

# City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015





# **City of Harrisonburg, Virginia**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015



This Report  
Prepared by Department of Finance

**Report Cover:** The front cover is the new Public Transportation facility located on East Washington Street. Completed in July 2014, the facility is the home of the City's Public Transportation Department which is responsible for the City's transit bus, school bus and fleet maintenance services. In addition to funding from the City, financing for this \$17 million project was provided by the Federal Transit Administration and the Virginia Department of Rail and Public Transportation.

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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# INTRODUCTORY SECTION

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

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# City of Harrisonburg, Virginia

## Office of the City Manager

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

Kurt D. Hodgen  
City Manager

November 20, 2015

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, 2015 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, 2015, 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*

**The City With The Planned Future**

*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 54,000.

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

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

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

The operation of primary and secondary education in the City is the responsibility of the Harrisonburg City School Board (School Board). The City voters elect the six members of the School Board, 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 a total of \$989,000 for various projects which included additional athletic fields at the Smithland Road athletic complex, the Northend Greenway pedestrian trail, renovations to the Fire Department's Station No. 1 and renovations to the old municipal building.
- Appropriated \$880,000 that was provided by federal sources for downtown streetscape improvements.
- Appropriated \$800,000 for architecture and engineering services for the construction of a new elementary school and a pre-k facility.
- Appropriated \$800,000 for the purchase and renovations of the historical Thomas Harrison house.
- Appropriated \$657,000 for the purchase of a replacement transit bus and four paratransit buses with 90 percent of the funding provided by state and federal sources.
- Appropriated \$450,000 for the replacement of the West Rock Street bridge.

### **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 31,000. James Madison University, a state-supported school, is located near the

geographic center of the City and has approximately 20,900 students. Eastern Mennonite University, a private institution with approximately 1,870 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,830 students. State-supported Blue Ridge Community College has an enrollment of approximately 6,400 students.

Sentara RMH Medical Center provides hospital and many other related healthcare services. Air, rail and bus transportation is available in the area. 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 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 which have been completed. The estimated total cost of the project is \$33.3 million of which \$13.3 million has already been expended and there is approximately \$1 million in available cash. It is anticipated that this project will require a future \$19 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 in the final planning stages for the construction of a new water tank and pump station in the Park View area of the City at an estimated cost of \$3.5 million. It is anticipated that the project will be completed during fiscal year 2017 and will be financed through the issuance of bonds in fiscal year 2016.

The City has completed the process of purchasing all right-of-way and relocating utilities and is now planning to begin the construction phase of the Reservoir Street improvement project. It is estimated that this project will cost approximately \$22 million with \$10.8 million having already been expended. The project is being funded by both state and local funding sources of which an additional \$2.5 million may be required from the City. Construction is projected to begin in fiscal year 2016 and to be completed by May 2018.

The School Board, in cooperation with the City, is in the design stages for the construction of a new elementary school on Garbers Church Road and an addition to Smithland Elementary School that will be used as a pre-K facility at an estimated cost of \$33.5 million. It is anticipated that the projects will be completed by August 2017 and will be financed through the issuance of bonds in fiscal year 2016.

The City is implementing a stormwater management program in accordance with state and federal regulations. As a locality within the Chesapeake Bay watershed, the City is required to develop, implement and enforce a stormwater management program in accordance with its Municipal Separate Storm Sewer Systems (MS4) permit. The MS4 program entails six minimum control measures: (1) public education and outreach, (2) public participation/involvement, (3) illicit discharge detection and elimination, (4) construction site stormwater runoff, (5) post-construction stormwater management in new development and redevelopment on prior developed land and (6) pollution prevention/good housekeeping for municipal operations. Beginning in fiscal year 2016, the City will begin collecting a new stormwater utility fee to support the program.

In order to resolve overcrowding at the existing local jail and to avoid the costs of constructing a new jail facility, the City, along with the Rockingham County, approved agreements with the City of Waynesboro, the City of Staunton and Augusta County to become members of the Middle River Regional Jail Authority (Authority). Membership is effective July 1, 2015 and the agreements included a buy-in agreement in which the City is required to make payments totaling \$10.7 million to the three above named jurisdictions over a ten year period. The City and Rockingham County will continue to operate the local regional jail. The City will also be responsible for annual operating and debt service contributions to the Authority.

### **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, 2014. This was the twentieth 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,

/s/

Kurt D. Hodgen  
City Manager

/s/

Larry L. Propst, CPA  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Harrisonburg  
Virginia**

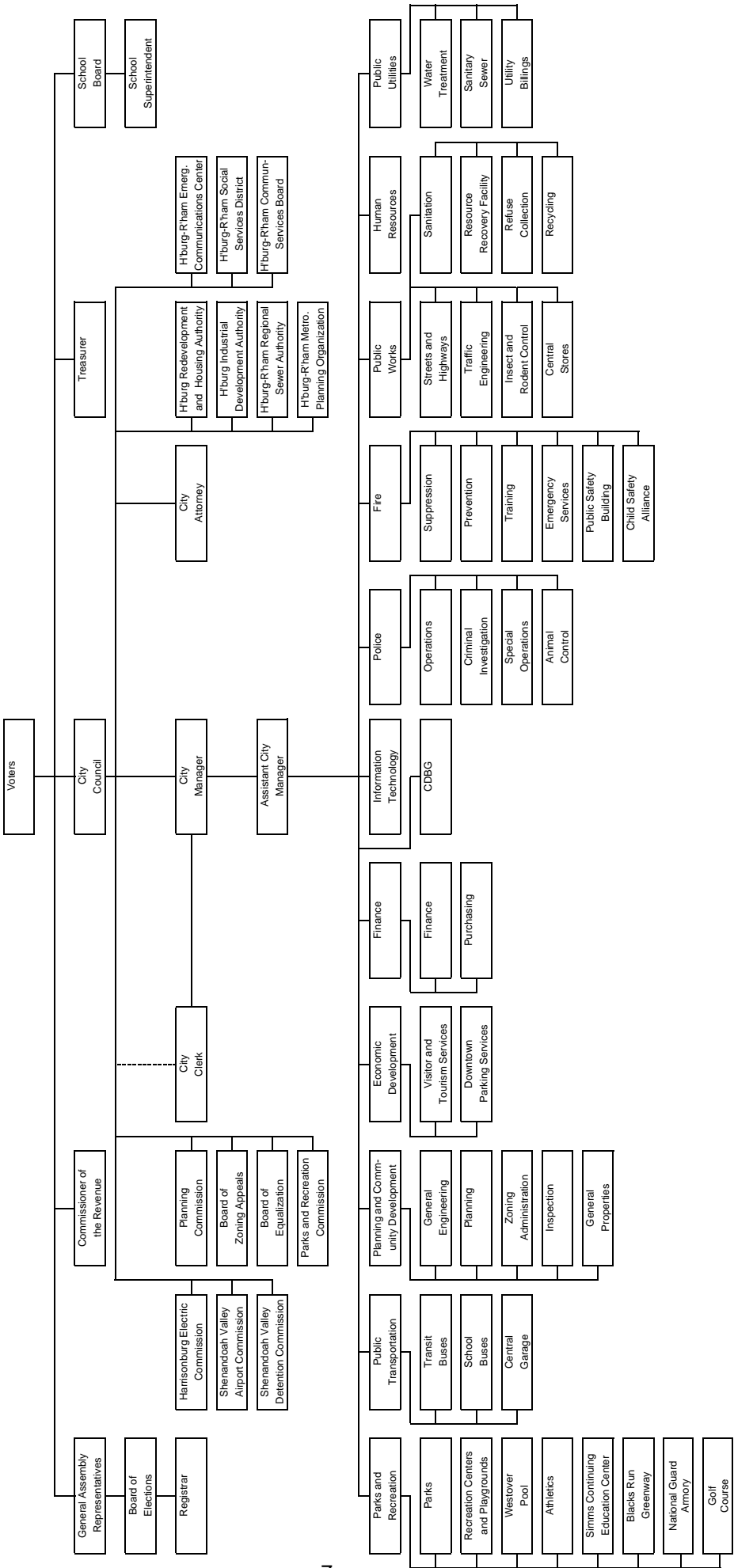
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



City of Harrisonburg, Virginia  
Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2015**

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**CITY COUNCIL**

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Christopher B. Jones	Mayor
Richard A. Baugh	Vice Mayor
J. Ted Byrd	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
Karen I. Rose	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**

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Andrew Kohen	Chairperson
Dominic D. "Nick" Swayne	Vice Chairperson
Tom Domonoske	Interim Board Member
Brent Holsinger	Board Member
Kelly Rooney	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
Tracy Shaver	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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 29 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

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

### ***Other Information***

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

***Other Matters (Continued)***

***Other Information (Continued)***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 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 20, 2015

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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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$233.8 million (net position). Of this amount, \$25.2 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 \$272,329.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.6 million, a decrease of \$16.6 million in comparison with the previous year. Approximately 61.2 percent of this total amount, \$24.2 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24.2 million, or 23.7 percent of total General Fund expenditures and other financing uses (less debt refunding transactions).
- The City's total long-term debt increased by \$18.6 million during the current fiscal year. In addition, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 68 and has reported a net pension liability of \$19.1 million.

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

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

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

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

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

Both 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 sanitation 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 sanitation 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 Sanitation 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 80 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 81 through 86 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 87 through 120 of this report.

### Government-wide Financial Analysis (Primary Government)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$233.8 million at the close of the most recent fiscal year.

