on July 15, 2025	470,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	480,000
Bonds bearing interest at 3.375% maturing on July 15, 2027	500,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	520,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	535,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	555,000
Bonds bearing interest at 4.000% maturing on July 15, 2031	575,000
Bonds bearing interest at 4.000% maturing on July 15, 2032	600,000
Bonds bearing interest at 4.000% maturing on July 15, 2033	<u>625,000</u>
Subtotal	\$ <u>27,704,559</u>

\$1,325,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on August 1, 2013	\$ 60,000
Bonds bearing interest at 2.000% maturing on August 1, 2014	60,000
Bonds bearing interest at 2.000% maturing on August 1, 2015	60,000
Bonds bearing interest at 2.000% maturing on August 1, 2016	60,000
Bonds bearing interest at 2.000% maturing on August 1, 2017	65,000
Bonds bearing interest at 4.000% maturing on August 1, 2018	65,000
Bonds bearing interest at 3.000% maturing on August 1, 2019	70,000
Bonds bearing interest at 4.000% maturing on August 1, 2020	70,000
Bonds bearing interest at 4.000% maturing on August 1, 2021	75,000
Bonds bearing interest at 3.000% maturing on August 1, 2022	<u>75,000</u>

## Note 11. Long-term Liabilities (continued)

### General Obligation Bonds (continued):

Bonds bearing interest at 3.000% maturing on August 1, 2023	80,000
Bonds bearing interest at 3.000% maturing on August 1, 2024	80,000
Bonds bearing interest at 3.000% maturing on August 1, 2025	85,000
Bonds bearing interest at 3.125% maturing on August 1, 2026	85,000
Bonds bearing interest at 3.250% maturing on August 1, 2027	90,000
Bonds bearing interest at 3.375% maturing on August 1, 2028	90,000
Bonds bearing interest at 3.500% maturing on August 1, 2029	<u>95,000</u>
Subtotal	\$ <u>1,265,000</u>
Total General Obligation Bonds	\$ <u><u>31,901,958</u></u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Series 2004 Solid Waste Disposal System Refunding Bonds and on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current year reimbursements for debt service payments on these bonds totaled \$1,176,344. The total outstanding balance of the two bond issues at June 30, 2013 was \$1,910,000.

In October 2006, the City issued \$50 million in general obligation public improvement bonds, of which \$3.5 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$50 million bond issue as the debt service payments come due. As of June 30, 2013, the outstanding balance of the loan is \$3,061,100.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$28.6 million bond issue as the debt service payments come due. As of June 30, 2013, the outstanding balance of the loan is \$5,770,000.

### **Component Unit – School Board**

At June 30, 2013, the School Board had \$3,820,750 in long-term liabilities outstanding. This long-term liability is comprised of \$879,185 in compensated absences, of which \$286,921 is due within one year and \$2,941,565 in postretirement healthcare benefits, of which the entire amount is due in more than one year.

### **Component Unit – HEC**

At June 30, 2013, HEC had \$1,166,367 in long-term liabilities outstanding. This long-term liability is comprised of \$394,195 in compensated absences, of which the entire amount is due within one year and \$772,172 in postretirement health care benefits, of which the entire amount is due in more than one year.

HEC had a \$1 million unsecured line of credit at a rate equal to LIBOR plus 1.4 percent. There were no borrowings against this line of credit during fiscal year 2013. The line expired in June 2013 and was not renewed.



## **Note 12. Capital Lease Agreements**

**Social Services and Health Department Lease Agreement.** In August 1995, the City and the County of Rockingham (County) entered into a lease agreement with the Harrisonburg Redevelopment and Housing Authority (Authority). Pursuant to the terms of this lease, the Authority sold a bond issue for \$2,665,000 entitled "Public Facility Lease Revenue Bond (Rockingham County and City of Harrisonburg Project)." The proceeds of this bond issue were used to renovate and equip a building for combined Social Services and Health Departments. The bonds are limited obligations of the Authority payable solely from certain rent payments to be made by the City and the County. The obligations of the City and County to make rent payments will be subject to annual appropriation by the City Council and the County Board of Supervisors, neither of which shall be under any legal obligation to make such appropriation. Neither the bonds nor the lease agreement constitutes a pledge of the full faith and credit or taxing power of the City or County, however, it is considered a capital lease.

## **Note 13. Conduit Debt**

From time to time, the City has issued Industrial 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, 2013, there were three series of Industrial Development Authority Revenue Bonds and 12 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$217.2 million and \$98.1 million respectively.

## **Note 14. Harrisonburg Redevelopment and Housing Authority Agreements**

**One Court Square.** In December 2004, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority purchased and planned to renovate an office building in the downtown area. The building was originally intended to serve as an incubator to attract telecommunication and other technology firms to the City by providing leaseable office space to qualifying businesses. Subsequently, the building was renovated by the Authority for use by the School Board for administration offices. Pursuant to the agreement, the Authority incurred \$2 million in debt to finance the original project with final maturity occurring in December 2014.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that revenues from any leases are insufficient to pay these expenses. Due to the change in use of the building, the City has recorded an asset for the land and building, as well as, a corresponding liability for the remainder of the pledge in governmental activities on the statement of net position.

**Harrisonburg Children's Museum.** In April 2005, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority purchased and renovated a building in the downtown area. Upon completion of the renovations, the Authority leased the building to the Harrisonburg Children's Museum, Inc., a non-profit corporation, that is using the building as its permanent location. Pursuant to the agreement, the Authority incurred \$750,000 in debt to finance the project with final maturity occurring in April 2020.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that the revenue from the lease is insufficient to pay these expenses. In fiscal year 2013, the City made payments totaling \$67,668 to the Authority for this project.



## Note 15. Fund Balance

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2013.

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$ 92,738	\$ -	\$ -	\$ 92,738
Prepaid expenditures	145,306	-	4,546	149,852
Loans receivable	375,000	-	-	375,000
Total nonspendable fund balance	<u>\$ 613,044</u>	<u>\$ -</u>	<u>\$ 4,546</u>	<u>\$ 617,590</u>
<b>Restricted for:</b>				
Public safety	\$ 253,898	\$ -	\$ -	\$ 253,898
Public works	-	1,944,746	-	1,944,746
Education	-	5,270,871	-	5,270,871
Total restricted fund balance	<u>\$ 253,898</u>	<u>\$ 7,215,617</u>	<u>\$ -</u>	<u>\$ 7,469,515</u>
<b>Committed to:</b>				
General government administration	\$ 625,000	\$ -	\$ -	\$ 625,000
Public works	2,697,965	11,398,088	-	14,096,053
Education	-	798,478	267,028	1,065,506
Parks and recreation	63,402	1,179,158	-	1,242,560
Planning and community development	-	7,332	36,403	43,735
Total committed fund balance	<u>\$ 3,386,367</u>	<u>\$ 13,383,056</u>	<u>\$ 303,431</u>	<u>\$ 17,072,854</u>
<b>Assigned to:</b>				
General government administration	\$ 92,022	\$ -	\$ -	\$ 92,022
Public safety	31,133	-	-	31,133
Public works	1,158,499	-	-	1,158,499
Parks and recreation	74,742	-	-	74,742
Planning and community development	59,500	-	-	59,500
Subsequent years' expenditures	1,637,423	-	-	1,637,423
Total assigned fund balance	<u>\$ 3,053,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,053,319</u>

## Note 16. Defined Benefit Pension Plan

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



## **Note 16. Defined Benefit Pension Plan (continued)**

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

**Hazardous duty members.** Under both plans, 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.

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

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

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

**Funding Policy.** Members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute five percent of their annual reported compensation to the VRS. In previous years, the City had assumed this five percent for the member. Beginning July 1, 2012, members began contributing this five percent and the City was required to provide a salary increase to offset this member contribution. In addition, the City, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC), are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The City and HEC's contribution rate for the fiscal year ended 2013 was 12.56 percent of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2013 was 8.06 percent of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2013 was 11.66 percent of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2013, 2012, and 2011 were \$3,238,381, \$1,889,912, and \$1,114,949, respectively, and were equal to the required contributions for each year.



**Note 16. Defined Benefit Pension Plan (continued)**

**Annual Pension Cost.** For fiscal year 2013, the City of Harrisonburg and HEC's annual pension cost of \$3,110,185 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$145,528 was equal to the required and actual contributions. The required contribution for fiscal year 2013 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees, 3.75 percent to 6.2 percent per year for teachers and 3.50 percent to 4.75 percent per year for local law enforcement officers and firefighters, (c) a COLA adjustment of 2.5 percent per year for Plan 1 members and 2.25 percent for Plan 2 members. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City, HEC and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 30 years. The following is the annual pension cost, the percentage of annual pension cost contributed to VRS and the net pension obligation for fiscal year 2013 and the preceding two fiscal years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b>City of Harrisonburg and HEC Employees:</b>			
2013	\$ 3,110,185	100%	\$ -
2012	2,344,226	100%	-
2011	2,345,165	100%	-
<b>School Board Non-Professional Employees:</b>			
2013	\$ 145,528	100%	\$ -
2012	85,458	100%	-
2011	83,557	100%	-

**Funded Status and Funding Progress.** As of June 30, 2012, the most recent actuarial valuation date, the plan for City and HEC employees was 70.05 percent funded. The actuarial accrued liability for benefits was \$119,989,785, and the actuarial value of assets was \$84,052,127, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,937,658. The covered payroll (annual payroll of the active employees covered by the plan) was \$25,068,095 and the ratio of UAAL to the covered payroll was 143.36 percent.

As of June 30, 2012, the most recent actuarial valuation date, the plan for the School Board non-professional employees was 89.5 percent funded. The actuarial accrued liability for benefits was \$6,241,837, and the actuarial value of assets was \$5,586,431, resulting in an unfunded actuarial accrued liability (UAAL) of \$655,406. The covered payroll (annual payroll of the active employees covered by the plan) was \$1,782,621 and the ratio of UAAL to the covered payroll was 36.77 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 17. Postretirement Healthcare Benefit Plan****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

## Note 17. Postretirement Healthcare Benefit Plan (continued)

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.

### Funding Policy

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

**School Board.** The contribution requirements of the retirees and the School Board are established and may be amended by the Harrisonburg City School Board through the School Board's Human Resources Policy Manual. The School Board currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the School Board contributes an amount equal to 70 percent of the monthly premium for the coverage selected by the retiree. The retiree must contribute the remaining monthly premium amount.

### Annual OPEB Cost and Net OPEB Obligation

The following are the components of the annual OPEB cost (expense) for the current year, the amount actually contributed to the plans and changes in the net OPEB obligation for the City and School Board.

	Primary Government	School Board
Annual required contribution	\$ 1,047,719	\$ 1,358,886
Interest on the net OPEB obligation	96,037	92,282
Adjustment to the annual required contribution	(99,962)	(96,054)
Annual OPEB cost (expense)	\$ 1,043,794	\$ 1,355,114
Contributions made	(425,336)	(720,600)
Increase in the net OPEB obligation	\$ 618,458	\$ 634,514
Net OPEB obligation at beginning of year	2,400,928	2,307,051
Net OPEB obligation at end of year	\$ 3,019,386	\$ 2,941,565

**Note 17. Postretirement Healthcare Benefit Plan (continued)**

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>City of Harrisonburg:</b>			
2013	\$ 1,043,794	40.7%	\$ 3,019,386
2012	997,133	39.8%	2,400,928
2011	965,143	37.6%	1,800,767
<b>School Board:</b>			
2013	\$ 1,355,114	53.2%	\$ 2,941,565
2012	1,301,334	56.8%	2,307,051
2011	1,098,995	50.5%	1,744,330

**Funded Status and Funding Progress**

**City of Harrisonburg.** As of July 1, 2012, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,754,602. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,754,602. The covered payroll (annual payroll of the active employees covered by the plan) was \$21,193,426 and the ratio of UAAL to the covered payroll was 50.7 percent.

**School Board.** As of July 1, 2012, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$12,697,856. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$12,697,856. The covered payroll (annual payroll of the active employees covered by the plan) was \$31,640,526 and the ratio of UAAL to the covered payroll was 40.1 percent.

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

**Actuarial Methods and Assumptions**

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

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

#### **Note 17. Postretirement Healthcare Benefit Plan (continued)**

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

#### **Component Unit – HEC**

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

#### **Note 18. 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. \$1,734,273 of the amount reported as landfill closure and postclosure care liability at June 30, 2013 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 \$679,235 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 General Fund and General Capital Projects Fund.

#### **Note 19. 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 and has committed fund balance in the same amount in the General Fund.

#### **Note 20. Intangible Assets**

**James Madison University (JMU) Land and Steam Agreement.** In September 1981, the City entered into an agreement with James Madison University whereby the City paid JMU \$2.5 million over a five year period in consideration for conveying a suitable site for the construction of the City's steam plant and entering into a twenty year agreement with the City for the purpose of purchasing steam produced by the steam plant. In June 2004, a new twenty-five year agreement with JMU replaced an amended and updated April 1995 agreement. This agreement is shown as an intangible capital asset of the Steam Plant Fund and is being amortized over a twenty-five year period that began July 1, 1996.

#### **Note 21. Commitments**

The City has a construction contract outstanding for Phase III of a project to connect and improve Stone Spring Road and Erickson Avenue. The contract totals \$5.2 million, of which \$3.1 million had been expended as of June 30, 2013. This contract is a commitment of the General Capital Projects Fund and is being financed through state intergovernmental revenue.

The City has a contract outstanding for the construction of a new Public Transportation department facility. The contract totals \$16.1 million, of which \$5.3 had been expended as of June 30, 2013. This contract is a commitment of the General Capital Projects Fund and Public Transportation Fund, and is being financed through transfers from the General Fund, federal and state intergovernmental revenue and previously issued bonds.



**Note 21. Commitments (continued)**

The following is a summary of significant encumbrances at June 30, 2013.

	General Fund	General Capital Projects Fund	Total
Street repaving program	\$ 1,000,000	\$ -	\$ 1,000,000
Stone Spring Road/Erickson Avenue construction project	-	1,597,859	1,597,859
Engineering design for future street improvement projects	-	362,203	362,203
Other purposes	415,896	732,011	1,147,907
Total encumbrances	\$ 1,415,896	\$ 2,692,073	\$ 4,107,969

There were no existing encumbrances in the other governmental funds.

**Note 22. 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 Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*. 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 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.

The City operates several boilers that are subject to new regulations effective in 2016 which the City will be required to upgrade in order to be compliant with the new regulations. The two current steam plant boilers are fully depreciated as of year-end. Management has not yet determined the overall impact of this new regulation.

**Note 23. Transactions with Component Units**

For the year ended June 30, 2013, the City's General Fund made cash payments to the School Board, a component unit, totaling \$25,822,964. These payments are made in equal monthly installments for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2013, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,900,000. These payments are made in equal monthly installments for the purpose of funding the General Fund budget.