The largest portion of the City's net position (89 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 \$25.2 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 99,656,266	\$ 114,812,894	\$ 21,403,851	\$ 20,347,813	\$ 121,060,117	\$ 135,160,707
Capital assets	281,774,397	266,393,441	87,312,980	87,962,102	369,087,377	354,355,543
<b>Total assets</b>	<b>381,430,663</b>	<b>381,206,335</b>	<b>108,716,831</b>	<b>108,309,915</b>	<b>490,147,494</b>	<b>489,516,250</b>
<b>Total deferred outflows of resources</b>	<b>6,086,344</b>	<b>3,892,457</b>	<b>2,619,605</b>	<b>2,184,975</b>	<b>8,705,949</b>	<b>6,077,432</b>
Current and other liabilities	10,602,586	10,200,025	1,876,780	2,495,058	12,479,366	12,695,083
Long-term liabilities	170,251,065	157,426,477	37,584,093	31,837,243	207,835,158	189,263,720
<b>Total liabilities</b>	<b>180,853,651</b>	<b>167,626,502</b>	<b>39,460,873</b>	<b>34,332,301</b>	<b>220,314,524</b>	<b>201,958,803</b>
<b>Total deferred inflows of resources</b>	<b>43,668,223</b>	<b>37,148,543</b>	<b>1,043,952</b>	<b>-</b>	<b>44,712,175</b>	<b>37,148,543</b>
Net position:						
Net investment in capital assets	146,765,571	143,056,305	61,417,998	59,661,294	208,183,569	202,717,599
Restricted	450,639	418,955	-	-	450,639	418,955
Unrestricted	15,778,923	36,848,497	9,413,613	16,501,295	25,192,536	53,349,792
<b>Total net position</b>	<b>\$ 162,995,133</b>	<b>\$ 180,323,757</b>	<b>\$ 70,831,611</b>	<b>\$ 76,162,589</b>	<b>\$ 233,826,744</b>	<b>\$ 256,486,346</b>

The information for the previous year has not been restated for the implementation of GASB Statement No. 68.

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

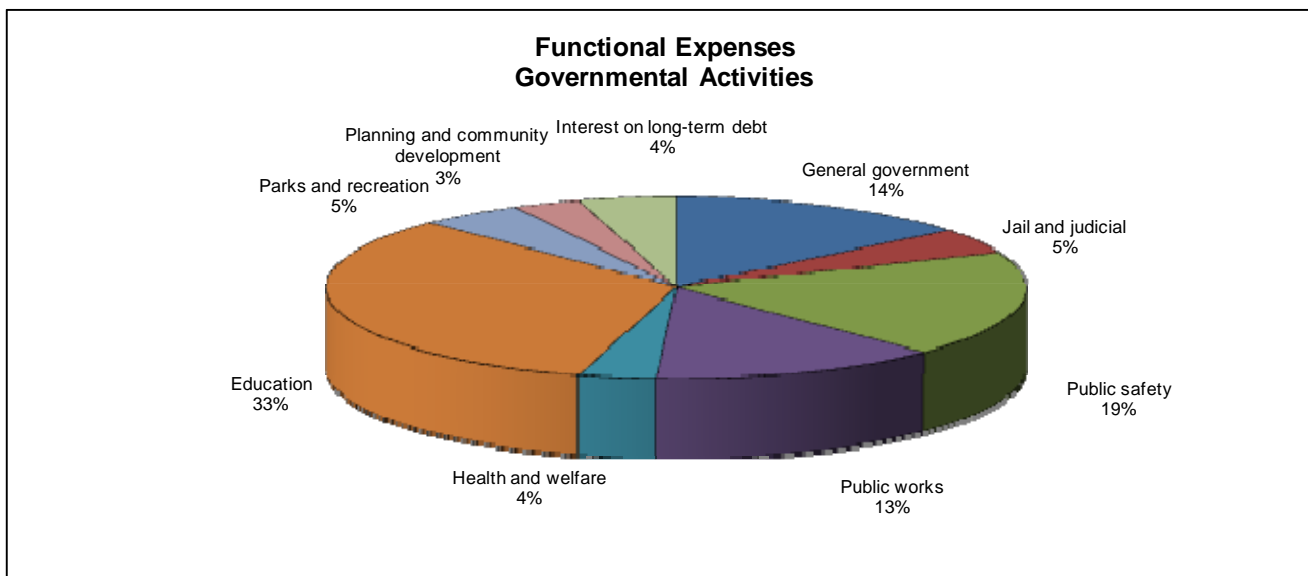
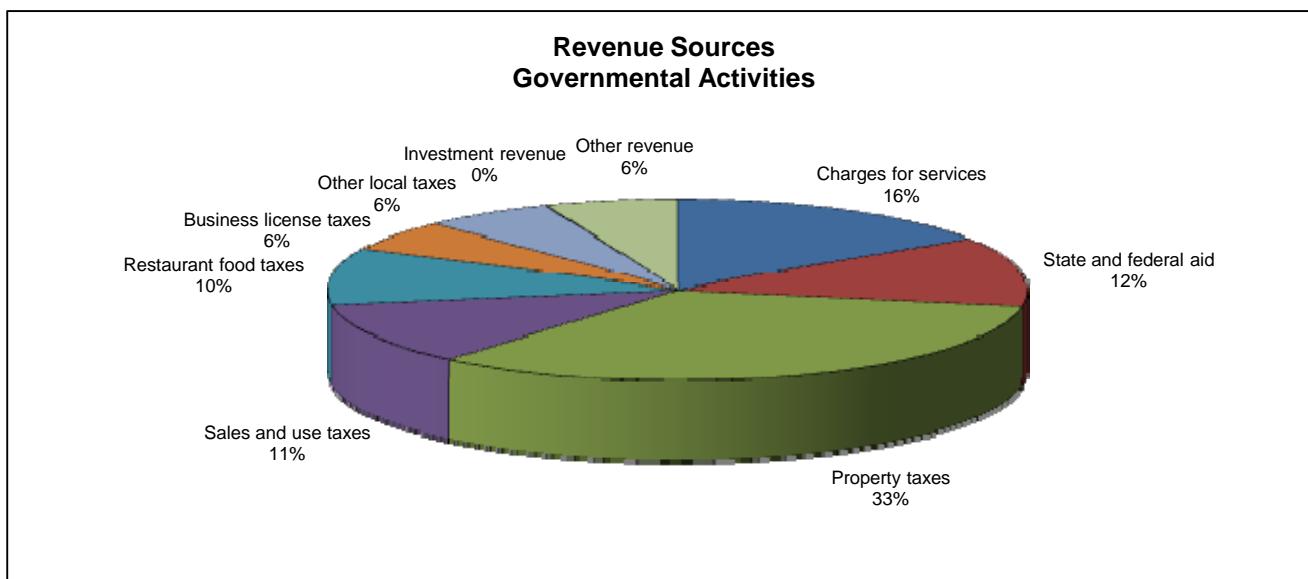
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 17,685,293	\$ 22,798,477	\$ 25,384,368	\$ 22,816,320	\$ 43,069,661	\$ 45,614,797
Operating grants and contributions	7,733,498	7,242,059	2,229,329	2,160,125	9,962,827	9,402,184
Capital grants and contributions	2,511,563	6,052,309	2,689,399	6,506,406	5,200,962	12,558,715
General revenues:						
Property taxes	37,522,303	33,682,085	-	-	37,522,303	33,682,085
Sales and use taxes	12,532,757	11,956,912	-	-	12,532,757	11,956,912
Restaurant food taxes	11,026,410	10,398,660	-	-	11,026,410	10,398,660
Business license taxes	6,275,116	6,246,573	-	-	6,275,116	6,246,573
Other local taxes	6,798,376	6,105,467	-	-	6,798,376	6,105,467
Grants and contributions not restricted to specific programs	3,569,638	3,521,348	-	-	3,569,638	3,521,348
Payment from component units	4,900,000	4,900,000	-	-	4,900,000	4,900,000
Investment revenue	75,041	50,039	15,198	19,563	90,239	69,602
Other revenue	1,742,779	2,698,759	1,286,114	1,117,388	3,028,893	3,816,147
Gain on disposal of capital assets	-	-	2,550	28,554	2,550	28,554
<b>Total revenues</b>	<b>112,372,774</b>	<b>115,652,688</b>	<b>31,606,958</b>	<b>32,648,356</b>	<b>143,979,732</b>	<b>148,301,044</b>
Expenses:						
General government administration	16,257,293	17,537,393	-	-	16,257,293	17,537,393
Jail and judicial administration	5,137,399	4,175,900	-	-	5,137,399	4,175,900
Public safety	21,236,076	20,803,582	-	-	21,236,076	20,803,582
Public works	15,158,769	19,723,564	-	-	15,158,769	19,723,564
Health and welfare	4,103,981	3,941,088	-	-	4,103,981	3,941,088
Education	37,481,649	34,574,455	-	-	37,481,649	34,574,455
Parks, recreation and cultural	5,486,051	5,399,332	-	-	5,486,051	5,399,332
Planning and community development	3,555,510	3,612,415	-	-	3,555,510	3,612,415
Interest on long-term debt	5,116,339	5,071,941	-	-	5,116,339	5,071,941
Water	-	-	5,218,201	5,351,441	5,218,201	5,351,441
Sewer	-	-	9,526,208	9,536,716	9,526,208	9,536,716
Public transportation	-	-	6,327,540	5,218,865	6,327,540	5,218,865
Steam plant/sanitation	-	-	7,185,575	7,397,708	7,185,575	7,397,708
<b>Total expenses</b>	<b>113,533,067</b>	<b>114,839,670</b>	<b>28,257,524</b>	<b>27,504,730</b>	<b>141,790,591</b>	<b>142,344,400</b>
Excess before special item and transfers	(1,160,293)	813,018	3,349,434	5,143,626	2,189,141	5,956,644
Special item	-	-	(1,916,812)	(10,078,503)	(1,916,812)	(10,078,503)
Transfers	2,527,927	1,574,046	(2,527,927)	(1,574,046)	-	-
<b>Change in net position</b>	<b>1,367,634</b>	<b>2,387,064</b>	<b>(1,095,305)</b>	<b>(6,508,923)</b>	<b>272,329</b>	<b>(4,121,859)</b>
Net position - beginning	161,627,499	177,936,693	71,926,916	82,671,512	233,554,415	260,608,205
Net position - ending	\$ 162,995,133	\$ 180,323,757	\$ 70,831,611	\$ 76,162,589	\$ 233,826,744	\$ 256,486,346

The information for the previous year has not been restated for the implementation of GASB Statement No. 68.