**Note 24. Joint Ventures**

**Harrisonburg-Rockingham Regional Sewer Authority.** The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract 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

**Note 24. Joint Ventures (continued)**

municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2013, the City's contributions totaled \$6,096,937 of which \$2,914,520 was for operations, \$2,824,053 was for debt service and \$358,364 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 \$67.2 million of total debt outstanding at June 30, 2013. 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>
2014	\$ 1,702,060	\$ 1,106,148	\$ 2,808,208
2015	1,760,382	1,047,254	2,807,636
2016	1,827,275	981,348	2,808,623
2017	1,895,417	911,430	2,806,847
2018	1,968,531	838,533	2,807,064
2019-2023	10,100,189	3,038,517	13,138,706
2024-2028	8,101,374	1,504,885	9,606,259
2029-2031	4,573,866	228,481	4,802,347
Total	<u>\$ 31,929,094</u>	<u>\$ 9,656,596</u>	<u>\$ 41,585,690</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, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,362,684	\$ 2,057,275	\$ 1,305,409
Restricted assets	3,155,786	3,460,468	(304,682)
Capital assets	95,620,300	99,823,076	(4,202,776)
Other assets	<u>755,656</u>	<u>752,784</u>	<u>2,872</u>
Total assets	<u>\$ 102,894,426</u>	<u>\$ 106,093,603</u>	<u>\$ (3,199,177)</u>
Deferred outflows of resources	<u>\$ 720,612</u>	<u>\$ 800,679</u>	<u>\$ (80,067)</u>
Current liabilities	\$ 2,190,157	\$ 2,157,157	\$ 33,000
Liabilities payable from restricted assets	2,355,426	2,342,269	13,157
Long-term liabilities	<u>64,215,159</u>	<u>67,616,496</u>	<u>(3,401,337)</u>
Total liabilities	<u>\$ 68,760,742</u>	<u>\$ 72,115,922</u>	<u>\$ (3,355,180)</u>
Net position	<u>\$ 34,854,296</u>	<u>\$ 34,778,360</u>	<u>\$ 75,936</u>

**Harrisonburg-Rockingham Emergency Communications Center.** The City and Rockingham County (County) entered into an agreement that created the Harrisonburg-Rockingham Emergency Communications Center (HRECC), whereby the HRECC operates a joint emergency operations center and a joint two-way radio communications system. The City and County have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the HRECC. In fiscal year 2013, the City's contributions totaled \$1,461,804. 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 Finance Department, 345 South Main Street, Harrisonburg, Virginia 22801.

**Note 24. Joint Ventures (continued)**

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,486,301	\$ 3,394,837	\$ 91,464
Capital assets	<u>2,406,249</u>	<u>2,630,932</u>	<u>(224,683)</u>
Total assets	<u>\$ 5,892,550</u>	<u>\$ 6,025,769</u>	<u>\$ (133,219)</u>
Current liabilities	\$ 69,826	\$ 59,787	\$ 10,039
Long-term liabilities	<u>407,548</u>	<u>344,680</u>	<u>62,868</u>
Total liabilities	<u>\$ 477,374</u>	<u>\$ 404,467</u>	<u>\$ 72,907</u>
Net position	<u>\$ 5,415,176</u>	<u>\$ 5,621,302</u>	<u>\$ (206,126)</u>

**Note 25. 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 \$2,976,223 to the District for the year ended June 30, 2013.

**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 \$290,976 to the Commission for the year ended June 30, 2013.

**Note 26. 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 27. Risk Management**

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

**Note 27. Risk Management (continued)**

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units. Other external agencies also participate in the health insurance program 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, Harrisonburg Downtown Renaissance 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 \$150,000, 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, 2011 to June 30, 2013:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2013	\$ 936,349	\$ 12,518,765	\$ 12,314,240	\$ 1,140,874
2012	797,930	12,543,254	12,404,835	936,349

**Note 28. Restatement of Beginning Net Position**

The beginning net position of the governmental activities on the statement of activities has been restated by \$509,960. The purpose of this restatement is to record on the financial statements an asset for the School Board's administration offices and a corresponding liability for the moral obligation pledge agreement with the Harrisonburg Redevelopment and Housing Authority. The following is a summary of the restatement made to the beginning net position at June 30, 2012.

Net position at the beginning of year, as previously reported	\$ 174,413,389
Increase in net capital assets	1,105,364
Increase for moral obligation pledge	<u>(595,404)</u>
Net position at the beginning of year, as restated	<u>\$ 174,923,349</u>

**Note 29. New Governmental Accounting Standards Board (GASB) Standards**

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

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

## **Note 29. New Governmental Accounting Standards Board (GASB) Standards (continued)**

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

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

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

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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CITY OF HARRISONBURG, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Exhibit 12

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Lia- bility (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>City of Harrisonburg and Harrisonburg Electric Commission Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2012	\$ 84,052,127	\$ 119,989,785	\$ 35,937,658	70.05%	\$ 25,068,095	143.36%
June 30, 2011	84,286,282	115,022,557	30,736,275	73.28%	25,093,369	122.49%
June 30, 2010	82,356,705	109,854,111	27,497,406	74.97%	25,648,340	107.21%
<b>City of Harrisonburg School Board Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2012	\$ 5,586,431	\$ 6,241,837	\$ 655,406	89.50%	\$ 1,782,621	36.77%
June 30, 2011	5,555,694	6,050,297	494,603	91.83%	1,735,294	28.50%
June 30, 2010	5,398,199	5,736,323	338,124	94.11%	1,763,475	19.17%
<b>City of Harrisonburg Postretirement Healthcare Benefit Plan</b>						
July 1, 2012	\$ -	\$ 10,754,602	\$ 10,754,602	0.00%	\$ 21,193,426	50.74%
July 1, 2011	-	10,164,551	10,164,551	0.00%	21,212,679	47.92%
July 1, 2010	-	9,437,811	9,437,811	0.00%	21,634,700	43.62%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
July 1, 2012	\$ -	\$ 12,697,856	\$ 12,697,856	0.00%	\$ 31,640,526	40.13%
July 1, 2011	-	12,150,967	12,150,967	0.00%	30,114,574	40.35%
July 1, 2010	-	10,335,676	10,335,676	0.00%	30,117,052	34.32%
<b>Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan</b>						
July 1, 2012	\$ -	\$ 1,304,300	\$ 1,304,300	0.00%	\$ 2,775,500	46.99%
July 1, 2010	-	772,172	772,172	0.00%	2,798,787	27.59%
July 1, 2009	-	755,941	755,941	0.00%	2,688,337	28.12%

**Note 1. Defined Benefit Pension Plans**

The assumptions used for the June 30, 2012 actuarial valuation reflects various changes in benefit provisions, that were effective January 1, 2013, included the following:

- The Average Final Compensation for active non-vested members of Plan 1 was increased from the highest 36 consecutive months of service to the highest 60 consecutive months of service.
- The benefit multiplier for active non-vested members of Plan 1 and all Plan 2 members was lowered from 1.7 percent to 1.65 percent. This benefit provision does not pertain to hazardous duty position members.
- The eligibility for unreduced retirement benefits for active non-vested members in Plan 1 will begin 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. This benefit provision does not pertain to hazardous duty position members.
- The maximum COLA increase for active non-vested members in Plan 1 and all Plan 2 members will be 3 percent.

The assumptions used for the June 30, 2011 actuarial valuation reflects a change in benefit provisions for the addition of Plan 2 members. Members hired after June 30, 2010 are considered Plan 2 members. The assumptions also reflect an increase in the amortization period of the unfunded actuarial accrued liability from 20 to 30 years to phase in the impact of the lower investment return adopted in the June 30, 2010 actuarial valuation. The amortization period will decrease by one each year until reaching 20 years.

The assumptions used for the June 30, 2010 actuarial valuation reflects a change in the investment rate of return. The investment rate of return assumption was lowered from 7.5 percent to 7 percent.

**Note 2. Postretirement Healthcare Benefit Plan**

The assumptions used in the July 1, 2011 actuarial valuation for the School Board reflects a change in plan benefits for employees that retire after July 1, 2014.

**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, 2013

Exhibit A-1

	Special Revenue Funds			
	Community Development Block Grant Fund	School Transportation Fund	Business Loan Program Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 361,048	\$ 36,167	\$ 397,215
Receivables	97,020	3,620	236	100,876
Due from component units	-	27,027	-	27,027
Prepaid expenditures	-	4,546	-	4,546
Loans receivable	-	-	63,799	63,799
<b>Total assets</b>	<b>\$ 97,020</b>	<b>\$ 396,241</b>	<b>\$ 100,202</b>	<b>\$ 593,463</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 88,969	\$ 2,617	\$ -	\$ 91,586
Accrued payroll	1,283	119,543	-	120,826
Due to other funds	6,768	-	-	6,768
Due to component units	-	865	-	865
Deferred revenue	-	1,642	63,799	65,441
<b>Total liabilities</b>	<b>\$ 97,020</b>	<b>\$ 124,667</b>	<b>\$ 63,799</b>	<b>\$ 285,486</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid expenditures	\$ -	\$ 4,546	\$ -	\$ 4,546
Committed	-	267,028	36,403	303,431
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 271,574</b>	<b>\$ 36,403</b>	<b>\$ 307,977</b>
<b>Total liabilities and fund balances</b>	<b>\$ 97,020</b>	<b>\$ 396,241</b>	<b>\$ 100,202</b>	<b>\$ 593,463</b>

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2013

Exhibit A-2

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Transportation Fund	Business Loan Program Fund	
<b>Revenues:</b>				
Use of money and property	\$ -	\$ 97	\$ 33	\$ 130
Charges for services	-	2,420,617	-	2,420,617
Miscellaneous	-	31,178	27,821	58,999
Intergovernmental	486,023	-	56,000	542,023
Total revenues	\$ 486,023	\$ 2,451,892	\$ 83,854	\$ 3,021,769
<b>Expenditures:</b>				
Current:				
Education	\$ -	\$ 2,770,785	\$ -	\$ 2,770,785
Planning and community development	425,530	-	70,020	495,550
Total expenditures	\$ 425,530	\$ 2,770,785	\$ 70,020	\$ 3,266,335
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 60,493	\$ (318,893)	\$ 13,834	\$ (244,566)
<b>Other financing sources:</b>				
Transfers in	\$ -	\$ 295,058	\$ -	\$ 295,058
Total other financing sources	\$ -	\$ 295,058	\$ -	\$ 295,058
<b>Net change in fund balances</b>	\$ 60,493	\$ (23,835)	\$ 13,834	\$ 50,492
Fund balances at beginning of year	(60,493)	295,409	22,569	257,485
Fund balances at end of year	\$ -	\$ 271,574	\$ 36,403	\$ 307,977



## SCHOOL TRANSPORTATION FUND

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 97	\$ 97
Charges for services	2,386,909	2,441,009	2,420,617	(20,392)
Miscellaneous	19,000	34,900	31,178	(3,722)
Total revenues	<u>\$ 2,405,909</u>	<u>\$ 2,475,909</u>	<u>\$ 2,451,892</u>	<u>\$ (24,017)</u>
<b>Expenditures:</b>				
Current:				
Education	\$ 2,405,909	\$ 2,770,967	2,770,785	\$ 182
Total expenditures	<u>\$ 2,405,909</u>	<u>\$ 2,770,967</u>	<u>\$ 2,770,785</u>	<u>\$ 182</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ -</u>	<u>\$ (295,058)</u>	<u>\$ (318,893)</u>	<u>\$ (23,835)</u>
<b>Other financing sources:</b>				
Transfers in	\$ -	\$ 295,058	\$ 295,058	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 295,058</u>	<u>\$ 295,058</u>	<u>\$ -</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,835)</u>	<u>\$ (23,835)</u>
Fund balance at beginning of year			295,409	
Fund balance at end of year			<u>\$ 271,574</u>	

## BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 33	\$ 33
Miscellaneous	-	-	27,821	27,821
Intergovernmental	87,000	87,000	56,000	(31,000)
Total revenues	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 83,854</u>	<u>\$ (3,146)</u>
<b>Expenditures:</b>				
Current:				
Planning and community development	\$ 107,875	\$ 107,875	70,020	\$ 37,855
Total expenditures	<u>\$ 107,875</u>	<u>\$ 107,875</u>	<u>\$ 70,020</u>	<u>\$ 37,855</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (20,875)</u>	<u>\$ (20,875)</u>	<u>\$ 13,834</u>	<u>\$ 34,709</u>
<b>Other financing sources:</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net change in fund balance</b>	<u>\$ (20,875)</u>	<u>\$ (20,875)</u>	<u>\$ 13,834</u>	<u>\$ 34,709</u>
Fund balance at beginning of year			<u>22,569</u>	
Fund balance at end of year			<u>\$ 36,403</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, 2013

Exhibit B-1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 523,475	\$ -	\$ 2,683,679	\$ 3,207,154
Receivables	4,451	-	-	4,451
Due from component units	6,483	-	-	6,483
Inventory	100,499	1,237,785	-	1,338,284
Prepaid expenses	8,364	-	-	8,364
Total current assets	<u>\$ 643,272</u>	<u>\$ 1,237,785</u>	<u>\$ 2,683,679</u>	<u>\$ 4,564,736</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 52,935	\$ 615,963	\$ -	\$ 668,898
Total noncurrent assets	<u>\$ 52,935</u>	<u>\$ 615,963</u>	<u>\$ -</u>	<u>\$ 668,898</u>
<b>Total assets</b>	<u>\$ 696,207</u>	<u>\$ 1,853,748</u>	<u>\$ 2,683,679</u>	<u>\$ 5,233,634</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 161,118	\$ 2,488	\$ 1,140,874	\$ 1,304,480
Accrued payroll	10,537	1,667	-	12,204
Due to other funds	-	226,513	-	226,513
Due to component units	315	323	-	638
Unearned revenue	-	-	576,429	576,429
Compensated absences	43,886	3,987	-	47,873
Total current liabilities	<u>\$ 215,856</u>	<u>\$ 234,978</u>	<u>\$ 1,717,303</u>	<u>\$ 2,168,137</u>
Noncurrent liabilities:				
Compensated absences	\$ 45,214	\$ 5,026	\$ -	\$ 50,240
Postretirement healthcare benefits	72,801	9,359	-	82,160
Total noncurrent liabilities	<u>\$ 118,015</u>	<u>\$ 14,385</u>	<u>\$ -</u>	<u>\$ 132,400</u>
<b>Total liabilities</b>	<u>\$ 333,871</u>	<u>\$ 249,363</u>	<u>\$ 1,717,303</u>	<u>\$ 2,300,537</u>
<b>Net position</b>				
Net investment in capital assets	\$ 52,935	\$ 615,963	\$ -	\$ 668,898
Unrestricted	309,401	988,422	966,376	2,264,199
<b>Total net position</b>	<u>\$ 362,336</u>	<u>\$ 1,604,385</u>	<u>\$ 966,376</u>	<u>\$ 2,933,097</u>