**Governmental activities.** Governmental activities increased the City's net position by \$1.4 million. Key elements affecting governmental activities are as follows:

- Charges for services decreased \$5.1 million (22.4 percent) due to the reclassification of \$5.4 million of refuse collection and landfill tipping fee revenue to business-type activities and a decrease in law enforcement asset forfeiture funds. These decreases were offset by an increase in revenue in the City's self-insured health insurance plan that is reported in governmental activities.
- Capital grants and contributions decreased \$3.5 million (58.5 percent) mainly due to intergovernmental revenue reimbursements for the Reservoir Street improvement project.
- Property tax revenue increased \$3.8 million (11.4 percent) during the current year as a result of a six cent increase in the real estate tax rate and a tax rate increase for personal property taxes.
- Sales and use taxes and restaurant food taxes increased \$1.2 million (5.4 percent), collectively, as a result of general improvements in economic activity.
- Expenses in the general government administration activity decreased \$1.3 million (7.3 percent) primarily due to a decrease in claim payments in the City's self-insured health insurance plan.

- Expenses in the jail and judicial administration activity increased \$961,499 (23 percent) primarily from the City's share of increased bed rentals at the Middle River Regional Jail.
- Expenses in the public works activity decreased \$4.6 million (23.1 percent) primarily due to the reclassification of refuse collection, recycling and landfill operations to business-type activities.
- Expenses in the education activity increased \$2.9 million (8.4 percent) primarily due to an increase in funding to the Harrisonburg City School Board and the transfer of the School Board's administration offices capital asset to the School Board, a component unit, which had a book value of \$1.05 million.



**Business-type activities.** Business-type activities decreased the City's net position by \$1.1 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$2.6 million (11.3 percent) due to the reclassification of \$5.4 million of refuse collection and landfill tipping fee revenue from governmental activities. Water charges for services increased 361,622 (5.8 percent) while sewer charges for services increased \$481,453 (5 percent). These increases were offset by a decrease in steam plant charges for services which decreased \$3.8 million as the result of the City discontinuing the operations for a portion of the steam plant.
- Capital grants and contributions decreased \$3.8 million primarily from intergovernmental revenue associated with the construction of a new public transportation facility as construction was completed during the year.

- Expenses in the public transportation activity increased \$1.1 million (21.2 percent) as the result of increased depreciation from the new completed public transportation facility and a loss on the disposal of the old facility.
- Special items in the amount of \$1.9 million were recognized due to asset impairment losses reported from the pending sale of the resource recovery facility to JMU. See Note 8 and Note 35 of the notes to the financial statements for further information.

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

**School Board activities.** The net position of the School Board increased \$3.7 million during the year, as compared to a \$822,208 increase in the previous year. School Board expenses increased \$1.8 million (2.7 percent) due to a general increase in instructional expenses. The School Board's funding for operations from the City increased \$971,610 (3.5 percent) compared to the previous year. State funding increased \$2.2 million due to increased enrollment, while Federal funding decreased \$219,072. The School Board also implemented GASB 68 during the year reporting a \$54 million net pension liability for its share of the VRS Teacher Cost-Sharing Pool net pension liability and a \$408,930 net pension asset for the School Board's nonprofessional pension plan.

**HEC activities.** HEC's net position increased \$609,140 during the year, as compared to a \$1.1 million increase in the previous year. Operating revenues increased \$1.1 million (1.6 percent) during the current year, while expenses increased \$1.6 million (2.4 percent). The increase in operating revenue was a result of an increased fuel adjustment factor that was passed through to customers in April 2014. The increase in expenses was mostly a result of higher purchased power costs coupled with the aforementioned increased fuel adjustment factor.

## **Financial Analysis of the Government's Funds**

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

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

**General Fund.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$24.2 million, while total fund balance was \$27 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 23.7 percent (27.4 percent in the prior year) of total General Fund expenditures and other financing uses (less debt refunding transactions), while total fund balance represents 26.4 percent (33 percent in the prior year) of that same amount.

Total fund balance in the General Fund decreased \$5.1 million mainly from the transfer of \$2.7 million of committed fund balance to the Sanitation Fund associated with the City's contractual obligation for landfill closure costs for the Rockingham County landfill. The City also used unassigned fund balance for one-time capital funding in the amount of \$2.8 million and \$1.1 million for a buy-in payment related to the City's membership in the Middle River Regional Jail Authority. These uses of unassigned fund balance were offset by positive operating results. Sales and use taxes increased \$575,845 (4.8 percent), motor vehicle license taxes increased \$296,689 (33.4 percent) and restaurant food taxes increased \$613,979 (5.9 percent) compared to the previous fiscal year. Expenditures were under the final budget by \$2.75 million with further explanation in the General Fund Budgetary Highlights section. Jail and judicial administration expenditures increased \$2 million, public safety expenditures increased \$2.3 million (12.6 percent), and the City's funding to the School Board increased \$1.8 million (6.5 percent), which included \$800,000 for new school construction funding, compared to the previous fiscal year. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

**General Capital Projects Fund.** The General Capital Projects Fund has a total fund balance of \$12.3 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing

sources, totaled \$5.75 million, of which \$2.3 million was intergovernmental revenue and \$3.2 million was transfers from other funds. Intergovernmental revenue included \$1.2 million in funding from the state for street improvement projects, \$877,213 in federal funding for the downtown streetscape project and \$566,554 in funding from state and federal sources for the Bluestone Trail project. Expenditures totaled \$16.9 million, of which the most significant were for the construction of the new City Hall facility, energy efficiency improvements to the public safety building and recreation center, completion of the new public transportation facility, utility relocations for the Reservoir Street improvement project, the downtown streetscape project and the completion of the first phase of the landfill remediation/Ramblewood Road athletic facility 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 \$286,128 compared to an increase of \$306,840 in the previous year. Operating revenues increased \$361,622 (5.8 percent) due an approximate 3 percent water rate increase and increased consumption, while total operating expenses remained essentially flat.

**Sewer Fund.** The net position of the Sewer Fund decreased \$170,478 compared to an increase of \$356,153 in the previous year. Operating revenues increased \$481,453 (5 percent) due to a sewer authority rate increase, while total operating expenses remained essentially flat.

**Public Transportation Fund.** The net position of the Public Transportation Fund increased \$559,179. Operating revenues increased \$63,696 (3.5 percent) from a general increase in transit and paratransit bus usage while total operating expenses increased \$717,808 (13.8 percent). Expenses increased primarily due to the addition of bus driver personnel and depreciation expense from the completion of a new public transportation facility. Capital contributions from federal and state sources for the construction of a new public transportation facility and the purchase of new transit and paratransit buses amounted to \$2.5 million.

**Sanitation Fund.** The net position of the Sanitation Fund increased \$265,635. Operating revenues increased \$1.7 million (33.2 percent) from a combination of refuse collection and landfill tipping fee revenue being reclassified from governmental activities and a decrease in revenue related to the resource recovery facility as the City discontinued operations for a portion of this facility, while total operating expenses remained flat. A special item in the amount of \$1.9 million was also recognized from asset impairment losses associated with the pending sale of the resource recovery facility to JMU. See Note 8 and Note 35 of the notes to the financial statements for further information on this special item.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$10.9 million, or 11.5 percent of the original budget, and can be briefly summarized as follows:

- \$2.8 million for various one-time capital purposes.
- \$2.7 million appropriated from committed fund balance that was transferred to the Sanitation Fund related to the Rockingham County landfill obligation.
- \$1.8 million appropriated for prior year encumbrances.
- \$1.1 million appropriated for the first required buy-in agreement payment related to membership into the Middle River Regional Jail Authority.
- \$800,000 appropriated for architecture and engineering services for new school construction projects.
- \$500,000 appropriated for funding received through the Virginia Department of Transportation Revenue Sharing program for street repaving.
- \$258,962 appropriated for various police department purposes including state and federal grants.
- \$252,239 appropriated for various fire department purposes including state and federal grants.
- \$668,478 appropriated for other purposes.

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

- Other local tax revenues were over the final amended budget by \$1.2 million. The variance was primarily the result of higher than anticipated sales tax, restaurant food tax and recordation tax collections from improving economic activity.
- Debt service expenditures were under the final amended budget by \$374,165. The variance was the result of debt service savings from bonds that were refinanced in June 2014.

### 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 \$369.1 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), intangible assets and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$14.7 million.