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Operating revenues:</b>				
Charges for services	\$ 3,673,815	\$ 982,955	\$ 12,490,915	\$ 17,147,685
Total operating revenues	\$ 3,673,815	\$ 982,955	\$ 12,490,915	\$ 17,147,685
<b>Operating expenses:</b>				
Personal services	\$ 557,500	\$ 82,264	\$ -	\$ 639,764
Fringe benefits	189,301	26,612	-	215,913
Purchased services	159,919	11,061	572,358	743,338
Internal services	2,061	1,972	-	4,033
Other charges	26,081	14,568	882,872	923,521
Materials and supplies	48,298	2,594	-	50,892
Depreciation	10,621	21,529	-	32,150
Cost of inventory issued	2,695,899	978,216	-	3,674,115
Claims related charges	-	-	12,516,303	12,516,303
Total operating expenses	\$ 3,689,680	\$ 1,138,816	\$ 13,971,533	\$ 18,800,029
<b>Operating income (loss)</b>	\$ (15,865)	\$ (155,861)	\$ (1,480,618)	\$ (1,652,344)
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	\$ 7,857	\$ -	\$ -	\$ 7,857
Investment revenue	875	-	4,519	5,394
Total nonoperating revenues	\$ 8,732	\$ -	\$ 4,519	\$ 13,251
<b>Loss before transfers</b>	\$ (7,133)	\$ (155,861)	\$ (1,476,099)	\$ (1,639,093)
Transfers in	24,488	140,993	-	165,481
Transfers out	(105,000)	-	-	(105,000)
<b>Change in net position</b>	\$ (87,645)	\$ (14,868)	\$ (1,476,099)	\$ (1,578,612)
Net position at beginning of year	449,981	1,619,253	2,442,475	4,511,709
Net position at end of year	\$ 362,336	\$ 1,604,385	\$ 966,376	\$ 2,933,097

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2013

Exhibit B-3  
Page 1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,672,368	\$ 982,955	\$ -	\$ 4,655,323
Receipts from premiums	-	-	12,576,204	12,576,204
Receipts other sources	309,042	-	-	309,042
Payments to employees	(550,205)	(82,136)	-	(632,341)
Payments for fringe benefits	(173,842)	(24,912)	-	(198,754)
Payments to vendors	(2,883,130)	(1,062,613)	(1,455,230)	(5,400,973)
Payments for internal services	(2,061)	(1,972)	-	(4,033)
Payments for claims related charges	-	-	(12,311,779)	(12,311,779)
Net cash provided by (used for) operating activities	\$ 372,172	\$ (188,678)	\$ (1,190,805)	\$ (1,007,311)
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	\$ 24,488	\$ 140,993	\$ -	\$ 165,481
Transfers out	(105,000)	-	-	(105,000)
Interfund loan	-	47,685	-	47,685
Net cash provided by (used for) noncapital financing activities	\$ (80,512)	\$ 188,678	\$ -	\$ 108,166
<b>Cash flows from capital and related financing activities:</b>				
Purchase and construction of capital assets	\$ (23,703)	\$ -	\$ -	\$ (23,703)
Net cash used for capital and related financing activities	\$ (23,703)	\$ -	\$ -	\$ (23,703)
<b>Cash flows from investing activities:</b>				
Interest received	\$ 876	\$ -	\$ 4,519	\$ 5,395
Net cash provided by investing activities	\$ 876	\$ -	\$ 4,519	\$ 5,395
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 268,833	\$ -	\$ (1,186,286)	\$ (917,453)
<b>Cash and cash equivalents:</b>				
Beginning	254,642	-	3,869,965	4,124,607
Ending	\$ 523,475	\$ -	\$ 2,683,679	\$ 3,207,154

(continued)



CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2013

Exhibit B-3  
Page 2

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (15,865)	\$ (155,861)	\$ (1,480,618)	\$ (1,652,344)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	10,621	21,529	-	32,150
Miscellaneous revenue	9,042	-	-	9,042
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(812)	-	-	(812)
Due from component units	(635)	-	-	(635)
Inventory	343,696	(36,800)	-	306,896
Prepaid expenses	(104)	-	-	(104)
Increase (decrease) in:				
Accounts payable	3,495	(19,362)	204,525	188,658
Accrued payroll	(433)	(50)	-	(483)
Due to component units	(21)	(12)	-	(33)
Unearned revenue	-	-	85,288	85,288
Compensated absences	8,273	186	-	8,459
Postretirement healthcare benefits	14,915	1,692	-	16,607
Net cash provided by (used for) operating activities	\$ <u>372,172</u>	\$ <u>(188,678)</u>	\$ <u>(1,190,805)</u>	\$ <u>(1,007,311)</u>

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## Agency Funds

Agency funds are used to account for assets held by a government as an agent for individuals, private organizations or other governments.

**Juvenile Crime Control Fund** - This fund accounts for assets held by the City of Harrisonburg (City) for the 26<sup>th</sup> Judicial District Court Service Unit as a participant in the Virginia Juvenile Community Crime Control Act. The City acts as the fiscal agent for both the City and the County of Rockingham.

**Industrial Development Authority Fund** - This fund accounts for assets held by the City for the Harrisonburg Industrial Development Authority.

**Emergency Communications Center Fund** - This fund accounts for assets held by the City for the Harrisonburg-Rockingham Emergency Communications Center (HRECC). The City acts as the fiscal agent for the HRECC.

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 At June 30, 2013

Exhibit C-1

	Juvenile Crime Control Fund	Industrial Development Authority Fund	Emergency Communications Center Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 39,013	\$ 111,654	\$ 3,241,944	\$ 3,392,611
Receivables	-	-	154,889	154,889
Prepaid items	-	-	89,468	89,468
<b>Total assets</b>	<u>\$ 39,013</u>	<u>\$ 111,654</u>	<u>\$ 3,486,301</u>	<u>\$ 3,636,968</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,633	\$ -	\$ 37,861	\$ 40,494
Accrued payroll	722	-	31,965	32,687
Amounts held for others	35,658	111,654	3,416,475	3,563,787
<b>Total liabilities</b>	<u>\$ 39,013</u>	<u>\$ 111,654</u>	<u>\$ 3,486,301</u>	<u>\$ 3,636,968</u>

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2013

Exhibit C-2  
 Page 1

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Juvenile Crime Control Fund</b>				
Assets:				
Cash and cash equivalents	\$ 22,640	\$ 84,702	\$ 68,329	\$ 39,013
<b>Total assets</b>	<u>\$ 22,640</u>	<u>\$ 84,702</u>	<u>\$ 68,329</u>	<u>\$ 39,013</u>
Liabilities:				
Accounts payable	\$ -	\$ 2,633	\$ -	\$ 2,633
Accrued payroll	2,507	722	2,507	722
Amounts held for others	20,133	84,702	69,177	35,658
<b>Total liabilities</b>	<u>\$ 22,640</u>	<u>\$ 88,057</u>	<u>\$ 71,684</u>	<u>\$ 39,013</u>
<b>Industrial Development Authority Fund</b>				
Assets:				
Cash and cash equivalents	\$ 93,346	\$ 18,908	\$ 600	\$ 111,654
<b>Total assets</b>	<u>\$ 93,346</u>	<u>\$ 18,908</u>	<u>\$ 600</u>	<u>\$ 111,654</u>
Liabilities:				
Amounts held for others	\$ 93,346	\$ 18,908	\$ 600	\$ 111,654
<b>Total liabilities</b>	<u>\$ 93,346</u>	<u>\$ 18,908</u>	<u>\$ 600</u>	<u>\$ 111,654</u>
<b>Emergency Communications Center Fund</b>				
Assets:				
Cash and cash equivalents	\$ 3,233,157	\$ 3,427,471	\$ 3,418,684	\$ 3,241,944
Receivables	114,312	146,611	106,034	154,889
Prepaid items	47,368	89,468	47,368	89,468
<b>Total assets</b>	<u>\$ 3,394,837</u>	<u>\$ 3,663,550</u>	<u>\$ 3,572,086</u>	<u>\$ 3,486,301</u>
Liabilities:				
Accounts payable	\$ 26,775	\$ 37,861	\$ 26,775	\$ 37,861
Accrued payroll	33,012	31,965	33,012	31,965
Amounts held for others	3,335,050	3,478,690	3,397,265	3,416,475
<b>Total liabilities</b>	<u>\$ 3,394,837</u>	<u>\$ 3,548,516</u>	<u>\$ 3,457,052</u>	<u>\$ 3,486,301</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2013

Exhibit C-2  
 Page 2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 3,349,143	\$ 3,531,081	\$ 3,487,613	\$ 3,392,611
Receivables	114,312	146,611	106,034	154,889
Prepaid items	<u>47,368</u>	<u>89,468</u>	<u>47,368</u>	<u>89,468</u>
<b>Total assets</b>	<b>\$ <u>3,510,823</u></b>	<b>\$ <u>3,767,160</u></b>	<b>\$ <u>3,641,015</u></b>	<b>\$ <u>3,636,968</u></b>
Liabilities:				
Accounts payable	\$ 26,775	\$ 40,494	\$ 26,775	\$ 40,494
Accrued payroll	35,519	32,687	35,519	32,687
Amounts held for others	<u>3,448,529</u>	<u>3,582,300</u>	<u>3,467,042</u>	<u>3,563,787</u>
<b>Total liabilities</b>	<b>\$ <u>3,510,823</u></b>	<b>\$ <u>3,655,481</u></b>	<b>\$ <u>3,529,336</u></b>	<b>\$ <u>3,636,968</u></b>

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

### **General Fund**

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

### **Special Revenue Fund**

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

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

### **Capital Projects Fund**

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

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

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2013

Exhibit D-1

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 5,556,429	\$ 1,511,984	\$ 207,128	\$ 7,275,541
Receivables	1,860,447	7,918	-	1,868,365
Due from component units	55,776	-	-	55,776
Inventory	-	104,839	-	104,839
Prepaid expenditures	565,218	5,000	-	570,218
<b>Total assets</b>	<b>\$ 8,037,870</b>	<b>\$ 1,629,741</b>	<b>\$ 207,128</b>	<b>\$ 9,874,739</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 46,753	\$ 644	\$ 47,458	\$ 94,855
Accrued payroll	6,012,179	145,082	-	6,157,261
Due to primary government	27,027	-	-	27,027
Due to component units	100,874	-	-	100,874
Deferred revenue	96,871	-	-	96,871
Other liabilities	529,714	-	-	529,714
<b>Total liabilities</b>	<b>\$ 6,813,418</b>	<b>\$ 145,726</b>	<b>\$ 47,458</b>	<b>\$ 7,006,602</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ -	\$ 104,839	\$ -	\$ 104,839
Prepaid expenditures	565,218	5,000	-	570,218
<b>Committed to:</b>				
Food services	-	1,374,176	-	1,374,176
<b>Assigned to:</b>				
Instruction	25,191	-	-	25,191
Pupil transportation	2,945	-	-	2,945
Operations and maintenance	28,471	-	-	28,471
Technology	6,090	-	-	6,090
Subsequent years' expenditures	-	-	159,670	159,670
Unassigned	596,537	-	-	596,537
<b>Total fund balances</b>	<b>\$ 1,224,452</b>	<b>\$ 1,484,015</b>	<b>\$ 159,670</b>	<b>\$ 2,868,137</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,037,870</b>	<b>\$ 1,629,741</b>	<b>\$ 207,128</b>	<b>\$ 9,874,739</b>



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, 2013

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Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)	\$ 2,868,137
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.	96,871
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,157,418
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(3,820,750)</u>
Net position of governmental activities (Exhibit 1)	\$ <u><u>33,301,676</u></u>

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2013

Exhibit D-3

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Revenues:</b>				
Use of money and property	\$ 44,552	\$ 1,985	\$ -	\$ 46,537
Charges for services	1,653,069	529,604	-	2,182,673
Miscellaneous	202,619	10,155	-	212,774
Payment from primary government	25,667,270	59,208	-	25,726,478
Intergovernmental	30,719,188	2,473,201	-	33,192,389
Total revenues	<u>\$ 58,286,698</u>	<u>\$ 3,074,153</u>	<u>\$ -</u>	<u>\$ 61,360,851</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 46,155,372	\$ -	\$ -	\$ 46,155,372
Administration, attendance and health	3,296,684	-	-	3,296,684
Pupil transportation	2,398,226	-	-	2,398,226
Operations and maintenance	4,679,448	-	-	4,679,448
Food services	-	3,007,888	-	3,007,888
Technology	2,378,072	15,003	-	2,393,075
Capital projects	-	-	90,330	90,330
Total expenditures	<u>\$ 58,907,802</u>	<u>\$ 3,022,891</u>	<u>\$ 90,330</u>	<u>\$ 62,021,023</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (621,104)	\$ 51,262	\$ (90,330)	\$ (660,172)
<b>Other financing sources (uses):</b>				
Transfers in	\$ -	\$ -	\$ 250,000	\$ 250,000
Transfers out	(250,000)	-	-	(250,000)
Total other financing sources (uses)	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>
<b>Net change in fund balances</b>	\$ (871,104)	\$ 51,262	\$ 159,670	\$ (660,172)
Fund balances at beginning of year	<u>2,095,556</u>	<u>1,432,753</u>	<u>-</u>	<u>3,528,309</u>
Fund balances at end of year	<u>\$ 1,224,452</u>	<u>\$ 1,484,015</u>	<u>\$ 159,670</u>	<u>\$ 2,868,137</u>

## 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, 2013

---

Total net change in fund balances of governmental funds (Exhibit D-3) \$ (660,172)

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. 90,955

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	\$ 452,360	
Depreciation expense	<u>(1,511,592)</u>	
Net adjustment	\$ <u>(1,059,232)</u>	(1,059,232)

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. (655,416)

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. 2,624,892

Change in net position of governmental activities (Exhibit 2) \$ 341,027

## 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 44,552	\$ 34,552
Charges for services	1,355,159	1,355,159	1,653,069	297,910
Miscellaneous	88,042	88,042	202,619	114,577
Payment from primary government	25,657,310	26,259,004	25,667,270	(591,734)
Intergovernmental	30,149,242	30,524,345	30,719,188	194,843
Total revenues	\$ 57,259,753	\$ 58,236,550	\$ 58,286,698	\$ 50,148
<b>Expenditures:</b>				
Current:				
Instruction	\$ 45,228,082	\$ 46,075,608	\$ 46,155,372	\$ (79,764)
Administration, attendance and health	3,481,514	3,371,883	3,296,684	75,199
Pupil transportation	2,609,092	2,626,692	2,398,226	228,466
Operations and maintenance	4,635,698	4,788,776	4,679,448	109,328
Technology	2,205,367	2,408,787	2,378,072	30,715
Total expenditures	\$ 58,159,753	\$ 59,271,746	\$ 58,907,802	\$ 363,944
<b>Deficiency of revenues under expenditures</b>	\$ (900,000)	\$ (1,035,196)	\$ (621,104)	\$ 414,092
<b>Other financing uses:</b>				
Transfers out	\$ -	\$ (250,000)	\$ (250,000)	\$ -
Total other financing uses	\$ -	\$ (250,000)	\$ (250,000)	\$ -
<b>Net change in fund balance</b>	\$ (900,000)	\$ (1,285,196)	\$ (871,104)	\$ 414,092
Fund balance at beginning of year			2,095,556	
Fund balance at end of year			\$ 1,224,452	

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, 2013

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,985	\$ (15)
Charges for services	496,600	496,600	529,604	33,004
Miscellaneous	15,000	15,000	10,155	(4,845)
Payment from primary government	-	59,208	59,208	-
Intergovernmental	2,163,610	2,313,610	2,473,201	159,591
Total revenues	<u>\$ 2,677,210</u>	<u>\$ 2,886,418</u>	<u>\$ 3,074,153</u>	<u>\$ 187,735</u>
<b>Expenditures:</b>				
Current:				
Food services	\$ 2,660,810	\$ 2,870,018	\$ 3,007,888	\$ (137,870)
Technology	16,400	16,400	15,003	1,397
Total expenditures	<u>\$ 2,677,210</u>	<u>\$ 2,886,418</u>	<u>\$ 3,022,891</u>	<u>\$ (136,473)</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,262</u>	<u>\$ 51,262</u>
Fund balance at beginning of year			<u>1,432,753</u>	
Fund balance at end of year			<u>\$ 1,484,015</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, 2013

Schedule 1  
Page 1

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 24,279,100	\$ 24,330,987	\$ 51,887
Real and personal public service corporation property taxes	300,000	344,311	44,311
Personal property taxes	6,321,900	6,996,148	674,248
Mobile home taxes	6,400	8,069	1,669
Machinery and tools taxes	1,850,000	1,794,444	(55,556)
Penalties and interest	230,000	271,353	41,353
Total general property taxes	\$ 32,987,400	\$ 33,745,312	\$ 757,912
Other local taxes:			
Local sales and use taxes	\$ 11,200,000	\$ 11,450,969	\$ 250,969
Consumer utility taxes	1,107,000	1,093,995	(13,005)
Business license taxes	5,730,000	5,892,503	162,503
Motor vehicle license taxes	700,000	861,119	161,119
Bank stock taxes	600,000	514,445	(85,555)
Taxes on recordation and wills	275,000	359,086	84,086
Tobacco taxes	760,000	703,979	(56,021)
Admission and amusement taxes	170,000	175,395	5,395
Hotel and motel room taxes	1,944,000	1,963,223	19,223
Restaurant food taxes	9,499,000	9,913,531	414,531
Short-term rental taxes	62,000	93,218	31,218
Public right-of-way use fee	110,000	113,012	3,012
Total other local taxes	\$ 32,157,000	\$ 33,134,475	\$ 977,475
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 6,500	\$ 4,656	\$ (1,844)
Permits and other licenses	458,750	532,309	73,559
Total permits, privilege fees and regulatory licenses	\$ 465,250	\$ 536,965	\$ 71,715
Fines and forfeitures:			
Court fines	\$ 405,000	\$ 526,549	\$ 121,549
Parking fines	44,000	50,747	6,747
Drug forfeiture	-	85,665	85,665
Total fines and forfeitures	\$ 449,000	\$ 662,961	\$ 213,961
Use of money and property:			
Use of money	\$ 30,000	\$ 58,853	\$ 28,853
Use of property	115,000	115,995	995
Total use of money and property	\$ 145,000	\$ 174,848	\$ 29,848

(continued)



CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
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<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for sanitation and waste removal	\$ 4,950,000	\$ 5,680,151	\$ 730,151
Charges for law enforcement and traffic control	74,437	60,845	(13,592)
Charges for parking	130,200	136,983	6,783
Charges for rescue services	110,000	119,170	9,170
Charges for parks and recreation	445,000	428,932	(16,068)
Charges for golf course	685,600	649,353	(36,247)
Total charges for services	<u>\$ 6,395,237</u>	<u>\$ 7,075,434</u>	<u>\$ 680,197</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 376,780	\$ 376,780	\$ -
Service charge on tax exempt property	25,000	56,874	31,874
Debt service reimbursement from HRHA	670,535	670,535	-
Donations - JMU & EMU	130,000	125,000	(5,000)
Donations	80,019	70,252	(9,767)
Other miscellaneous	630,828	624,518	(6,310)
Total miscellaneous	<u>\$ 1,913,162</u>	<u>\$ 1,923,959</u>	<u>\$ 10,797</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ -</u>
Total payments from component units	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ -</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	\$ 16,000	\$ 17,409	\$ 1,409
Mobile home titling taxes	4,000	3,166	(834)
Tax on deeds (grantor tax)	160,000	96,300	(63,700)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,700,000	1,655,845	(44,155)
Auto rental taxes	150,000	222,691	72,691
Animal friendly license plate	500	718	218
Total non-categorical aid	<u>\$ 3,553,083</u>	<u>\$ 3,518,712</u>	<u>\$ (34,371)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 130,000	\$ 131,352	\$ 1,352
Treasurer	107,000	104,225	(2,775)
Medical examiner fees	-	-	-
Registrar	43,000	42,653	(347)
Total shared expenses	<u>\$ 280,000</u>	<u>\$ 278,230</u>	<u>\$ (1,770)</u>

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CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
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<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 126,804	\$ 139,506	\$ 12,702
Other fire department	39,002	41,534	2,532
Internet crimes against children grant	3,411	3,411	-
Litter control grant	7,700	11,130	3,430
State aid to localities, police	1,356,388	1,247,937	(108,451)
Street and highway maintenance	3,999,800	3,975,001	(24,799)
Other categorical aid	18,011	25,029	7,018
Total other categorical aid	\$ 5,551,116	\$ 5,443,548	\$ (107,568)
Total categorical aid	\$ 5,831,116	\$ 5,721,778	\$ (109,338)
Total revenue from the Commonwealth	\$ 9,384,199	\$ 9,240,490	\$ (143,709)
Revenue from the Federal Government:			
Categorical aid:			
Homeland security grants	\$ 193,562	\$ 173,159	\$ (20,403)
Police grants	41,467	50,920	9,453
Other categorical aid	-	27,186	27,186
Total revenue from the Federal Government	\$ 235,029	\$ 251,265	\$ 16,236
Total intergovernmental	\$ 9,619,228	\$ 9,491,755	\$ (127,473)
<b>Total General Fund</b>	<b>\$ 89,031,277</b>	<b>\$ 91,645,709</b>	<b>\$ 2,614,432</b>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 838,471	\$ 486,023	\$ (352,448)
Total revenue from the Federal Government	\$ 838,471	\$ 486,023	\$ (352,448)
Total intergovernmental	\$ 838,471	\$ 486,023	\$ (352,448)
<b>Total Community Development Block Grant Fund</b>	<b>\$ 838,471</b>	<b>\$ 486,023</b>	<b>\$ (352,448)</b>

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CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
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<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Use of money and property	\$ -	\$ 97	\$ 97
Charges for services	2,441,009	2,420,617	(20,392)
Miscellaneous	34,900	31,178	(3,722)
<b>Total School Transportation Fund</b>	<b>\$ 2,475,909</b>	<b>\$ 2,451,892</b>	<b>\$ (24,017)</b>
<b>Business Loan Program Fund:</b>			
Use of money and property	\$ -	\$ 33	\$ 33
Miscellaneous	-	27,821	27,821
<b>Intergovernmental:</b>			
Revenue from the Federal Government:			
Categorical aid:			
USDA rural business enterprise grant	\$ 87,000	\$ 56,000	\$ (31,000)
<b>Total revenue from the Federal Government</b>	<b>\$ 87,000</b>	<b>\$ 56,000</b>	<b>\$ (31,000)</b>
<b>Total intergovernmental</b>	<b>\$ 87,000</b>	<b>\$ 56,000</b>	<b>\$ (31,000)</b>
<b>Total Business Loan Program Fund</b>	<b>\$ 87,000</b>	<b>\$ 83,854</b>	<b>\$ (3,146)</b>
<b>Total Special Revenue Funds</b>	<b>\$ 3,401,380</b>	<b>\$ 3,021,769</b>	<b>\$ (379,611)</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ 18,609	\$ 19,785	\$ 1,176
Miscellaneous	23,000	23,000	-
Recovered costs	307,836	165,551	(142,285)
<b>Intergovernmental:</b>			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT bridge reimbursement	\$ 203,118	\$ 129,466	\$ (73,652)
VDOT revenue sharing	9,126,947	1,602,670	(7,524,277)
VDOT recreation access funds	75,000	-	(75,000)
VDOT capital projects revenue bonds	6,551,489	1,902,556	(4,648,933)
<b>Total revenue from the Commonwealth</b>	<b>\$ 15,956,554</b>	<b>\$ 3,634,692</b>	<b>\$ (12,321,862)</b>

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CITY OF HARRISONBURG, VIRGINIA  
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<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>Capital Projects Fund: (continued)</b>			
<b>General Capital Projects Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
Safe route to schools grant	\$ 497,510	\$ 70,032	\$ (427,478)
Transportation enhancement grant	329,233	245,614	(83,619)
Hazard elimination grant	100,000	-	(100,000)
Street and highway construction	<u>1,120,382</u>	<u>825,772</u>	<u>(294,610)</u>
Total revenue from the Federal Government	\$ <u>2,047,125</u>	\$ <u>1,141,418</u>	\$ <u>(905,707)</u>
Total intergovernmental	\$ <u>18,003,679</u>	\$ <u>4,776,110</u>	\$ <u>(13,227,569)</u>
Total General Capital Projects Fund	\$ <u>18,353,124</u>	\$ <u>4,984,446</u>	\$ <u>(13,368,678)</u>
Total Capital Projects Fund	\$ <u>18,353,124</u>	\$ <u>4,984,446</u>	\$ <u>(13,368,678)</u>
Grand Total Revenues (Primary Government)	\$ <u>110,785,781</u>	\$ <u>99,651,924</u>	\$ <u>(11,133,857)</u>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 10,000	\$ 44,552	\$ 34,552
Charges for services	1,355,159	1,653,069	297,910
Miscellaneous	88,042	202,619	114,577
Payment from primary government	26,259,004	25,667,270	(591,734)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	4,940,575	4,847,058	(93,517)
Basic school aid	11,743,449	12,211,248	467,799
State standard of quality funds	2,426,046	2,468,188	42,142
Fringe benefits	1,918,491	1,980,692	62,201
At risk	1,430,111	1,458,009	27,898
Primary class size	1,101,106	1,116,450	15,344
Technology initiative	258,000	258,000	-
English as second language	991,804	983,952	(7,852)
Regional tuition programs (special education)	1,200,386	953,916	(246,470)
Additional state assistance	307,595	307,595	-
Other state funds	<u>217,764</u>	<u>401,396</u>	<u>183,632</u>
Total categorical aid	\$ <u>26,535,327</u>	\$ <u>26,986,504</u>	\$ <u>451,177</u>
Total revenue from the Commonwealth	\$ <u>26,535,327</u>	\$ <u>26,986,504</u>	\$ <u>451,177</u>

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CITY OF HARRISONBURG, VIRGINIA  
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<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board: (continued)</b>			
<b>School Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 1,433,359	\$ 1,251,509	\$ (181,850)
Special education	1,121,572	1,101,412	(20,160)
Title III	247,145	230,648	(16,497)
ESEA - Title II Part A	229,955	168,222	(61,733)
Education jobs funds	800,000	796,183	(3,817)
Other federal funds	156,987	184,710	27,723
Total revenue from the Federal Government	\$ 3,989,018	\$ 3,732,684	\$ (256,334)
Total intergovernmental	\$ 30,524,345	\$ 30,719,188	\$ 194,843
<b>Total School Fund</b>	<b>\$ 58,236,550</b>	<b>\$ 58,286,698</b>	<b>\$ 50,148</b>
<b>School Nutrition Fund:</b>			
Use of money and property	\$ 2,000	\$ 1,985	\$ (15)
Charges for services	496,600	529,604	33,004
Miscellaneous	15,000	10,155	(4,845)
Payment from primary government	59,208	59,208	-
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	65,000	71,433	6,433
Total categorical aid	\$ 65,000	\$ 71,433	\$ 6,433
Total revenue from the Commonwealth	\$ 65,000	\$ 71,433	\$ 6,433
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 2,248,610	\$ 2,261,563	\$ 12,953
USDA donated food	-	140,205	140,205
Total revenue from the Federal Government	\$ 2,248,610	\$ 2,401,768	\$ 153,158
Total intergovernmental	\$ 2,313,610	\$ 2,473,201	\$ 159,591
<b>Total School Nutrition Fund</b>	<b>\$ 2,886,418</b>	<b>\$ 3,074,153</b>	<b>\$ 187,735</b>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<b>\$ 61,122,968</b>	<b>\$ 61,360,851</b>	<b>\$ 237,883</b>



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Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 199,677	\$ 196,461	\$ 3,216
Total legislative	\$ 199,677	\$ 196,461	\$ 3,216
General and financial administration:			
City manager	\$ 457,025	\$ 447,156	\$ 9,869
City attorney	188,688	187,889	799
Human resources	285,373	267,677	17,696
Independent auditor	20,000	20,000	-
Commissioner of the revenue	400,357	398,521	1,836
Assessors	300,766	297,529	3,237
Equalization	2,975	2,920	55
Treasurer	499,479	481,917	17,562
Finance	407,479	395,631	11,848
Information technology	1,235,829	1,061,673	174,156
Purchasing agent	140,333	128,625	11,708
Reserve for contingencies	-	-	-
Total general and financial administration	\$ 3,938,304	\$ 3,689,538	\$ 248,766
Board of elections:			
Registrar	\$ 226,232	\$ 196,374	\$ 29,858
Total board of elections	\$ 226,232	\$ 196,374	\$ 29,858
Total general government administration	\$ 4,364,213	\$ 4,082,373	\$ 281,840
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 3,400,357	\$ 3,400,357	\$ -
Total jail and judicial administration	\$ 3,400,357	\$ 3,400,357	\$ -
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 1,252,983	\$ 1,228,743	\$ 24,240
Operations	3,049,333	2,999,663	49,670
Criminal investigations	1,241,544	1,236,835	4,709
Support services	1,580,655	1,435,737	144,918
Special operations	1,265,974	1,231,103	34,871
Total law enforcement and traffic control	\$ 8,390,489	\$ 8,132,081	\$ 258,408