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

- Entered into a buy-in agreement to obtain membership in the Middle River Regional Jail Authority increasing governmental activities' intangible assets by \$10.8 million.
- Construction was completed on the Bluestone Trail and Phase III of the downtown streetscape project increasing governmental activities' improvements other than buildings and decreasing construction in progress by \$3.1 million.
- Construction was completed on a new public transportation facility increasing governmental and business-type activities' buildings and other assets while decreasing construction in progress by \$9 million and \$8 million, respectively.
- Construction continued on the construction of a new City Hall increasing governmental activities' construction in progress by \$7.9 million.
- Construction was completed on the first phase of the Ramblewood athletic complex redevelopment project increasing governmental activities' buildings and improvements other than buildings and decreasing construction in progress by \$4.1 million.
- Improvements and upgrades continued on the North River pump station project increasing business-type activities' construction in progress by \$1.1 million.
- Asset impairment losses were recognized for assets associated with the pending sale of the resource recovery facility to JMU decreasing held for sale and intangible assets by a total of \$1.9 million.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Held for sale	\$ -	\$ -	\$ 2,469,000	\$ 4,200,000	\$ 2,469,000	\$ 4,200,000
Land	51,149,999	51,149,688	935,770	432,970	52,085,769	51,582,658
Easements	1,655,956	1,631,647	342,737	333,687	1,998,693	1,965,334
Construction in progress	19,138,211	20,986,848	14,987,433	20,882,862	34,125,644	41,869,710
Buildings	84,043,883	79,592,742	12,041,830	5,083,631	96,085,713	84,676,373
Improvements other than buildings	13,578,417	7,490,100	11,015,331	11,080,721	24,593,748	18,570,821
Machinery and equipment	14,407,514	15,415,166	9,175,799	7,942,227	23,583,313	23,357,393
Intangibles	10,840,158	52,000	-	185,812	10,840,158	237,812
Infrastructure	86,960,259	90,075,250	36,345,080	37,820,192	123,305,339	127,895,442
<b>Total capital assets</b>	<b>\$ 281,774,397</b>	<b>\$ 266,393,441</b>	<b>\$ 87,312,980</b>	<b>\$ 87,962,102</b>	<b>\$ 369,087,377</b>	<b>\$ 354,355,543</b>

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



**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$207.8 million. Of this amount, \$163.7 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$18.6 million during the current fiscal year.

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The overall effect of this new standard is to reflect the City's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the City was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net pension liability directly on the statement of net position which has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of the City's financial statements.

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

- Implemented GASB Statement No. 68 and reported new net pension liabilities increasing liabilities in governmental activities and business-type activities by \$15.5 million and \$3.6 million, respectively.
- Entered into a buy-in agreement to obtain membership in the Middle River Regional Jail Authority increasing liabilities by \$9.7 million.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 135,804,398	\$ 143,420,307	\$ 27,875,343	\$ 30,485,783	\$ 163,679,741	\$ 173,906,090
Capital leases	2,723,162	3,391,389	-	-	2,723,162	3,391,389
Moral obligation pledge	-	124,994	-	-	-	124,994
Regional jail agreement	9,694,615	-	-	-	9,694,615	-
Compensated absences	3,400,458	3,323,806	880,606	718,555	4,281,064	4,042,361
Postretirement healthcare benefits	3,097,884	2,892,746	888,412	632,905	3,986,296	3,525,651
Net pension liability	15,530,548	-	3,642,868	-	19,173,416	-
City landfill closure costs	-	1,575,270	1,598,899	-	1,598,899	1,575,270
County landfill obligation	-	2,697,965	2,697,965	-	2,697,965	2,697,965
<b>Total long-term debt</b>	<b>\$ 170,251,065</b>	<b>\$ 157,426,477</b>	<b>\$ 37,584,093</b>	<b>\$ 31,837,243</b>	<b>\$ 207,835,158</b>	<b>\$ 189,263,720</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 \$392.4 million of which \$236 million is available for use.

Additional information on the City's long-term debt can be found in Note 9 on pages 48 through 57 of this report.

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

The approved \$99.9 million fiscal year 2016 General Fund budget included the use of \$748,372 from unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2016 General Fund budget.

- The unemployment rate for the City in December 2014 was 5 percent, which was unchanged from December 2013. This rate was higher than the 4.5 percent state rate but still compares favorably to the 5.4 percent national rate in December 2014.

- Flat real estate assessed values.
- Increased the real estate tax rate from \$0.69 to \$0.735, which was subsequently reduced to \$0.72 after the beginning of the fiscal year. This tax rate increase is anticipated to provide an additional \$1.15 million in revenue compared to fiscal year 2015.
- Growth in other local tax revenue which includes sales tax, business license tax and restaurant food tax revenue of just over \$2.2 million.
- The addition of \$2 million in expenditures related to the City's contributions to the Middle River Regional Jail Authority and the buy-in agreement payment.
- An increase of approximately \$1.06 million in additional funding to the School Board.
- An increase of \$414,357 in debt service expenditures for the first full year of payments on a June 2014 bond issue.
- A one-time \$748,372 contribution to the Harrisonburg-Rockingham Emergency Communications Center for the City's share of a radio system upgrade project.
- A 12 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 and for general operations of the Water Fund.

A new Stormwater Fund (an enterprise fund) was established to account for the activities of the City's stormwater management program. The City enacted a new stormwater management fee which is anticipated to generate \$1.8 million in revenue.

### **Requests for Information**

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

**BASIC  
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA  
**STATEMENT OF NET POSITION**  
**At June 30, 2015**

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 39,380,774	\$ 20,314,504	\$ 59,695,278	\$ 8,326,533	\$ 10,239,616
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	45,447,623	2,775,260	48,222,883	2,095,979	6,578,684
Due from primary government	-	-	-	-	165,099
Due from component units	34,258	-	34,258	-	95,156
Internal balances	1,708,263	(1,708,263)	-	-	-
Inventory	1,467,824	-	1,467,824	80,940	1,587,114
Prepaid expenses	178,002	22,350	200,352	524,536	120,134
Loans receivable	8,483,261	-	8,483,261	-	-
Restricted assets	2,956,261	-	2,956,261	-	-
Capital assets:					
Capital assets, held for sale	-	2,469,000	2,469,000	-	-
Capital assets, not being depreciated	71,944,166	16,265,940	88,210,106	6,414,514	6,115,695
Capital assets (net of accumulated depreciation)	209,830,231	68,578,040	278,408,271	32,009,866	53,080,917
Net pension asset	-	-	-	408,930	-
<b>Total assets</b>	<b>381,430,663</b>	<b>108,716,831</b>	<b>490,147,494</b>	<b>49,861,298</b>	<b>89,982,415</b>
<b>Deferred outflows of resources</b>					
Deferred bond refunding charges	3,672,303	1,980,361	5,652,664	-	-
Deferred pension outflows	2,414,041	639,244	3,053,285	4,901,774	368,891
<b>Total deferred outflows of resources</b>	<b>6,086,344</b>	<b>2,619,605</b>	<b>8,705,949</b>	<b>4,901,774</b>	<b>368,891</b>
<b>Liabilities</b>					
Accounts payable	4,365,788	461,129	4,826,917	397,644	4,461,110
Accrued payroll	750,539	266,977	1,017,516	6,570,398	147,392
Accrued interest	2,302,897	398,447	2,701,344	-	-
Due to primary government	-	-	-	30,340	3,918
Due to component units	101,675	63,424	165,099	95,156	-
Customer deposits	-	342,753	342,753	-	1,022,377
Unearned revenue	792,557	296,850	1,089,407	-	-
Other liabilities	797,373	47,200	844,573	619,731	288,053
Liabilities payable from restricted assets	1,491,757	-	1,491,757	-	-
Long-term liabilities:					
Due within one year	11,070,638	3,249,987	14,320,625	312,629	422,506
Due in more than one year	159,180,427	34,334,106	193,514,533	58,288,759	3,144,897
<b>Total liabilities</b>	<b>180,853,651</b>	<b>39,460,873</b>	<b>220,314,524</b>	<b>66,314,657</b>	<b>9,490,253</b>
<b>Deferred inflows of resources</b>					
Property tax revenue	39,217,570	-	39,217,570	-	-
Deferred pension inflows	4,450,653	1,043,952	5,494,605	8,452,936	679,962
<b>Total deferred inflows of resources</b>	<b>43,668,223</b>	<b>1,043,952</b>	<b>44,712,175</b>	<b>8,452,936</b>	<b>679,962</b>
<b>Net position</b>					
Net investment in capital assets	146,765,571	61,417,998	208,183,569	38,424,380	59,196,612
Restricted for:					
Public safety	450,639	-	450,639	-	-
Unrestricted	15,778,923	9,413,613	25,192,536	(58,428,901)	20,984,479
<b>Total net position</b>	<b>\$ 162,995,133</b>	<b>\$ 70,831,611</b>	<b>\$ 233,826,744</b>	<b>\$ (20,004,521)</b>	<b>\$ 80,181,091</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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 16,257,293	\$ 12,092,994	\$ 309,375	\$ -
Jail and judicial administration	5,137,399	549,825	-	-
Public safety	21,236,076	246,267	1,609,958	-
Public works	15,158,769	-	5,260,054	2,511,563
Health and welfare	4,103,981	-	-	-
Education	37,481,649	3,018,032	-	-
Parks, recreation and cultural	5,486,051	1,132,452	1,770	-
Planning and community development	3,555,510	645,723	552,341	-
Interest on long-term debt	5,116,339	-	-	-
Total governmental activities	113,533,067	17,685,293	7,733,498	2,511,563
Business-type activities:				
Water	5,218,201	6,566,279	8,500	128,550
Sewer	9,526,208	10,135,852	-	16,080
Public transportation	6,327,540	1,897,980	2,220,829	2,544,769
Sanitation	7,185,575	6,784,257	-	-
Total business-type activities	28,257,524	25,384,368	2,229,329	2,689,399
Total primary government	\$ 141,790,591	\$ 43,069,661	\$ 9,962,827	\$ 5,200,962
Component units:				
School Board	\$ 67,648,588	\$ 1,862,468	\$ 17,059,571	\$ -
Harrisonburg Electric Commission (HEC)	67,207,095	66,672,480	-	1,093,242
Total component units	\$ 134,855,683	\$ 68,534,948	\$ 17,059,571	\$ 1,093,242