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CITY OF HARRISONBURG, VIRGINIA  
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Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 563,272	\$ 501,806	\$ 61,466
Suppression	6,279,036	6,078,575	200,461
Prevention	381,826	359,161	22,665
Training	204,313	200,682	3,631
Total fire and rescue services	<u>\$ 7,428,447</u>	<u>\$ 7,140,224</u>	<u>\$ 288,223</u>
Correction and detention:			
City operated institutions	\$ 60,500	\$ 58,128	\$ 2,372
Total correction and detention	<u>\$ 60,500</u>	<u>\$ 58,128</u>	<u>\$ 2,372</u>
Inspections:			
Building	\$ 705,776	\$ 665,229	\$ 40,547
Total inspections	<u>\$ 705,776</u>	<u>\$ 665,229</u>	<u>\$ 40,547</u>
Other protection:			
Public safety building	\$ 346,143	\$ 315,317	\$ 30,826
Child safety alliance	37,584	36,094	1,490
Animal control	318,742	310,255	8,487
Coroner	1,000	-	1,000
Emergency services	261,387	229,539	31,848
Harrisonburg-Rockingham ECC	1,461,804	1,461,804	-
Total other protection	<u>\$ 2,426,660</u>	<u>\$ 2,353,009</u>	<u>\$ 73,651</u>
Total public safety	<u>\$ 19,011,872</u>	<u>\$ 18,348,671</u>	<u>\$ 663,201</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 912,155	\$ 871,194	\$ 40,961
Highway and street maintenance	5,318,341	4,027,201	1,291,140
Street lights	565,815	540,595	25,220
Snow and ice removal	262,618	261,027	1,591
Traffic engineering	1,571,326	1,421,955	149,371
Highway and street beautification	264,639	232,867	31,772
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 8,894,894</u>	<u>\$ 7,354,839</u>	<u>\$ 1,540,055</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 445,763	\$ 441,947	\$ 3,816
Refuse collection	1,615,468	1,588,883	26,585
City landfill	121,107	76,000	45,107
Recycling	958,304	697,077	261,227
Insect and rodent control	22,903	8,113	14,790
County landfill	1,139,710	1,138,854	856
Total sanitation and waste removal	<u>\$ 4,303,255</u>	<u>\$ 3,950,874</u>	<u>\$ 352,381</u>

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CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
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Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 415,772	\$ 385,985	\$ 29,787
Total maintenance of general buildings and grounds	\$ 415,772	\$ 385,985	\$ 29,787
Total public works	\$ 13,613,921	\$ 11,691,698	\$ 1,922,223
Health and welfare:			
Health:			
Local health department	\$ 381,029	\$ 381,029	\$ -
Total health	\$ 381,029	\$ 381,029	\$ -
Mental health and mental retardation:			
Community services board	\$ 321,507	\$ 321,507	\$ -
Total mental health and mental retardation	\$ 321,507	\$ 321,507	\$ -
Welfare/social services:			
Tax relief for the elderly and disabled veterans	\$ 91,765	\$ 91,765	\$ -
Joint expenditures with Rockingham County	2,976,223	2,976,223	-
Total welfare/social services	\$ 3,067,988	\$ 3,067,988	\$ -
Total health and welfare	\$ 3,770,524	\$ 3,770,524	\$ -
Education:			
Payment to Harrisonburg City School Board	\$ 26,318,211	\$ 25,726,478	\$ 591,733
Total education	\$ 26,318,211	\$ 25,726,478	\$ 591,733
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,008,176	\$ 923,879	\$ 84,297
Parks	920,869	909,080	11,789
Recreation centers and playgrounds	613,090	589,862	23,228
National guard armory	98,235	97,155	1,080
Simms continuing education center	353,514	290,688	62,826
Westover pool	403,455	381,620	21,835
Athletics	415,209	375,354	39,855
Blacks run greenway	55,065	54,707	358
Golf course grounds management	720,820	618,240	102,580
Golf course clubhouse management	490,852	426,163	64,689
Total parks and recreation	\$ 5,079,285	\$ 4,666,748	\$ 412,537
Total parks, recreation and culture	\$ 5,079,285	\$ 4,666,748	\$ 412,537

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CITY OF HARRISONBURG, VIRGINIA  
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Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Planning and community development:			
Planning:			
Planning	\$ 190,051	\$ 183,125	\$ 6,926
Zoning administrator	151,479	148,996	2,483
Board of zoning appeals	7,085	3,117	3,968
Economic development	588,144	507,515	80,629
Downtown renaissance	198,043	197,734	309
Tourism and visitors services	429,807	383,076	46,731
Downtown parking services	217,977	164,797	53,180
Total planning	<u>\$ 1,782,586</u>	<u>\$ 1,588,360</u>	<u>\$ 194,226</u>
Community development:			
Massanutten Regional Library	\$ 444,354	\$ 444,354	\$ -
Regional Juvenile Detention Home	290,976	290,976	-
Shenandoah Valley Airport	67,923	67,923	-
Harrisonburg First Tee	70,000	70,000	-
Court Square Theater	60,000	60,000	-
Boys and Girls Club	51,500	51,500	-
Blue Ridge Community College	46,484	46,484	-
Other contributions	674,306	600,179	74,127
Total community development	<u>\$ 1,705,543</u>	<u>\$ 1,631,416</u>	<u>\$ 74,127</u>
Total planning and community development	<u>\$ 3,488,129</u>	<u>\$ 3,219,776</u>	<u>\$ 268,353</u>
Debt service:			
Principal retirement	\$ 8,016,601	\$ 8,016,601	\$ -
Interest and fiscal charges	5,340,479	5,335,520	4,959
Total debt service	<u>\$ 13,357,080</u>	<u>\$ 13,352,121</u>	<u>\$ 4,959</u>
Total General Fund	<u>\$ 92,403,592</u>	<u>\$ 88,258,746</u>	<u>\$ 4,144,846</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 838,471	\$ 425,530	\$ 412,941
Total community development	<u>\$ 838,471</u>	<u>\$ 425,530</u>	<u>\$ 412,941</u>
Total planning and community development	<u>\$ 838,471</u>	<u>\$ 425,530</u>	<u>\$ 412,941</u>
Total Community Development Block Grant Fund	<u>\$ 838,471</u>	<u>\$ 425,530</u>	<u>\$ 412,941</u>

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CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
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Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Education:			
School bus services	\$ 2,570,245	\$ 2,570,101	\$ 144
Field trips and charters	200,722	200,684	38
Total education	\$ 2,770,967	\$ 2,770,785	\$ 182
<b>Total School Transportation Fund</b>	<b>\$ 2,770,967</b>	<b>\$ 2,770,785</b>	<b>\$ 182</b>
<b>Business Loan Program Fund:</b>			
Planning and community development:			
Community development:			
Revolving loan program	\$ 107,875	\$ 70,020	\$ 37,855
Total community development	\$ 107,875	\$ 70,020	\$ 37,855
Total planning and community development	\$ 107,875	\$ 70,020	\$ 37,855
<b>Total Business Loan Program Fund</b>	<b>\$ 107,875</b>	<b>\$ 70,020</b>	<b>\$ 37,855</b>
<b>Total Special Revenue Funds</b>	<b>\$ 3,717,313</b>	<b>\$ 3,266,335</b>	<b>\$ 450,978</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 47,547,953	\$ 13,820,417	\$ 33,727,536
<b>Total General Capital Projects Fund</b>	<b>\$ 47,547,953</b>	<b>\$ 13,820,417</b>	<b>\$ 33,727,536</b>
<b>Total Capital Projects Fund</b>	<b>\$ 47,547,953</b>	<b>\$ 13,820,417</b>	<b>\$ 33,727,536</b>
<b>Grand Total Expenditures (Primary Government)</b>	<b>\$ 143,668,858</b>	<b>\$ 105,345,498</b>	<b>\$ 38,323,360</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 46,075,608	\$ 46,155,372	\$ (79,764)
Administration, attendance and health	3,371,883	3,296,684	75,199
Pupil transportation	2,626,692	2,398,226	228,466
Operations and maintenance	4,788,776	4,679,448	109,328
Technology	2,408,787	2,378,072	30,715
Total education	\$ 59,271,746	\$ 58,907,802	\$ 363,944
<b>Total School Fund</b>	<b>\$ 59,271,746</b>	<b>\$ 58,907,802</b>	<b>\$ 363,944</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2013

Schedule 2  
Page 6

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 2,870,018	\$ 3,007,888	\$ (137,870)
Technology	<u>16,400</u>	<u>15,003</u>	<u>1,397</u>
Total education	\$ <u>2,886,418</u>	\$ <u>3,022,891</u>	\$ <u>(136,473)</u>
Total School Nutrition Fund	\$ <u><u>2,886,418</u></u>	\$ <u><u>3,022,891</u></u>	\$ <u><u>(136,473)</u></u>
<b>School Capital Projects Fund:</b>			
Capital projects	\$ <u>250,000</u>	\$ <u>90,330</u>	\$ <u>159,670</u>
Total School Capital Projects Fund	\$ <u><u>250,000</u></u>	\$ <u><u>90,330</u></u>	\$ <u><u>159,670</u></u>
Grand Total Expenditures (Component Unit - School Board)	\$ <u><u>62,408,164</u></u>	\$ <u><u>62,021,023</u></u>	\$ <u><u>387,141</u></u>

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# STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental activities</b>										
Net investment in capital assets	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540	\$ 134,630,600	\$ 136,515,744	\$ 132,202,885	\$ 125,843,397	\$ 135,003,446	\$ 120,370,317	\$ 117,904,477
Restricted <sup>a</sup>	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024	766,544
Unrestricted <sup>b</sup>	38,537,607	37,720,341	36,505,429	31,737,220	32,029,616	40,774,314	36,167,946	21,859,603	24,597,079	23,302,565
Total governmental activities net position	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435	\$ 166,827,487	\$ 168,890,884	\$ 173,938,641	\$ 163,050,360	\$ 158,167,340	\$ 146,086,420	\$ 141,973,586
<b>Business-type activities</b>										
Net investment in capital assets	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398	\$ 54,121,109	\$ 49,644,177	\$ 49,759,377	\$ 49,213,863
Restricted <sup>a</sup>	-	-	-	-	-	-	-	-	-	444,437
Unrestricted	18,960,244	20,567,739	24,007,072	23,349,719	23,104,614	22,819,366	21,189,184	22,849,797	21,189,878	20,915,553
Total business-type activities net position	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453	\$ 87,622,285	\$ 87,051,233	\$ 78,034,764	\$ 75,310,293	\$ 72,493,974	\$ 70,949,255	\$ 70,573,853
<b>Primary government</b>										
Net investment in capital assets	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921	\$ 198,903,166	\$ 200,462,363	\$ 187,418,283	\$ 179,964,506	\$ 184,647,623	\$ 170,129,694	\$ 167,118,340
Restricted	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024	1,210,981
Unrestricted	57,497,851	58,288,080	60,512,501	55,086,939	55,134,230	63,593,680	57,357,130	44,709,400	45,786,957	44,218,118
Total primary government net position	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888	\$ 254,449,772	\$ 255,942,117	\$ 251,973,405	\$ 238,360,653	\$ 230,661,314	\$ 217,035,675	\$ 212,547,439

<sup>a</sup>For 2005, the increase in governmental activities and the decrease in business-type activities' restricted net position was due to a reporting change for the operations of the golf course. Prior to 2005, the golf course was reported as a business-type activity.

<sup>b</sup>For 2007, the increase in governmental activities' unrestricted net position and the decrease in net investment in capital assets was due to the sale of the old Harrisonburg High School complex to James Madison University.

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

Table 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148	\$ 10,607,363	\$ 9,494,062	\$ 8,659,789	\$ 8,095,033
Jail and judicial administration	3,697,318	3,353,068	3,158,825	2,689,276	3,012,532	2,521,878	2,695,536	2,247,160	1,720,208	1,411,339
Public safety	19,435,983	18,759,038	18,414,704	17,934,535	18,518,912	16,446,587	16,122,159	14,598,247	13,385,735	12,308,346
Public works <sup>a</sup>	16,087,945	15,430,666	11,384,626	10,924,418	11,935,693	10,621,521	11,140,416	10,280,042	8,932,355	9,570,485
Health and welfare	3,792,389	3,684,731	3,933,460	3,911,386	4,369,125	3,764,612	3,130,065	2,571,383	2,318,720	2,157,251
Education	32,985,755	30,965,228	27,641,213	28,735,066	31,253,898	25,922,982	25,341,757	24,630,393	21,784,772	20,351,713
Parks, recreation and cultural <sup>b</sup>	5,396,157	5,319,618	5,279,763	5,100,351	5,379,470	5,103,321	4,692,190	4,458,904	2,781,327	2,636,326
Planning and community development <sup>c</sup>	3,628,594	3,644,899	3,618,639	3,667,423	4,032,505	4,125,103	5,265,157	2,970,408	2,426,890	1,526,341
Interest on long-term debt	5,304,302	5,602,256	6,006,543	6,131,512	5,860,753	6,078,904	5,612,049	4,368,265	3,869,356	3,898,786
Business-type activities:										
Water	5,281,491	5,398,401	5,014,952	5,118,820	5,359,913	4,951,007	4,560,390	4,034,616	3,805,703	3,362,082
Sewer	9,501,243	9,217,798	8,165,858	7,391,517	6,772,876	6,413,266	5,717,556	5,075,967	4,872,836	4,870,754
Public transportation	4,915,643	4,817,708	6,916,882	6,767,823	6,817,081	6,042,941	5,538,155	5,070,888	4,635,925	4,162,232
Steam plant/sanitation <sup>a,d</sup>	7,751,402	6,670,472	9,999,432	9,878,225	10,809,914	11,162,477	10,604,466	10,446,049	8,764,331	5,795,311
Public parking	-	-	-	-	-	-	-	175,050	209,084	208,202
Golf course <sup>b</sup>	-	-	-	-	-	-	-	-	1,416,361	1,338,559
Total expenses	\$ 132,978,350	\$ 127,935,248	\$ 122,245,944	\$ 121,143,571	\$ 126,858,487	\$ 114,921,147	\$ 111,027,259	\$ 100,421,434	\$ 89,583,392	\$ 81,692,740
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743	\$ 9,478,806	\$ 8,620,160	\$ 7,913,474	\$ 7,067,373	\$ 6,845,784	\$ 6,591,292	\$ 6,408,739
Jail and judicial administration	526,549	417,063	553,923	504,223	493,611	432,767	380,866	517,689	604,029	563,954
Public works <sup>a</sup>	5,714,587	4,223,763	-	-	-	-	-	-	-	-
Education <sup>d</sup>	2,402,874	2,163,748	-	-	-	-	-	-	-	-
Parks, recreation and cultural	1,078,285	1,156,262	1,103,317	1,042,513	1,063,064	1,003,942	775,673	787,786	278,415	235,998
Other activities	988,430	868,216	845,073	686,775	1,055,627	1,278,101	768,070	548,215	441,843	109,456
Operating grants and contributions	6,468,579	6,420,728	6,779,026	6,537,125	6,931,438	6,620,432	7,163,992	6,566,639	6,204,915	5,700,106
Capital grants and contributions <sup>a</sup>	4,057,173	3,020,379	1,394,887	1,105,400	4,827,882	5,540,980	3,996,228	71,267	622,947	115,122
Business-type activities:										
Charges for services:										
Water	6,033,702	5,803,549	5,793,929	5,414,295	5,727,877	6,024,104	5,424,741	5,283,336	4,802,169	4,690,818
Sewer	9,135,855	8,631,508	8,047,117	6,748,325	6,377,771	6,080,893	5,572,991	5,148,993	4,916,716	4,744,819
Public transportation <sup>b</sup>	1,652,106	1,558,556	3,573,754	3,153,152	3,090,998	2,906,147	2,667,281	2,467,922	2,236,842	2,139,596
Steam plant/sanitation <sup>c</sup>	6,131,803	4,717,861	9,859,085	9,867,232	10,158,755	9,023,207	8,006,673	7,483,560	6,544,948	5,289,201
Other activities	-	-	-	-	-	-	-	178,530	752,842	717,992
Operating grants and contributions	1,649,862	1,469,284	1,353,559	1,496,827	1,444,903	1,242,498	1,140,983	1,198,685	966,231	912,114
Capital grants and contributions <sup>b</sup>	3,277,876	3,226,291	840,082	2,176,754	8,458,276	1,684,705	2,201,180	2,571,747	1,824,444	1,041,271
Total program revenues	\$ 58,926,299	\$ 53,267,647	\$ 49,410,495	\$ 48,211,427	\$ 58,450,362	\$ 49,751,250	\$ 45,166,031	\$ 39,650,153	\$ 36,787,633	\$ 32,669,186
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)	\$ (72,632,344)	\$ (74,106,921)	\$ (63,562,360)	\$ (64,454,510)	\$ (60,281,484)	\$ (51,135,711)	\$ (48,822,245)
Business-type activities	431,425	(697,330)	(629,598)	(299,800)	5,698,796	(1,607,537)	(1,406,718)	(489,797)	(1,660,048)	(201,309)
Total net (expense) revenue	\$ (74,052,051)	\$ (74,667,601)	\$ (72,835,449)	\$ (72,932,144)	\$ (68,408,125)	\$ (65,169,897)	\$ (65,861,228)	\$ (60,771,281)	\$ (52,795,759)	\$ (49,023,554)