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  
Special item  
Transfers

Total general revenues, special item 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
\$ (3,854,924)	\$ -	\$ (3,854,924)	\$ -	\$ -
(4,587,574)	-	(4,587,574)	-	-
(19,379,851)	-	(19,379,851)	-	-
(7,387,152)	-	(7,387,152)	-	-
(4,103,981)	-	(4,103,981)	-	-
(34,463,617)	-	(34,463,617)	-	-
(4,351,829)	-	(4,351,829)	-	-
(2,357,446)	-	(2,357,446)	-	-
(5,116,339)	-	(5,116,339)	-	-
(85,602,713)	-	(85,602,713)	-	-
-	1,485,128	1,485,128	-	-
-	625,724	625,724	-	-
-	336,038	336,038	-	-
-	(401,318)	(401,318)	-	-
-	2,045,572	2,045,572	-	-
(85,602,713)	2,045,572	(83,557,141)	-	-
-	-	-	(48,726,549)	-
-	-	-	-	558,627
-	-	-	(48,726,549)	558,627
37,522,303	-	37,522,303	-	-
12,532,757	-	12,532,757	-	-
11,026,410	-	11,026,410	-	-
6,275,116	-	6,275,116	-	-
6,798,376	-	6,798,376	-	-
3,569,638	-	3,569,638	22,984,005	-
-	-	-	29,116,246	-
4,900,000	-	4,900,000	-	-
75,041	15,198	90,239	1,230	50,513
1,742,779	1,286,114	3,028,893	346,128	-
-	2,550	2,550	-	-
-	(1,916,812)	(1,916,812)	-	-
2,527,927	(2,527,927)	-	-	-
86,970,347	(3,140,877)	83,829,470	52,447,609	50,513
1,367,634	(1,095,305)	272,329	3,721,060	609,140
161,627,499	71,926,916	233,554,415	(23,725,581)	79,571,951
\$ 162,995,133	\$ 70,831,611	\$ 233,826,744	\$ (20,004,521)	\$ 80,181,091

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2015**

**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	\$ 25,499,012	\$ 10,887,112	\$ 453,263	\$ 36,839,387
Receivables (net of allowance for uncollectibles)	44,933,568	416,560	91,519	45,441,647
Due from other funds	404,001	-	-	404,001
Due from component units	-	-	30,340	30,340
Inventory	87,952	-	-	87,952
Prepaid expenditures	164,377	-	-	164,377
Loans receivable	8,341,345	-	141,916	8,483,261
Restricted assets	-	2,956,261	-	2,956,261
<b>Total assets</b>	<b>\$ 79,430,255</b>	<b>\$ 14,259,933</b>	<b>\$ 717,038</b>	<b>\$ 94,407,226</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,768,770	\$ 474,738	\$ 33,768	\$ 3,277,276
Accrued payroll	593,275	-	137,317	730,592
Due to other funds	-	3,710	54,181	57,891
Due to component units	96,079	38	1,543	97,660
Unearned revenue	94,895	-	-	94,895
Other liabilities	797,373	-	-	797,373
Liabilities payable from restricted assets	-	1,491,757	-	1,491,757
<b>Total liabilities</b>	<b>4,350,392</b>	<b>1,970,243</b>	<b>226,809</b>	<b>6,547,444</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	48,098,727	-	174,425	48,273,152
<b>Total deferred inflows of resources</b>	<b>48,098,727</b>	<b>-</b>	<b>174,425</b>	<b>48,273,152</b>
<b>Fund Balances</b>				
Nonspendable	623,774	-	-	623,774
Restricted	450,639	1,464,504	-	1,915,143
Committed	63,402	10,825,186	276,907	11,165,495
Assigned	1,629,279	-	38,897	1,668,176
Unassigned	24,214,042	-	-	24,214,042
<b>Total fund balances</b>	<b>26,981,136</b>	<b>12,289,690</b>	<b>315,804</b>	<b>39,586,630</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 79,430,255</b>	<b>\$ 14,259,933</b>	<b>\$ 717,038</b>	<b>\$ 94,407,226</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, 2015**

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**Exhibit 4**

Total fund balances of governmental funds (Exhibit 3)	\$ 39,586,630
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.	9,055,582
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	274,841,770
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(168,222,024)
Deferred pension outflows and deferred pension inflows are not current financial resources and are not payable from current financial resources and therefore are not reported in the funds.	(1,980,226)
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>9,713,401</u>
Net position of governmental activities (Exhibit 1)	\$ <u><u>162,995,133</u></u>

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

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2015

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 37,481,440	\$ -	\$ -	\$ 37,481,440
Other local taxes	36,644,704	-	-	36,644,704
Permits, privilege fees and regulatory licenses	507,040	-	-	507,040
Fines and forfeitures	666,029	-	-	666,029
Use of money and property	174,991	11,753	317	187,061
Charges for services	1,413,746	-	3,013,803	4,427,549
Miscellaneous	1,826,726	40,288	71,825	1,938,839
Recovered costs	-	201,177	-	201,177
Payments from component units	4,900,000	-	-	4,900,000
Intergovernmental	10,742,387	2,318,831	552,304	13,613,522
Total revenues	<u>94,357,063</u>	<u>2,572,049</u>	<u>3,638,249</u>	<u>100,567,361</u>
<b>Expenditures:</b>				
Current:				
General government administration	4,641,047	-	-	4,641,047
Jail and judicial administration	5,917,618	-	-	5,917,618
Public safety	20,650,517	-	-	20,650,517
Public works	11,386,544	-	-	11,386,544
Health and welfare	4,082,115	-	-	4,082,115
Education	29,116,246	-	3,003,161	32,119,407
Parks, recreation and cultural	4,825,587	-	-	4,825,587
Planning and community development	3,183,929	-	642,317	3,826,246
Debt service:				
Principal retirement	7,917,919	-	-	7,917,919
Interest and fiscal charges	4,371,146	-	-	4,371,146
Capital projects	-	16,918,207	-	16,918,207
Total expenditures	<u>96,092,668</u>	<u>16,918,207</u>	<u>3,645,478</u>	<u>116,656,353</u>
<b>Deficiency of revenues under expenditures</b>	<u>(1,735,605)</u>	<u>(14,346,158)</u>	<u>(7,229)</u>	<u>(16,088,992)</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,579,877	3,183,502	72,915	5,836,294
Transfers out	(5,917,592)	(216,148)	(225,000)	(6,358,740)
Total other financing sources (uses)	<u>(3,337,715)</u>	<u>2,967,354</u>	<u>(152,085)</u>	<u>(522,446)</u>
<b>Net change in fund balances</b>	<u>(5,073,320)</u>	<u>(11,378,804)</u>	<u>(159,314)</u>	<u>(16,611,438)</u>
Fund balances at beginning of year	<u>32,054,456</u>	<u>23,668,494</u>	<u>475,118</u>	<u>56,198,068</u>
Fund balances at end of year	<u>\$ 26,981,136</u>	<u>\$ 12,289,690</u>	<u>\$ 315,804</u>	<u>\$ 39,586,630</u>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

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**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5) \$ (16,611,438)

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. (300,353)

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. 11,291,178

The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. (3,602,175)

The loss on the disposal of a capital asset affects only the statement of activities. The loss does not have an effect on current financial resources and, therefore, is not reported in governmental funds. (391,040)

The transfer of certain net assets (capital assets and long-term liabilities) to other funds due to the reclassification of activities affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 3,141,653

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 8,188,966

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. (1,447,168)

Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned, net of employee contributions, are reported as pension expense. This is the amount by which employer pension contributions exceeded pension expense. 1,064,312

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. 33,699

Change in net position of governmental activities (Exhibit 2) \$ 1,367,634

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 36,953,200	\$ 36,953,200	\$ 37,481,440	\$ 528,240
Other local taxes	35,457,800	35,457,800	36,644,704	1,186,904
Permits, privilege fees and regulatory licenses	397,270	397,270	507,040	109,770
Fines and forfeitures	600,000	600,000	666,029	66,029
Use of money and property	170,000	170,000	174,991	4,991
Charges for services	1,358,000	1,405,317	1,413,746	8,429
Miscellaneous	1,705,653	1,807,393	1,826,726	19,333
Payments from component units	4,900,000	4,900,000	4,900,000	-
Intergovernmental	9,991,402	10,703,182	10,742,387	39,205
Total revenues	<u>91,533,325</u>	<u>92,394,162</u>	<u>94,357,063</u>	<u>1,962,901</u>
<b>Expenditures:</b>				
Current:				
General government administration	5,476,895	5,130,747	4,641,047	489,700
Jail and judicial administration	3,960,000	5,917,618	5,917,618	-
Public safety	19,985,091	21,202,770	20,650,517	552,253
Public works	10,160,463	11,871,387	11,386,544	484,843
Health and welfare	4,059,570	4,082,430	4,082,115	315
Education	28,836,860	29,636,860	29,116,246	520,614
Parks, recreation and cultural	4,805,653	4,971,383	4,825,587	145,796
Planning and community development	3,397,405	3,370,643	3,183,929	186,714
Debt service:				
Principal retirement	7,350,592	7,917,919	7,917,919	-
Interest and fiscal charges	5,316,838	4,745,311	4,371,146	374,165
Total expenditures	<u>93,349,367</u>	<u>98,847,068</u>	<u>96,092,668</u>	<u>2,754,400</u>
<b>Deficiency of revenues under expenditures</b>	<u>(1,816,042)</u>	<u>(6,452,906)</u>	<u>(1,735,605)</u>	<u>4,717,301</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,579,877	2,579,877	2,579,877	-
Transfers out	(941,312)	(6,325,960)	(5,917,592)	408,368
Total other financing sources (uses)	<u>1,638,565</u>	<u>(3,746,083)</u>	<u>(3,337,715)</u>	<u>408,368</u>
<b>Net change in fund balance</b>	<u>\$ (177,477)</u>	<u>\$ (10,198,989)</u>	<u>(5,073,320)</u>	<u>\$ 5,125,669</u>
Fund balance at beginning of year			<u>32,054,456</u>	
Fund balance at end of year			<u>\$ 26,981,136</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, 2015**