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

Table 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340	\$ 30,867,419	\$ 29,049,768	\$ 27,464,833	\$ 23,731,628	\$ 20,248,223	\$ 18,235,771	\$ 18,120,703
Sales and use taxes	11,450,969	10,744,198	11,030,783	10,487,699	11,053,388	11,772,450	11,695,874	11,421,441	10,739,569	9,747,138
Restaurant food taxes	9,948,280	8,815,101	8,414,191	8,001,430	8,095,857	8,021,419	7,673,364	7,091,567	6,723,886	6,351,607
Business license taxes	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,196,857	6,042,082	5,728,339	5,306,290	5,013,674
Other local taxes	5,877,472	5,599,612	5,382,633	5,274,469	5,275,971	5,515,800	6,572,592	7,201,363	6,503,792	6,468,977
Unrestricted grants and contributions	3,476,659	3,423,474	3,520,574	3,465,825	3,488,042	3,768,406	2,754,072	1,832,499	1,729,433	1,904,575
Unrestricted payment from component units	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000
Investment revenue <sup>a</sup>	84,162	68,365	87,557	151,425	658,303	2,644,259	3,534,382	1,363,309	752,552	568,770
Other revenue <sup>b</sup>	1,973,222	2,265,535	4,254,403	1,570,827	1,202,291	1,447,468	1,486,856	1,872,657	879,680	1,062,402
Gain on sale of capital asset	-	-	-	-	238,903	-	-	-	535,732	-
Special item <sup>c,m</sup>	-	(1,446,705)	-	-	-	4,109,942	2,183,062	11,005,846	-	-
Transfers	1,361,276	6,335,894	484,233	378,256	(875,910)	(1,386,572)	(1,130,257)	197,160	(258,180)	(1,013,975)
Business-type activities:										
General revenues:										
Investment revenue	31,340	32,121	52,446	79,908	505,917	1,101,241	1,403,613	1,082,397	609,291	376,714
Other revenue	1,805,733	1,308,949	1,215,028	1,167,345	1,927,746	1,844,195	1,034,676	1,149,279	1,167,979	931,303
Gain on disposal of capital assets	15,055	10,863	4,525	1,855	8,100	-	-	-	-	-
Transfers	(1,361,276)	(6,335,894)	(484,233)	(378,256)	875,910	1,386,572	1,130,257	(197,160)	258,180	1,013,975
Total general revenues and other changes in net position	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565	\$ 71,439,799	\$ 72,376,837	\$ 78,686,870	\$ 72,906,076	\$ 74,396,920	\$ 57,283,995	\$ 54,345,863
Change in net position:										
Governmental activities	\$ 4,123,894	\$ 4,664,954	\$ 2,920,948	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,626
Business-type activities	922,277	(5,681,291)	158,168	571,052	9,016,469	2,724,471	2,161,828	1,544,719	375,402	2,120,683
Total change in net position	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116	\$ (1,492,345)	\$ 3,968,712	\$ 13,516,973	\$ 7,044,848	\$ 13,625,639	\$ 4,488,236	\$ 5,322,309

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

<sup>b</sup>For 2006, the increase in parks and recreation activity expenses reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as a business-type activity.

<sup>c</sup>For 2007, the increase in the planning and community development activity expenses reflected the recognition of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

<sup>d</sup>For 2005, the increase in sanitation activity expenses reflected a full year of depreciation on the rebuilt steam plant and an increase in interest expense.

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

<sup>f</sup>For 2007, the changes in capital grants and contributions reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million in 2007 from this program of which \$2.5 million was a one-time payment.

<sup>g</sup>For 2010, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases associated with the Stone Spring Road/Erickson Avenue Improvement project which were eligible for federal and state funding.

<sup>h</sup>For 2009, the increase in capital grants and contributions reflected \$4.5 million in intergovernmental funding for the purchase of new transit buses and contributions of \$2.4 million in water and sewer lines from developers.

<sup>i</sup>For 2011, the decrease in investment revenue was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.

<sup>j</sup>For 2009, the increase in other revenue was the result of a one-time payment of \$2.3 million from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

<sup>k</sup>For 2006, the School Board transferred the old Harrisonburg High School complex to the City resulting in a special item.

<sup>l</sup>For 2007, the City sold the old Harrisonburg High School complex to James Madison University resulting in a special item.

<sup>m</sup>For 2008, the City sold land on Port Republic Road to James Madison University resulting in a special item.

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

Table 3

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	\$ 613,043	\$ 780,708	\$ 1,055,286	\$ 838,087	\$ 772,046	\$ 609,960	\$ 611,347	\$ 873,061	\$ 375,000	\$ 748,700
Restricted <sup>a</sup>	253,898	436,546	464,466	459,667	345,624	959,650	1,037,225	1,059,596	5,248,969	574,755
Committed <sup>b,c</sup>	3,386,367	3,095,390	860,879	1,297,212	1,879,300	2,344,663	3,311,602	31,700	31,700	47,431
Assigned <sup>d,e</sup>	3,053,319	1,671,329	4,175,696	1,096,324	175,380	5,620,402	4,754,769	2,059,387	2,641,228	2,285,041
Unassigned	23,932,401	25,534,922	18,711,352	16,273,005	16,363,415	15,747,798	14,711,182	10,729,138	11,157,528	12,001,670
Total general fund	\$ 31,239,028	\$ 31,518,895	\$ 25,267,679	\$ 19,964,295	\$ 19,535,665	\$ 25,282,473	\$ 24,426,125	\$ 14,752,882	\$ 19,454,425	\$ 15,657,597
All other governmental funds										
Nonspendable	\$ 4,546	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ 7,534	\$ -	\$ 273,449
Restricted <sup>f</sup>	7,215,617	5,758,290	4,128,472	772,478	9,365,268	2,134,402	25,913,479	4,364,535	6,110,398	13,209,321
Committed	13,686,487	10,650,430	8,794,481	8,811,974	7,704,596	11,911,533	14,087,497	4,817,016	7,082,034	7,504,863
Unassigned, reported in:										
Special revenue funds	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)	-	-	-	-
Total all other governmental funds	\$ 20,906,650	\$ 16,348,227	\$ 12,916,529	\$ 9,462,064	\$ 17,026,663	\$ 14,030,422	\$ 40,000,976	\$ 9,189,085	\$ 13,192,432	\$ 20,987,633

**Notes:** Any significant increases or decreases for 2013 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2004-2010).

<sup>a</sup>For 2005, the increase in general fund restricted fund balance was the result of unspent bond proceeds.

<sup>b</sup>For 2007, the increase in general fund committed fund balance was the result of the proceeds from the sale of the old Harrisonburg High School complex to James Madison University being committed for debt service on the old high school's existing outstanding debt.

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

<sup>d</sup>For 2009, the decrease in general fund assigned fund balance was the result of fund balance not being used to balance the subsequent year's budget and less encumbrances being reappropriated in fiscal year 2010.

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

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

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

Table 4

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
General property taxes	\$ 33,745,312	32,180,329	31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821	\$ 23,716,424	\$ 20,151,128	\$ 18,083,460	\$ 18,331,474
Other local taxes	33,134,475	31,114,956	30,439,292	29,295,439	30,439,109	31,533,497	31,976,274	31,493,067	29,240,984	27,544,279
Permits, privilege fees and regulatory licenses	536,965	498,465	561,431	354,076	848,149	1,099,610	552,074	503,149	403,821	333,288
Fines and forfeitures	682,961	526,260	626,169	598,904	570,997	518,259	504,628	517,689	604,029	563,954
Use of money and property <sup>a,b</sup>	194,763	171,599	188,084	197,844	662,621	2,523,091	3,675,662	2,227,982	785,874	683,526
Charges for services <sup>c</sup>	9,496,051	7,775,198	1,377,980	1,193,264	1,193,156	1,098,841	842,690	811,677	292,843	252,891
Miscellaneous <sup>d</sup>	2,005,958	2,014,528	4,159,989	1,540,896	1,700,774	1,733,883	1,001,438	882,152	955,799	1,022,722
Recovered costs	165,551	606,506	-	-	-	217,422	1,198,496	1,266,205	1,670,896	870,207
Payments from component units	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000
Intergovernmental <sup>e</sup>	14,809,888	15,344,247	16,254,692	13,499,776	13,628,264	13,191,514	12,771,940	7,703,658	7,760,161	6,953,417
Total revenues	\$ 99,651,924	95,132,088	90,033,162	\$ 82,489,273	\$ 82,840,778	\$ 83,764,938	\$ 81,033,501	\$ 69,956,707	\$ 63,897,667	\$ 60,355,758
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 4,082,373	4,003,007	3,612,654	\$ 3,494,629	\$ 3,454,035	\$ 3,533,956	\$ 3,195,490	\$ 2,902,847	\$ 2,689,218	\$ 2,460,537
Jail and judicial administration	3,400,357	3,056,108	2,861,864	2,392,315	2,715,571	2,224,918	2,398,575	1,975,668	1,929,277	1,696,498
Public safety	18,348,671	17,541,823	17,180,648	17,033,685	18,351,114	16,282,631	15,906,087	14,266,182	13,202,723	12,672,049
Public works <sup>c,f</sup>	11,691,698	10,484,164	7,324,180	7,085,021	8,643,955	8,314,632	7,911,328	11,167,310	6,096,761	6,548,826
Health and welfare	3,770,524	3,662,866	3,911,595	3,889,521	4,347,260	3,742,747	3,108,200	2,549,518	2,296,855	2,135,386
Education	28,497,263	26,201,268	22,992,077	23,993,390	24,627,567	22,960,156	22,299,274	21,622,750	19,193,377	18,667,629
Parks, recreation and cultural <sup>g</sup>	4,666,748	4,946,248	4,685,460	4,590,497	4,819,548	4,832,776	4,852,311	4,488,905	2,686,375	2,763,595
Planning and community development <sup>h</sup>	3,715,326	3,731,690	3,342,151	3,739,296	4,112,650	6,046,145	3,564,027	3,206,577	3,014,724	2,118,465
Debt service:										
Principal retirement	8,016,601	7,054,192	6,568,187	6,144,985	5,852,898	4,594,087	4,885,030	4,202,660	4,156,753	3,130,078
Interest and fiscal charges <sup>i</sup>	5,335,520	5,406,443	5,846,542	5,776,747	5,879,099	6,732,755	4,167,115	4,255,457	3,863,973	3,687,224
Bond issuance costs	-	381,755	77,341	-	58,379	-	-	-	-	-
Payment to advanced refunding escrow	-	-	-	-	520,040	-	-	-	-	-
Capital projects <sup>j</sup>	13,820,417	11,335,007	12,888,316	11,668,260	15,865,369	35,015,071	32,370,731	6,744,259	21,094,715	28,078,487
Total expenditures	\$ 105,345,498	97,804,571	91,291,015	\$ 89,808,346	\$ 99,247,485	\$ 114,279,874	\$ 104,658,168	\$ 77,382,133	\$ 80,224,751	\$ 83,958,774
Excess (deficiency) of revenues over (under) expenditures	\$ (5,693,574)	(2,672,483)	(1,257,853)	\$ (7,319,073)	\$ (16,406,707)	\$ (30,514,936)	\$ (23,624,667)	\$ (7,425,426)	\$ (16,327,084)	\$ (23,603,016)

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

Table 4

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 8,050,000	5,865,000	9,515,000	\$ -	\$ 13,480,500	\$ -	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000
Refunding debt issued	-	21,400,000	5,691,105	-	7,377,000	-	-	-	-	-
Premium on long-term debt issued	-	786,742	362,907	-	99,617	-	-	-	-	30,769
Discount on long-term debt issued	-	-	-	-	-	-	(176,698)	-	-	(9,211)
Payment to bond refunding escrow agent	-	-	(5,847,247)	-	(7,412,601)	-	-	-	-	-
Payment for current bond refunding	-	(21,649,901)	-	-	-	-	-	-	-	-
Transfers in	8,250,668	8,279,617	2,890,945	2,780,092	4,713,939	6,622,370	17,534,802	5,660,761	4,782,750	3,657,540
Transfers out	(6,328,528)	(2,326,071)	(2,597,008)	(2,596,988)	(4,602,315)	(8,218,306)	(18,945,703)	(6,940,225)	(5,844,039)	(4,813,151)
Total other financing sources (uses)	\$ 9,972,140	12,355,387	10,015,702	183,104	13,656,140	(1,595,936)	48,412,401	(1,279,464)	12,328,711	4,770,947
Special item:										
Sale of capital asset <sup>k,l</sup>	\$ -	-	-	\$ -	7,000,000	15,697,400	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 4,278,566	9,682,904	8,757,849	(7,135,969)	4,249,433	(16,413,472)	24,787,734	(8,704,890)	(3,998,373)	(18,832,069)
Debt service as a percentage of noncapital expenditures	14.70%	14.15%	14.81%	14.75%	13.86%	14.33%	12.54%	12.92%	13.62%	12.48%

**Notes:** Any significant increases or decreases for 2013 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

<sup>a</sup>For 2006, the increase in the use of money and property was the result of a rental payment from James Madison University for the lease of the old high school complex.

<sup>b</sup>For 2009, the decrease in the use of money and property was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.

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

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

<sup>e</sup>For 2007, the increase in intergovernmental revenue reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million of which \$2.5 million was a one-time payment.

<sup>f</sup>For 2006, the increase in public works expenditures was the result of the purchase of land on Port Republic Road.

<sup>g</sup>For 2006, the increase in parks and recreation expenditures reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as an enterprise fund.

<sup>h</sup>For 2008, the increase in planning and community development expenditures reflected the payment of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

<sup>i</sup>For 2008, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of an elementary/middle school complex and related road improvements.

<sup>j</sup>For the period 2003 through 2005 and again in 2007 through 2008, the City had various major construction projects in progress including the new high school and an elementary middle school complex.

<sup>k</sup>For 2007, the City sold the old Harrisonburg High School complex to James Madison University.

<sup>l</sup>For 2008, the City sold land on Port Republic Road to James Madison University.

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

Table 5

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General property taxes</b>										
Real estate taxes <sup>a,b</sup>	\$ 24,330,987	\$ 23,164,084	\$ 22,871,691	\$ 22,471,813	\$ 20,253,878	\$ 18,794,716	\$ 14,614,206	\$ 14,082,477	\$ 12,159,177	\$ 11,969,561
Real and personal public service corporation property taxes	344,311	305,419	311,567	315,297	290,145	296,523	257,361	288,174	314,038	345,127
Personal property taxes <sup>b</sup>	6,996,148	6,636,271	6,227,915	6,002,949	6,481,657	6,135,629	6,903,578	3,967,554	3,663,731	3,759,559
Mobile home taxes	8,069	7,613	7,568	6,976	6,779	6,642	7,958	7,036	9,397	8,040
Machinery and tools taxes	1,794,444	1,800,539	1,849,859	1,918,964	1,769,820	1,571,168	1,713,458	1,634,123	1,730,900	2,052,925
Penalties and interest	271,353	266,423	256,925	293,075	195,629	244,143	219,863	171,764	206,217	196,262
<b>Total general property taxes</b>	<b>\$ 33,745,312</b>	<b>\$ 32,180,329</b>	<b>\$ 31,525,525</b>	<b>\$ 31,009,074</b>	<b>\$ 28,997,708</b>	<b>\$ 27,048,821</b>	<b>\$ 23,716,424</b>	<b>\$ 20,151,128</b>	<b>\$ 18,083,460</b>	<b>\$ 18,331,474</b>
<b>Other local taxes</b>										
Local sales and use taxes	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783	\$ 10,487,699	\$ 11,053,388	\$ 11,772,450	\$ 11,695,874	\$ 11,421,441	\$ 10,739,589	\$ 9,747,138
Consumer utility taxes <sup>c</sup>	1,093,995	1,071,465	1,079,982	1,063,641	1,059,448	1,053,085	1,489,300	1,878,219	1,849,330	1,788,124
Business license taxes	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,208,829	6,044,898	5,745,193	5,274,648	5,013,674
Franchise license taxes <sup>c</sup>	-	-	-	-	-	-	167,399	304,159	285,736	279,204
Motor vehicle license taxes	861,119	759,588	667,392	698,446	708,619	723,115	736,579	502,226	504,105	497,052
Bank stock taxes	514,445	543,099	577,159	556,236	487,649	362,690	481,402	501,430	389,143	329,333
Taxes on recordation and wills	359,086	273,405	381,220	311,749	380,766	598,229	595,283	746,064	521,520	358,406
Tobacco taxes	703,979	768,267	700,232	759,637	794,917	868,029	878,952	882,623	967,983	1,303,021
Admission and amusement taxes	175,395	178,371	182,473	198,641	195,222	195,197	172,964	169,701	164,417	178,760
Hotel and motel room taxes	1,963,223	1,838,184	1,634,615	1,505,247	1,536,035	1,599,097	1,533,589	1,429,097	1,262,314	1,182,250
Restaurant food taxes	9,913,531	8,833,426	8,403,911	8,001,668	8,037,199	8,027,404	7,671,308	7,099,944	6,711,580	6,351,607
Emergency telephone service taxes <sup>c</sup>	-	-	-	-	-	-	401,181	669,166	431,884	378,655
Short-term rental taxes	93,218	61,237	59,244	17,778	-	-	-	-	-	-
Public right-of-way use fee	113,012	111,110	135,196	123,100	113,315	125,372	107,545	143,804	138,735	137,055
<b>Total other local taxes</b>	<b>\$ 33,134,475</b>	<b>\$ 31,114,956</b>	<b>\$ 30,439,292</b>	<b>\$ 29,295,439</b>	<b>\$ 30,439,109</b>	<b>\$ 31,533,497</b>	<b>\$ 31,976,274</b>	<b>\$ 31,493,067</b>	<b>\$ 29,240,984</b>	<b>\$ 27,544,279</b>

**Notes:** Any significant increases or decreases for 2013 are explained in Management's Discussion and Analysis.

<sup>a</sup>For 2008, the increase in real estate taxes was the result of an increase in real property assessments.

<sup>b</sup>For 2007, the increase in personal property taxes was the result of an increase in personal property tax rate.

<sup>c</sup>For 2008, the decrease in these various other local taxes was the result of the state enacting the communications sales and use tax. This state tax replaced various local taxes with each locality in the state receiving a predetermined percentage of the total communications sales and use tax which is now considered an intergovernmental revenue.

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

Table 6

Fiscal Year	Real Estate <sup>1</sup>			Personal Property				Total Assessed Values	Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations <sup>4</sup>	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>	Public Service Corporations <sup>4</sup>		
2013	\$ 2,475,833,386	\$ 1,382,285,462	\$ 52,516,179	\$ 337,161,049	\$ 89,963,300	\$ 1,115,803	\$ 448,655	\$ 4,339,323,834	0.81
2012	2,543,042,004	1,388,078,371	50,092,960	315,996,800	89,852,200	1,142,200	329,028	4,388,533,563	0.76
2011	2,510,853,924	1,364,937,892	50,956,726	305,187,900	91,009,800	1,188,000	364,071	4,324,498,313	0.76
2010	2,454,130,651	1,333,884,176	50,623,169	298,874,400	95,937,200	1,200,100	487,596	4,235,137,292	0.76
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	3,902,956,409	0.78
2008	2,111,233,782	1,094,534,067	47,220,357	302,216,554	83,446,563	1,245,100	273,687	3,640,170,110	0.79
2007	1,528,652,129	828,541,876	40,459,620	287,097,150	85,627,100	1,300,700	294,465	2,771,973,040	0.91
2006	1,473,033,038	808,066,456	45,930,020	275,969,700	82,172,500	1,217,300	339,674	2,686,728,688	0.80
2005	1,306,273,698	666,253,010	50,610,910	253,980,570	94,040,800	1,255,800	294,118	2,372,708,906	0.82
2004	1,279,709,666	645,047,950	53,862,258	263,080,560	100,386,700	1,264,400	250,109	2,343,601,643	0.83

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property					Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other <sup>1</sup>	
2013	\$ 0.63	\$ 0.63	\$ 0.63	\$ 2.00	\$ 2.00	\$ 0.63	\$ 3.00	\$ 3.00	\$ 0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.78
2008	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.79
2007	0.62	0.62	0.62	3.00	2.00	0.62	3.00	3.00	0.91
2006	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	0.80
2005	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	0.82
2004	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	0.83

**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 services and has not included this information in the above table. The City does not have any overlapping governments and has not included this information in the above table. <sup>1</sup>Other personal property includes business vehicles.



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

Table 8

Property Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 585,495	1	1.75%	\$ 419,609	2	2.14%
American Campus Communities, Inc.	408,798	2	1.22%	-	-	-
Copper Beech Townhome Communities, LLC	352,139	3	1.05%	-	-	-
Packaging Corporation of America	316,746	4	0.95%	171,669	7	0.88%
Graham Packaging Company, LP	311,625	5	0.93%	207,878	5	1.06%
Simon Property Group, Inc.	255,634	6	0.76%	169,741	8	0.87%
George's Foods, LLC	236,394	7	0.71%	-	-	-
Virginia Mennonite Retirement Community	213,127	8	0.64%	163,038	10	0.83%
R.R. Donnelley & Sons Company	201,923	9	0.60%	324,385	3	1.65%
Ariake USA, Inc	196,544	10	0.59%	-	-	-
IntraPac Corporation	-	-	-	449,862	1	2.29%
LB&J Limited	-	-	-	239,150	4	1.22%
Verizon Communications Inc.	-	-	-	190,208	6	0.97%
Reddy Ice Corporation	-	-	-	164,582	9	0.84%
<b>Total</b>	<b>\$ 3,078,425</b>		<b>9.20%</b>	<b>\$ 2,500,122</b>		<b>12.75%</b>

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

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

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy	Amount		Percentage of Levy	
2013	\$ 33,518,148	\$ -	33,518,148	\$ 32,841,981	97.98%	\$ -	\$ 32,841,981	97.98%	
2012	31,917,343	(17,058)	31,900,285	31,164,825	97.64%	476,427	31,641,252	99.13%	
2011	31,326,231	(1,133)	31,325,098	30,500,885	97.37%	621,634	31,122,519	99.35%	
2010	30,809,804	(18,453)	30,791,351	29,834,014	96.83%	738,601	30,572,615	99.29%	
2009	29,095,900	1,607	29,097,507	28,136,769	96.70%	745,776	28,882,545	99.26%	
2008	27,221,485	(23,708)	27,197,777	26,384,561	96.93%	643,144	27,027,705	99.37%	
2007	23,722,324	(22,059)	23,700,265	22,950,373	96.75%	580,472	23,530,845	99.29%	
2006	21,683,449	68,944	21,752,393	21,076,071	97.20%	508,302	21,584,373	99.23%	
2005	19,595,631	13,467	19,609,098	18,925,288	96.58%	418,206	19,343,494	98.65%	
2004	19,617,311	(60,565)	19,556,746	19,080,972	97.27%	348,474	19,429,446	99.35%	

**Notes:** From 2004-2006, the Commonwealth of Virginia directly reimbursed localities a percentage of certain personal property taxes when the locality collected the taxpayer share of the tax. These reimbursements are included in current year collections and collections in subsequent years. Beginning in 2007, the Commonwealth of Virginia began funding a pre-determined amount to each locality not dependent on when the locality collected the taxpayers share. These reimbursements are not included in current year collections.

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

Table 10

Type of debt	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental activities:</b>										
General obligation bonds <sup>a,b,c</sup>	\$ 131,015,191	\$ 129,469,015	\$ 128,931,460	\$ 124,852,870	\$ 130,064,515	\$ 115,949,601	\$ 119,643,460	\$ 73,438,431	\$ 76,778,898	\$ 72,785,854
General obligation revenue bonds <sup>b,d</sup>	-	-	-	-	-	6,186,488	6,258,756	6,321,024	6,343,292	-
Notes payable	-	-	-	-	-	-	-	400,000	400,000	3,297,307
Capital leases	3,321,531	4,827,885	5,751,958	6,635,404	7,480,465	8,287,363	9,058,940	9,797,450	10,575,685	5,373,206
State literary fund loans	-	-	-	-	-	-	-	11,825	23,650	35,475
<b>Business-type activities:</b>										
General obligation bonds <sup>a</sup>	30,637,943	32,405,122	34,061,921	26,528,271	26,886,976	25,743,287	26,968,098	28,152,909	29,292,721	29,586,475
General obligation revenue bonds <sup>a,e</sup>	-	239,994	469,862	9,392,103	9,598,939	9,800,776	9,992,612	10,179,448	10,356,284	16,868,680
Notes payable	-	-	-	-	-	-	-	-	-	128,527
<b>Total primary government</b>	<b>\$ 164,974,665</b>	<b>\$ 166,942,016</b>	<b>\$ 169,215,201</b>	<b>\$ 167,408,648</b>	<b>\$ 174,030,895</b>	<b>\$ 165,967,515</b>	<b>\$ 171,921,866</b>	<b>\$ 128,301,087</b>	<b>\$ 133,770,530</b>	<b>\$ 128,075,524</b>
Percentage of personal income <sup>f</sup>	9.89%	10.41%	11.35%	11.59%	12.23%	12.27%	13.41%	10.74%	11.88%	11.78%
Per capita <sup>g</sup>	\$ 3,183	\$ 3,260	\$ 3,419	\$ 3,423	\$ 3,792	\$ 3,667	\$ 3,809	\$ 2,915	\$ 3,098	\$ 2,969

**Notes:** The City does not have any 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.  
<sup>f</sup>See Table 13 for personal income and population data.

<sup>a</sup>For 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

<sup>b</sup>For 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

<sup>c</sup>For 2007, the City issued \$50 million in general obligation bonds, of which \$46.5 million was issued for the construction of an elementary/middle school complex and related infrastructure.

<sup>d</sup>The increase in governmental activities and the decrease in business-type activities' general obligation revenue bonds in 2005 was due to a reporting change for the operations of the golf course. Prior to 2005, the golf course was reported as a business-type activity.

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

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

Table 11

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General obligation bonds <sup>a,b,c,d</sup>	\$ 161,653,134	\$ 161,874,137	\$ 162,993,392	\$ 151,381,141	\$ 156,951,491	\$ 141,692,888	\$ 146,611,558	\$ 101,591,340	\$ 106,071,619	\$ 102,372,329
Total	\$ 161,653,134	\$ 161,874,137	\$ 162,993,392	\$ 151,381,141	\$ 156,951,491	\$ 141,692,888	\$ 146,611,558	\$ 101,591,340	\$ 106,071,619	\$ 102,372,329
Percentage of assessed real property value <sup>1</sup>	4.13%	4.07%	4.15%	3.94%	4.49%	4.36%	6.11%	4.37%	5.24%	5.17%
Per capita <sup>2</sup>	\$ 3,119	\$ 3,161	\$ 3,293	\$ 3,095	\$ 3,420	\$ 3,131	\$ 3,248	\$ 2,308	\$ 2,457	\$ 2,373

**Notes:** The City does not have any 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 are no restricted net assets for debt service available for the repayment of principal on bonded debt. <sup>1</sup>See Table 6 for assessed real property data. <sup>2</sup>See Table 13 for population data.

<sup>a</sup>For 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

<sup>b</sup>For 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

<sup>c</sup>For 2007, the City issued \$50 million in general obligation bonds, of which \$46.5 million was issued for the construction of an elementary/middle school complex and related infrastructure.