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,246,886	\$ 5,500,482	\$ 235,870	\$ 8,331,266	\$ 20,314,504	\$ 2,541,387
Receivables (net of allowance for uncollectibles)	816,465	1,259,224	7,123	308,973	2,391,785	5,976
Due from component units	-	-	-	-	-	3,918
Due from other governments	-	-	383,475	-	383,475	-
Inventory	-	-	-	-	-	1,379,872
Prepaid expenses	3,176	1,058	-	18,116	22,350	13,625
Total current assets	<u>7,066,527</u>	<u>6,760,764</u>	<u>626,468</u>	<u>8,658,355</u>	<u>23,112,114</u>	<u>3,944,778</u>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	<u>47,670,049</u>	<u>21,908,216</u>	<u>13,495,373</u>	<u>4,239,342</u>	<u>87,312,980</u>	<u>6,932,627</u>
Total noncurrent assets	<u>47,670,049</u>	<u>21,908,216</u>	<u>13,495,373</u>	<u>4,239,342</u>	<u>87,312,980</u>	<u>6,932,627</u>
<b>Total assets</b>	<u>54,736,576</u>	<u>28,668,980</u>	<u>14,121,841</u>	<u>12,897,697</u>	<u>110,425,094</u>	<u>10,877,405</u>
<b>Deferred outflows of resources</b>						
Deferred bond refunding charges	786,574	-	-	1,193,787	1,980,361	-
Deferred pension outflows	<u>177,268</u>	<u>121,934</u>	<u>124,389</u>	<u>215,653</u>	<u>639,244</u>	<u>73,765</u>
<b>Total deferred outflows of resources</b>	<u>963,842</u>	<u>121,934</u>	<u>124,389</u>	<u>1,409,440</u>	<u>2,619,605</u>	<u>73,765</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	220,750	41,898	43,236	155,245	461,129	1,088,512
Accrued payroll	47,162	31,373	40,429	148,013	266,977	19,947
Accrued interest	156,942	-	-	241,505	398,447	-
Due to other funds	-	-	-	-	-	346,110
Due to component units	8,838	3,698	2,688	48,200	63,424	4,015
Customer deposits	342,753	-	-	-	342,753	-
Unearned revenue	187,450	109,400	-	-	296,850	697,662
Other liabilities	47,200	-	-	-	47,200	-
Compensated absences	126,565	71,890	73,110	207,120	478,685	51,565
Landfill closure	-	-	-	106,491	106,491	-
Current portion of bonds payable	448,705	-	-	2,216,106	2,664,811	-
Total current liabilities	<u>1,586,365</u>	<u>258,259</u>	<u>159,463</u>	<u>3,122,680</u>	<u>5,126,767</u>	<u>2,207,811</u>
Noncurrent liabilities:						
Compensated absences	159,980	104,255	79,405	58,281	401,921	46,311
Postretirement healthcare benefits	221,104	191,309	116,441	359,558	888,412	107,597
Net pension liability	1,110,991	798,536	722,710	1,010,631	3,642,868	454,162
Landfill closure	-	-	-	4,190,373	4,190,373	-
Bonds payable	10,634,318	-	-	14,576,214	25,210,532	-
Total noncurrent liabilities	<u>12,126,393</u>	<u>1,094,100</u>	<u>918,556</u>	<u>20,195,057</u>	<u>34,334,106</u>	<u>608,070</u>
<b>Total liabilities</b>	<u>13,712,758</u>	<u>1,352,359</u>	<u>1,078,019</u>	<u>23,317,737</u>	<u>39,460,873</u>	<u>2,815,881</u>
<b>Deferred inflows of resources</b>						
Deferred pension inflows	<u>318,381</u>	<u>228,840</u>	<u>207,110</u>	<u>289,621</u>	<u>1,043,952</u>	<u>130,151</u>
<b>Total deferred inflows of resources</b>	<u>318,381</u>	<u>228,840</u>	<u>207,110</u>	<u>289,621</u>	<u>1,043,952</u>	<u>130,151</u>
<b>Net position</b>						
Net investment in capital assets	37,373,600	21,908,216	13,495,373	(11,359,191)	61,417,998	6,932,627
Unrestricted	<u>4,295,679</u>	<u>5,301,499</u>	<u>(534,272)</u>	<u>2,058,970</u>	<u>11,121,876</u>	<u>1,072,511</u>
<b>Total net position</b>	<u>\$ 41,669,279</u>	<u>\$ 27,209,715</u>	<u>\$ 12,961,101</u>	<u>\$ (9,300,221)</u>	<u>72,539,874</u>	<u>\$ 8,005,138</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,708,263)	
Net position of business-type activities (Exhibit 1)					<u>\$ 70,831,611</u>	

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, 2015

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 6,509,875	\$ 10,131,424	\$ 1,897,980	\$ 6,744,829	\$ 25,284,108	\$ 19,971,937
Connection fees	56,404	4,428	-	-	60,832	-
Total operating revenues	<u>6,566,279</u>	<u>10,135,852</u>	<u>1,897,980</u>	<u>6,744,829</u>	<u>25,344,940</u>	<u>19,971,937</u>
<b>Operating expenses:</b>						
Personal services	1,606,696	1,045,862	2,041,678	1,922,140	6,616,376	642,130
Fringe benefits	510,939	346,082	498,738	737,264	2,093,023	174,755
Purchased services	216,824	81,065	112,978	2,238,851	2,649,718	776,688
Internal services	109,266	243,981	1,280,788	207,533	1,841,568	5,365
Other charges	520,844	168,914	292,583	995,858	1,978,199	1,244,076
Materials and supplies	262,781	99,236	56,452	173,898	592,367	58,411
Contributions to regional sewer authority	-	6,134,652	-	-	6,134,652	-
Depreciation and amortization	1,872,310	1,381,699	1,630,548	213,425	5,097,982	200,728
Cost of inventory issued	-	-	-	-	-	3,365,974
Claims related charges	-	-	-	-	-	13,537,104
Total operating expenses	<u>5,099,660</u>	<u>9,501,491</u>	<u>5,913,765</u>	<u>6,488,969</u>	<u>27,003,885</u>	<u>20,005,231</u>
<b>Operating income (loss)</b>	<u>1,466,619</u>	<u>634,361</u>	<u>(4,015,785)</u>	<u>255,860</u>	<u>(1,658,945)</u>	<u>(33,294)</u>
<b>Nonoperating revenues (expenses):</b>						
Intergovernmental revenue	8,500	-	2,220,829	-	2,229,329	-
Connection application fees	198,096	379,572	-	-	577,668	-
Miscellaneous revenue	38,475	402	130,221	4,348	173,446	11,289
Reimbursement of bond payment	-	-	-	574,428	574,428	-
Investment revenue	5,566	4,568	64	5,000	15,198	1,483
Interest expense	(75,660)	-	-	(618,247)	(693,907)	-
Gain (loss) on disposal of capital assets	-	2,550	(343,906)	(70,325)	(411,681)	-
Transfer of long-term assets and liabilities	-	-	-	(3,141,653)	(3,141,653)	-
Total nonoperating revenues (expenses)	<u>174,977</u>	<u>387,092</u>	<u>2,007,208</u>	<u>(3,246,449)</u>	<u>(677,172)</u>	<u>12,772</u>
<b>Income (loss) before contributions, special item and transfers</b>	<u>1,641,596</u>	<u>1,021,453</u>	<u>(2,008,577)</u>	<u>(2,990,589)</u>	<u>(2,336,117)</u>	<u>(20,522)</u>
Capital contributions	128,550	16,080	2,544,769	-	2,689,399	6,433,481
Special item	-	-	-	(1,916,812)	(1,916,812)	-
Transfers in	15,658	11,711	258,489	3,282,768	3,568,626	208,720
Transfers out	<u>(1,499,676)</u>	<u>(1,219,722)</u>	<u>(235,502)</u>	<u>-</u>	<u>(2,954,900)</u>	<u>(300,000)</u>
<b>Change in net position</b>	<u>286,128</u>	<u>(170,478)</u>	<u>559,179</u>	<u>(1,624,633)</u>	<u>(949,804)</u>	<u>6,321,679</u>
Net position at beginning of year, as restated	<u>41,383,151</u>	<u>27,380,193</u>	<u>12,401,922</u>	<u>(7,675,588)</u>		<u>1,683,459</u>
Net position at end of year	<u>\$ 41,669,279</u>	<u>\$ 27,209,715</u>	<u>\$ 12,961,101</u>	<u>\$ (9,300,221)</u>		<u>\$ 8,005,138</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>(145,501)</u>	
Change in net position of business-type activities (Exhibit 2)					<u>\$ (1,095,305)</u>	

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, 2015

Exhibit 10  
Page 1

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 6,351,196	\$ 9,905,520	\$ 1,902,311	\$ 6,294,639	\$ 24,453,666	\$ 4,354,247
Receipts from premiums	-	-	-	-	-	15,681,482
Receipts from other sources	33,475	402	129,894	4,348	168,119	160,582
Receipts from customer deposits	187,033	-	-	-	187,033	-
Payments to employees	(1,573,643)	(1,040,615)	(2,011,523)	(1,841,589)	(6,467,370)	(637,554)
Payments for fringe benefits	(531,279)	(385,893)	(492,734)	(760,692)	(2,170,598)	(227,745)
Payments to vendors	(997,357)	(343,989)	(472,106)	(3,523,802)	(5,337,254)	(5,378,107)
Payments for internal services	(109,266)	(243,981)	(1,280,788)	(207,533)	(1,841,568)	(5,365)
Payments to other governmental units	-	(6,134,652)	-	-	(6,134,652)	-
Payments to refund customer deposits	(176,357)	-	-	-	(176,357)	-
Payments for claims related charges	-	-	-	-	-	(14,275,430)
Net cash provided by (used for) operating activities	<u>3,183,802</u>	<u>1,756,792</u>	<u>(2,224,946)</u>	<u>(34,629)</u>	<u>2,681,019</u>	<u>(327,890)</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	8,500	-	2,137,034	-	2,145,534	-
Transfers in	15,658	11,711	258,489	3,103,556	3,389,414	208,720
Transfers out	(1,499,676)	(1,219,722)	(235,502)	-	(2,954,900)	(300,000)
Interfund loan	-	-	(230,558)	-	(230,558)	64,405
Net cash provided by (used for) noncapital financing activities	<u>(1,475,518)</u>	<u>(1,208,011)</u>	<u>1,929,463</u>	<u>3,103,556</u>	<u>2,349,490</u>	<u>(26,875)</u>
<b>Cash flows from capital and related financing activities:</b>						
Capital grants and contributions	-	-	3,478,238	-	3,478,238	-
Connection application fees	259,500	388,500	-	-	648,000	-
Payment from JMU for long-term debt	-	-	-	579,678	579,678	-
Proceeds from sale of capital assets	950	2,550	13,938	-	17,438	-
Principal paid on long-term debt	(432,866)	-	-	(2,078,307)	(2,511,173)	-
Interest paid on long-term debt	(351,294)	-	-	(572,224)	(923,518)	-
Purchase and construction of capital assets	(1,361,673)	(375,502)	(2,960,987)	(381,441)	(5,079,603)	-
Net cash provided by (used for) capital and related financing activities	<u>(1,885,383)</u>	<u>15,548</u>	<u>531,189</u>	<u>(2,452,294)</u>	<u>(3,790,940)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
Interest received	<u>5,566</u>	<u>4,568</u>	<u>64</u>	<u>5,000</u>	<u>15,198</u>	<u>1,483</u>
Net cash provided by investing activities	<u>5,566</u>	<u>4,568</u>	<u>64</u>	<u>5,000</u>	<u>15,198</u>	<u>1,483</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(171,533)</u>	<u>568,897</u>	<u>235,770</u>	<u>621,633</u>	<u>1,254,767</u>	<u>(353,282)</u>
<b>Cash and cash equivalents:</b>						
Beginning	<u>6,418,419</u>	<u>4,931,585</u>	<u>100</u>	<u>7,709,633</u>	<u>19,059,737</u>	<u>2,894,669</u>
Ending	<u>\$ 6,246,886</u>	<u>\$ 5,500,482</u>	<u>\$ 235,870</u>	<u>\$ 8,331,266</u>	<u>\$ 20,314,504</u>	<u>\$ 2,541,387</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2015

Exhibit 10  
Page 2

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 1,466,619	\$ 634,361	\$ (4,015,785)	\$ 255,860	\$ (1,658,945)	\$ (33,294)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,872,310	1,381,699	1,630,548	213,425	5,097,982	200,728
Pension expense net of employer contributions	(45,979)	(62,416)	(11,132)	(68,570)	(188,097)	(64,786)
Connection fees	(56,404)	(4,428)	-	-	(60,832)	-
Miscellaneous revenue	33,475	402	129,894	4,348	168,119	10,554
Participant assessments	-	-	-	-	-	150,028
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(153,544)	(225,903)	4,331	134,078	(241,038)	(1,108)
Due from other funds	-	-	-	2,716	2,716	-
Due from component units	-	-	-	-	-	2,258
Inventory	-	-	-	-	-	22,777
Prepaid expenses	9,510	5,866	-	11,717	27,093	1,164
Increase (decrease) in:						
Accounts payable	(6,669)	(878)	(11,213)	(127,109)	(145,869)	(698,444)
Accrued payroll	10,413	4,517	8,766	97,582	121,278	5,039
Due to component units	250	241	1,120	(18,294)	(16,683)	3,220
Customer deposits	10,676	-	-	-	10,676	-
Unearned revenue	-	-	-	(592,122)	(592,122)	62,642
Other liabilities	(5,134)	-	-	-	(5,134)	-
Compensated absences	25,066	1,090	23,601	(10,834)	38,923	(159)
Landfill closure	-	-	-	23,629	23,629	-
Postretirement healthcare benefits	23,213	22,241	14,924	38,945	99,323	11,491
Net cash provided by (used for) operating activities	\$ 3,183,802	\$ 1,756,792	\$ (2,224,946)	\$ (34,629)	\$ 2,681,019	\$ (327,890)

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

Additions to capital assets:						
Contributed by developers	\$ 128,550	\$ 16,080	\$ -	\$ -	\$ 144,630	\$ -
Contributed by other funds	-	-	-	-	-	6,433,481
Purchase and construction on account	141,052	13,892	12,579	-	167,523	-
Capitalized interest	303,382	-	-	-	303,382	-
Impairment loss	-	-	-	1,916,812	1,916,812	-
Transfers related to fund activities reclassification	-	-	-	1,410,894	1,410,894	-

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, 2015

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,713,499
Receivables	<u>135,334</u>
<b>Total assets</b>	<b>\$ <u>2,848,833</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 41,602
Accrued payroll	49,862
Amounts held for others	<u>2,757,369</u>
<b>Total liabilities</b>	<b>\$ <u>2,848,833</u></b>

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

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

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

### **A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

**Sanitation Fund** – This fund accounts for the activities of the City's steam plant, refuse collection, recycling and landfill 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, 2015.

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 \$10,882,349. 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, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Cash and cash equivalents.** For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

**2. Investments.** The City's investments are reported at fair value, which is obtained by using readily determinable quoted market valuations. 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, 2015. Property taxes attach as an enforceable lien on property as of January 1, but are not collected until the following fiscal year. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 60 days after June 30 is shown as a deferred inflow of resources in the fund financial statements. A penalty of ten percent of the tax is assessed after the applicable payment date. Interest at an annual rate of ten percent is charged on delinquent real estate property tax accounts beginning January 1 and July 1. Interest at an annual rate of four percent is charged on delinquent personal property tax accounts beginning January 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2015 amounted to \$541,975.

**5. Inventory and prepaid items.** Inventories are valued at average cost. Inventory consists of expendable supplies held for consumption and is accounted for using the consumption method. The costs are recorded as expenditures or expenses at the time individual inventory items are used or issued. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

**6. Restricted assets.** The City has certain assets presented on the statement of net position or balance sheet as restricted for specific purposes. These restrictions limit the use of these funds and typically represent bond construction accounts or debt service reserve requirements.

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

**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. In the current fiscal year, the Water Fund incurred \$379,043 in interest expense of which \$303,382 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

**8. School Board Capital Assets.** Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$3,602,175 in net capital assets to the School Board during the current fiscal year on the government-wide statement of activities.

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

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

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

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

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

**13. Deferred outflows/inflows of resources.** In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualify for reporting in this category. One item is the deferred charge on debt refundings reported in the government-wide and proprietary funds statement of net position. A deferred charge on a debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for pensions. This will be recognized as a reduction to the net pension liability in fiscal year 2016. The third item consists of the School Board's participation in a cost-sharing pension plan, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. This amount will be recognized in pension expense over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. This item represents receivables not collected within 60 days after June 30 and are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, unearned property tax revenue, is reported on both the governmental funds balance sheet and on the government-wide statement of net position for governmental activities. This item represents property taxes levied on January 1 that are used to fund the subsequent fiscal year. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

**14. 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.

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

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

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

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

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

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

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

Bonds payable	\$ (129,402,366)
Bond issue premiums/discounts (net)	(6,402,032)
Deferred charge for bond refunding	3,672,303
Capital leases	(2,723,162)
Compensated absences (not including internal service funds)	(3,302,582)
Postretirement healthcare benefits (not including internal service funds)	(2,990,287)
Net pension liability (not including internal service funds)	(15,076,386)
Middle River Regional jail agreement	(9,694,615)
Accrued interest	<u>(2,302,897)</u>
Net adjustment	<u><u>\$ (168,222,024)</u></u>

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

Deferred pension outflows	\$ 2,340,276
Deferred pension inflows	<u>(4,320,502)</u>
Net adjustment	<u><u>\$ (1,980,226)</u></u>



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

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

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

Capital outlay	\$ 20,555,292
Depreciation expense (not including internal service funds)	<u>(9,264,114)</u>
Net adjustment	<u>\$ 11,291,178</u>

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Principal payments	\$ 8,042,913
Amortization of bond premiums/discounts (net)	366,217
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	<u>\$ 8,188,966</u>

Another element of that reconciliation states that "Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences (not including internal service funds)	\$ (199,939)
Postretirement healthcare benefits (not including internal service funds)	(349,831)
Accrued interest	<u>(897,398)</u>
Net adjustment	<u>\$ (1,447,168)</u>

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

Employer pension contributions (not including internal service funds)	\$ 2,340,276
Pension expense (not including internal service funds)	<u>(1,275,964)</u>
Net adjustment	<u>\$ 1,064,312</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, 2015, 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, 2015, 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, 2015.