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

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

Table 12

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	\$ 363,863,800	\$ 349,636,450	\$ 325,298,821	\$ 239,765,363	\$ 232,702,951	\$ 202,313,762	\$ 197,861,987
Total debt applicable to limit	163,133,244	163,706,026	165,926,512	162,043,877	167,937,695	158,497,695	163,765,205	119,311,725	124,081,150	123,383,909
Legal debt margin	\$ 227,930,259	\$ 234,415,308	\$ 226,748,342	\$ 221,819,923	\$ 181,698,755	\$ 166,801,126	\$ 76,000,158	\$ 113,391,226	\$ 78,232,612	\$ 74,478,078
Total debt applicable to the limit as percentage of debt limit <sup>a</sup>	41.72%	41.12%	42.26%	42.21%	48.03%	48.72%	68.30%	51.27%	61.33%	62.36%
<b>Legal Debt Margin Calculation for Fiscal Year 2013</b>										
Total assessed value of taxed real property	\$ 3,910,635,027									
Debt limit (10% of total assessed value)	\$ 391,063,503									
Debt applicable to limit:										
General obligation bonds	163,133,244									
Legal debt margin	\$ 227,930,259									

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.

<sup>a</sup>For 2007, the City issued a total of \$50 million in debt to finance various projects. See Table 10 for a further explanation of the projects financed.

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

Table 13

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate Percentage <sup>4</sup>
2013	51,828	\$ 1,668,965	\$ 32,202	4,956	6.5
2012	51,208	1,604,039	31,324	4,709	7.2
2011	49,491	1,490,817	30,123	4,513	7.5
2010	48,914	1,443,843	29,518	4,323	7.7
2009	45,889	1,423,018	31,010	4,241	5.6
2008	45,255	1,352,672	29,890	4,363	3.4
2007	45,138	1,282,280	28,408	4,356	2.8
2006	44,008	1,194,773	27,149	4,347	3.4
2005	43,178	1,125,910	26,076	4,088	4.0
2004	43,137	1,086,966	25,198	4,028	3.7

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2004-2009 and 2011-2013. United States Census Bureau for 2010. <sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2010-2012 have been adjusted based upon the latest available data. Data for 2013 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average. The rates for 2010-2012 have been adjusted based upon the latest available data.

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

**Table 14**

Employers	Fiscal Year 2013			Fiscal Year 2004		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	>999	1	> 3.35%	>999	1	n/a
Harrisonburg City Public Schools	500 - 999	2	1.68% - 3.35%	500 - 999	4	n/a
Aramark Campus LLC	500 - 999	3	1.68% - 3.35%	-	-	n/a
City of Harrisonburg	500 - 999	4	1.68% - 3.35%	500 - 999	6	n/a
Rosetta Stone Inc.	500 - 999	5	1.68% - 3.35%	-	-	n/a
Tenneco Inc.	500 - 999	6	1.68% - 3.35%	500 - 999	5	n/a
George's Chicken, LLC	500 - 999	7	1.68% - 3.35%	250 - 499	8	n/a
Eastern Mennonite University	500 - 999	8	1.68% - 3.35%	-	-	n/a
Virginia Mennonite Retirement Community	250 - 499	9	0.84% - 1.67%	250 - 499	9	n/a
Wal-Mart Stores, Inc.	250 - 499	10	0.84% - 1.67%	500 - 999	3	n/a
Rockingham Memorial Hospital	-	-	-	>999	2	n/a
Graham Packaging Company, LP	-	-	-	250 - 499	7	n/a
Harrisonburg Auto Auction	-	-	-	250 - 499	10	n/a
Total City Employment	29,822			n/a		

**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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government administration	45.7	45.5	45.4	45.7	46.1	43.9	41.8	39.0	37.9	37.0
Public safety:										
Police <sup>a</sup>	107.6	107.4	108.5	108.8	110.8	107.8	101.6	101.8	97.7	100.4
Fire <sup>a</sup>	80.7	80.7	80.8	80.5	79.8	76.8	72.3	71.5	68.5	68.2
Other <sup>b</sup>	14.0	13.0	13.0	13.0	13.0	12.0	12.0	11.5	10.2	22.0
Public works <sup>c</sup>	98.0	102.2	72.6	73.1	76.2	74.3	74.2	66.7	66.0	66.0
Education <sup>c</sup>	40.2	38.8	-	-	-	-	-	-	-	-
Parks, recreation and cultural	73.8	75.9	75.6	70.7	71.2	70.6	69.4	66.8	65.6	66.7
Planning and community development <sup>d</sup>	16.4	17.8	18.8	19.1	19.4	17.2	18.8	11.9	11.7	10.6
Water	32.6	32.6	33.1	33.2	33.2	31.4	30.1	29.7	29.7	29.6
Sewer	24.1	22.2	23.8	23.7	23.7	22.6	23.3	22.9	22.9	22.9
Public transportation <sup>e,e</sup>	47.1	49.8	87.8	87.1	86.4	78.6	79.8	79.2	76.4	77.1
Steam plant/sanitation <sup>c</sup>	31.0	31.0	56.9	60.9	61.5	60.9	56.9	56.9	55.0	54.0
Central garage	15.8	15.8	14.7	14.7	15.4	15.8	13.0	13.0	13.0	13.0
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Total	629.0	634.7	633.0	632.5	638.7	613.9	595.2	571.9	555.6	568.5

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

Notes: Full-time equivalent amounts are budgeted positions

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

<sup>b</sup>For 2005, the decrease for other public safety reflects the transfer of employees to the Harrisonburg-Rockingham Emergency Communications Center.

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

<sup>d</sup>For 2007, the increase for planning and community development reflects the creation of a tourism and visitors services division.

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



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

Table 16

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Calls answered	34,935	33,021	41,070	43,634	40,321	26,658	28,232	30,901	34,059	33,987
Traffic citations	7,900	6,268	9,359	8,437	8,177	5,326	6,295	7,144	9,796	8,825
Fire										
Calls answered	4,923	4,789	4,514	4,473	4,381	4,314	3,991	4,088	3,994	3,763
Inspections	1,893	2,135	1,868	1,927	1,983	1,218	1,387	1,472	1,623	1,296
Public works										
Streets repaved (total miles)	5.10	5.58	5.47	6.90	9.47	10.42	7.47	4.88	4.17	4.13
Materials recycled (tons)	754.4	757.8	827.8	722.6	1,048.3	942.3	1,234.2	1,847.3	1,353.9	n/a
Parks and recreation										
Pool admissions	50,388	52,489	47,417	48,304	43,872	41,229	30,736	42,633	42,710	47,718
Rounds of golf played	27,275	27,068	21,906	20,812	21,896	21,024	19,235	20,311	20,636	20,458
Planning and community development										
Building permits issued	1,035	810	739	748	961	1,747	829	1,039	958	893
Water										
Daily consumption (millions of gallons)	5.37	5.36	5.44	5.17	5.38	5.50	5.40	5.35	5.15	5.14
New customer connections	67	40	151	110	528	509	347	435	262	272
Sewer										
Daily consumption (millions of gallons)	4.27	4.29	4.33	4.20	4.12	3.95	4.26	4.36	4.16	4.11
New customer connections	14	8	132	8	13	36	52	46	42	33
Public transportation										
Transit bus passengers	2,749,235	2,535,828	2,063,301	1,862,500	1,709,558	1,489,770	1,492,276	1,380,851	1,150,587	1,040,010
Steam plant										
Avg. daily steam plant intake (tons) <sup>a</sup>	125.1	111.7	138.5	149.6	148.3	130.4	128.5	145.6	117.5	48.3

Source: Various City of Harrisonburg departments.

Notes: Operating indicators are not available for the general government function. " n/a" means that the information is not available.

<sup>a</sup>Due to the rebuild and expansion of the steam plant, the steam plant was only in operation for a portion of 2004.

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

Table 17

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	48	48	46	47	43	43	42	40	n/a	n/a
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	13	13	13	13	12	12	13	12	12
Public works:										
Streets (centerline miles)	137.92	137.92	137.92	137.92	135.34	134.07	134.07	132.62	132.62	132.62
Refuse collection trucks	7	7	7	7	7	6	6	6	6	6
Recycling collection trucks	3	3	3	3	3	3	4	4	4	4
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	11	11	10	10	10	10
Parks acreage	877	877	877	877	869	869	869	869	869	869
Golf course acreage	215	215	215	215	215	215	215	201	201	201
Water:										
Water lines (linear feet)	1,604,272	1,555,811	1,523,193	1,467,840	1,469,084	1,443,140	1,441,109	1,432,761	1,332,055	1,324,896
Storage capacity (millions of gallons) <sup>a</sup>	25.25	25.25	25.25	25.25	23.25	38.25	33.25	33.25	27.95	27.95
Sewer:										
Sewer lines (linear feet)	1,077,694	1,078,563	1,075,233	1,071,840	1,063,710	1,018,647	1,007,810	999,431	1,042,286	1,012,041
Public transportation:										
Transit buses	42	42	36	36	36	36	31	33	n/a	n/a
Steam plant										
Steam plant capacity (tons per day)	200	200	200	200	200	200	200	200	200	200

Source: Various City of Harrisonburg departments.

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

<sup>a</sup>In 2006, the City completed construction of a new 5.3 million gallon water tank at the water treatment plant.

<sup>a</sup>In 2008, the City completed construction of a new 5 million gallon water tank on Ramblewood Road.

<sup>a</sup>In 2009, the City took out of service a 15 million gallon reservoir on Tower Street in preparations for constructing a new water tank.

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

# COMPLIANCE SECTION

This part of the City's comprehensive annual financial report is intended to demonstrate the City's compliance with various state and federal legal matters, as well as, compliance with federal grant funding requirements. It is prepared in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) A-133.

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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 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 *Specifications for Audits of Authorities, Boards, and Commissions*, both 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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 13-02.**

### **City of Harrisonburg, Virginia's Response to Finding**

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

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 25, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Harrisonburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

**In our opinion, the City of Harrisonburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.**

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questions costs as Item 13-01. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 25, 2013



**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2013**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

*State Agency Requirements*

Education  
Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2013**

**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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u><b>Name of Program:</b></u>	<u><b>CFDA #</b></u>
CDBG – Entitlement Grant	14.218
Education Jobs Funds – ARRA	84.410
Federal Transit Cluster – Capital Investment Grants	20.500
Federal Transit Cluster – Formula Grants	20.507
Federal Transit Cluster – Formula Grants - ARRA	20.507

8. The **threshold** for distinguishing Type A and B programs was **\$336,868**.
9. The City was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2013**

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

**13-01. Community Development Block Grant - CFDA 14.218**

*Condition:*

The Federal Funding Accountability and Transparency Act reporting requirements for one sub recipient were not properly followed and reports were not submitted.

*Recommendation:*

City personnel responsible for grant administration should stay abreast of new compliance requirements.

*Management Response:*

The City agrees with the finding and will submit required FFATA reports in the future.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**13-02. Commonwealth of Virginia: Economic Interest Disclosure Statements**

*Condition:*

Out of thirty-two official disclosure statements for the City, we noted one that was not submitted by January 15 as set forth by the *Code of Virginia*.

*Recommendation:*

City and School Board officials must submit disclosure statements.

*Management Response:*

We believe adequate procedures currently exist. The City Clerk exercised follow up measures and subsequently obtained the disclosure statement.

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2013**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**12-2: Federal Transit – CFDA 20.507**

***Condition:***

In a sample of twenty-five expenditures, one expenditure, for \$10.75, was requested for reimbursement but was determined to be not allowable.

***Recommendation:***

Reimbursement requests should only include qualifying expenses. Contributions and other non-operating costs should be allocated to other departments when recorded in the system.

***Current Status:***

We did not detect a similar finding in the current year.

CITY OF HARRISONBURG, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

Page 1

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture:</b>		
Direct payments:		
Rural Business Enterprise Grants	10.769	\$ 56,000
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	510,589
National School Lunch Program	10.555	1,658,164
Fresh Fruit and Vegetable Program	10.582	92,810
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>134,252</u>
<b>Total Department of Agriculture</b>		<b>\$ <u>2,451,815</u></b>
<b>Department of Housing and Urban Development:</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	\$ <u>425,530</u>
<b>Total Department of Housing and Urban Development</b>		<b>\$ <u>425,530</u></b>
<b>Department of Justice:</b>		
Direct payments:		
Joint Law Enforcement Operations (JLEO)	16.111	\$ 3,798
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>13,911</u>
<b>Total Department of Justice</b>		<b>\$ <u>17,709</u></b>
<b>Department of Transportation:</b>		
Direct payments:		
Federal Transit Cluster:		
Federal Transit - Formula Grants	20.507	\$ 3,369,204
Federal Transit - Formula Grants - ARRA	20.507	35,379
Pass-through payments:		
Highway Planning and Construction Cluster:		
Department of Transportation:		
Highway Planning and Construction	20.205	701,965
Department of Conservation and Recreation:		
Recreational Trails Program	20.219	6,986
Harrisonburg-Rockingham Metropolitan Planning Organization:		
Metropolitan Transportation Planning	20.505	36,000
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	27,915
Child Safety and Child Booster Seats Incentive Grants	20.613	<u>8,138</u>
<b>Total Department of Transportation</b>		<b>\$ <u>4,185,587</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

Page 2

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Environmental Protection Agency:</b>		
Pass-through payments:		
Department of Conservation and Recreation:		
Chesapeake Bay Program	66.466	\$ 20,201
<b>Total Environmental Protection Agency</b>		<b>\$ 20,201</b>
<b>Department of Education:</b>		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 1,348,380
Career and Technical Education - Basic Grants to States	84.048	86,020
English Language Acquisition Grants	84.365	230,647
Improving Teacher Quality State Grants	84.367	168,222
Educational Technology State Grants, Recovery Act	84.386	13,373
Education Jobs Fund, Recovery Act	84.410	796,183
Special Education Cluster:		
Grants to States	84.027	1,073,831
Preschool Grants	84.173	27,581
<b>Total Department of Education</b>		<b>\$ 3,744,237</b>
<b>Department of Homeland Security:</b>		
Pass-through payments:		
Department of Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 107,164
Interoperable Emergency Communications	97.055	37,252
State Homeland Security Program (SHSP)	97.073	154,137
<b>Total Department of Homeland Security</b>		<b>\$ 298,553</b>
<b>Department of Defense:</b>		
Direct payments:		
JROTC Funds	12.VA 170853	\$ 85,317
<b>Total Department of Defense</b>		<b>\$ 85,317</b>
<b>Total expenditures of federal awards</b>		<b>\$ 11,228,949</b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Harrisonburg, Virginia and its component units, and is presented on the accrual basis of accounting. The information contained in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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. 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, 2013, the School Board, a component unit, had food commodities totaling \$61,956 in inventory.

**Note 3. Subrecipients**

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 210,255
Interoperable Emergency Communications	97.055	37,252
State Homeland Security Program (SHSP)	97.073	14,799

**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, 2013.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 1,022,400

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