	Primary	Component Units		
	Government	School Board	HEC	Total
Investments:				
Local Government Investment Pool (LGIP)	\$ 51,787,041	\$ 7,054,822	\$ -	\$ 58,841,863
State Non-Arbitrage Pool (SNAP)	2,956,261	-	-	2,956,261
Certificates of Deposit	-	-	8,000,000	8,000,000
Money Market Account	-	-	4,000,000	4,000,000
Deposits	<u>10,609,871</u>	<u>1,271,010</u>	<u>10,239,616</u>	<u>22,120,497</u>
Total deposits and investments	<u>\$ 65,353,173</u>	<u>\$ 8,325,832</u>	<u>\$ 22,239,616</u>	<u>\$ 95,918,621</u>

### Note 4. 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 \$2,956,261 represent unspent bond proceeds.

## Note 5. Receivables

The following is a summary of receivables at June 30, 2015.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 40,753,711	\$ -	\$ 40,753,711	\$ -	\$ -
Other taxes receivable	1,720,560	-	1,720,560	-	-
Accounts receivable	5,976	2,489,517	2,495,493	-	6,578,684
Interest receivable	2,448	-	2,448	-	-
Other receivables	258,793	15,006	273,799	569,470	-
Due from other governments:					
Commonwealth of Virginia	3,070,966	40,613	3,111,579	1,224,573	-
Federal Government	177,144	342,862	520,006	301,936	-
Allowance for uncollectibles	(541,975)	(112,738)	(654,713)	-	-
Total	\$ 45,447,623	\$ 2,775,260	\$ 48,222,883	\$ 2,095,979	\$ 6,578,684

## Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2015.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 2,635,000	\$ -
HRHA*	December 6, 2011	17.5	3.19%	5,225,000	280,000
HRHA*	October 24, 2006	26.5	4.21%	109,900	109,900
Massanutten Regional Library	May 15, 2000	n/a	0.0%	371,445	26,844
Total General Fund				8,341,345	416,744
2015-04	April 30, 2015	5	4.5%	19,702	3,663
2015-03	April 22, 2015	5	4.5%	19,702	3,663
2015-02	January 23, 2015	5	4.5%	23,125	4,647
2015-01	July 18, 2014	5	4.5%	20,827	4,753
2014-02	February 28, 2014	5	4.5%	19,266	4,824
2014-01	July 31, 2013	5	4.5%	16,478	4,953
2013-03	January 31, 2013	4	4.5%	10,965	3,204
2013-01	July 3, 2012	5	4.5%	11,102	5,200
2012-01	December 28, 2011	4	4.5%	749	749
Total Business Loan Program Fund				141,916	35,656
Total Governmental Activities				\$ 8,483,261	\$ 452,400

\*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 2015.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 51,149,688	\$ 693,211	\$ (692,900)	\$ 51,149,999
Easements	1,631,647	24,309	-	1,655,956
Construction in progress	<u>20,986,848</u>	<u>17,203,434</u>	<u>(19,052,071)</u>	<u>19,138,211</u>
Capital assets, not being depreciated	<u>\$ 73,768,183</u>	<u>\$ 17,920,954</u>	<u>\$ (19,744,971)</u>	<u>\$ 71,944,166</u>
Capital assets, being depreciated:				
Buildings	\$ 108,989,687	\$ 11,147,656	\$ (5,043,860)	\$ 115,093,483
Improvements other than buildings	12,327,823	6,746,811	(34,880)	19,039,754
Machinery and equipment	34,983,766	1,610,165	(2,547,033)	34,046,898
Intangibles	130,000	10,821,634	-	10,951,634
Infrastructure	<u>160,338,192</u>	<u>1,054,758</u>	<u>(55,662)</u>	<u>161,337,288</u>
Capital assets, being depreciated	<u>316,769,468</u>	<u>31,381,024</u>	<u>(7,681,435)</u>	<u>340,469,057</u>
Less accumulated depreciation:				
Buildings	(29,396,945)	(2,776,447)	1,123,792	(31,049,600)
Improvements other than buildings	(4,837,723)	(658,494)	34,880	(5,461,337)
Machinery and equipment	(19,568,600)	(1,826,676)	1,755,892	(19,639,384)
Intangibles	(78,000)	(33,476)	-	(111,476)
Infrastructure	<u>(70,262,942)</u>	<u>(4,169,749)</u>	<u>55,662</u>	<u>(74,377,029)</u>
Accumulated depreciation	<u>(124,144,210)</u>	<u>(9,464,842)</u>	<u>2,970,226</u>	<u>(130,638,826)</u>
Capital assets, being depreciated (net)	<u>\$ 192,625,258</u>	<u>\$ 21,916,182</u>	<u>\$ (4,711,209)</u>	<u>\$ 209,830,231</u>

The primary government has included in the preceding schedule land in the amount of \$113,878, buildings in the amount of \$874,603 (\$415,437 in accumulated depreciation) and machinery and equipment in the amount of \$6,474,144 (\$1,986,339 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	\$ 32,105
Jail and judicial administration	296,960
Public safety	1,456,357
Public works	4,632,244
Health and welfare	21,866
Education	1,876,307
Parks, recreation and culture	813,157
Planning and community development	135,118
Internal service funds (allocated to various functions)	<u>200,728</u>
Total governmental activities depreciation expense	<u>\$ 9,464,842</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 2015.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, held for sale:				
Steam plant	\$ 4,200,000	\$ -	\$ (1,731,000)	\$ 2,469,000
Capital assets, held for sale	<u>\$ 4,200,000</u>	<u>\$ -</u>	<u>\$ (1,731,000)</u>	<u>\$ 2,469,000</u>
Capital assets, not being depreciated:				
Land	\$ 432,970	\$ 502,800	\$ -	\$ 935,770
Easements	333,687	9,050	-	342,737
Construction in progress	<u>20,882,862</u>	<u>3,225,207</u>	<u>(9,120,636)</u>	<u>14,987,433</u>
Capital assets, not being depreciated	<u>\$ 21,649,519</u>	<u>\$ 3,737,057</u>	<u>\$ (9,120,636)</u>	<u>\$ 16,265,940</u>
Capital assets, being depreciated:				
Buildings	\$ 8,652,571	\$ 7,771,040	\$ (608,847)	\$ 15,814,764
Improvements other than buildings	17,902,682	380,128	(56,675)	18,226,135
Machinery and equipment	20,448,172	4,561,820	(853,927)	24,156,065
Intangibles:				
JMU land and steam agreement	2,041,898	-	(2,041,898)	-
Infrastructure	<u>78,619,797</u>	<u>956,535</u>	<u>(57,891)</u>	<u>79,518,441</u>
Capital assets, being depreciated	<u>127,665,120</u>	<u>13,669,523</u>	<u>(3,619,238)</u>	<u>137,715,405</u>
Less accumulated depreciation:				
Buildings	(3,568,940)	(466,070)	262,076	(3,772,934)
Improvements other than buildings	(6,821,961)	(434,446)	45,603	(7,210,804)
Machinery and equipment	(12,505,945)	(3,257,922)	783,601	(14,980,266)
Intangibles:				
JMU land and steam agreement	(1,856,086)	-	1,856,086	-
Infrastructure	<u>(40,799,605)</u>	<u>(2,431,647)</u>	<u>57,891</u>	<u>(43,173,361)</u>
Accumulated depreciation	<u>(65,552,537)</u>	<u>(6,590,085)</u>	<u>3,005,257</u>	<u>(69,137,365)</u>
Capital assets, being depreciated (net)	<u>\$ 62,112,583</u>	<u>\$ 7,079,438</u>	<u>\$ (613,981)</u>	<u>\$ 68,578,040</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 \$1,492,103. This difference represents accumulated depreciation on capital assets transferred from governmental activities, including the reclassifications described in Note 30.

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

Water	\$ 1,872,310
Sewer	1,381,699
Public transportation	1,630,548
Sanitation	<u>213,425</u>
Total business-type activities depreciation expense	<u>\$ 5,097,982</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 2015.

### Component Unit – School Board

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 5,611,429	\$ 190,100	\$ -	\$ 5,801,529
Construction in progress	-	612,985	-	612,985
Capital assets, not being depreciated	<u>\$ 5,611,429</u>	<u>\$ 803,085</u>	<u>\$ -</u>	<u>\$ 6,414,514</u>
Capital assets, being depreciated:				
Buildings	\$ 48,908,699	\$ 4,142,700	\$ -	\$ 53,051,399
Improvements other than buildings	95,168	-	-	95,168
Machinery and equipment	5,408,190	254,946	-	5,663,136
Capital assets, being depreciated	<u>54,412,057</u>	<u>4,397,646</u>	<u>-</u>	<u>58,809,703</u>
Less accumulated depreciation:				
Buildings	(20,756,996)	(2,005,469)	-	(22,762,465)
Improvements other than buildings	(37,247)	(4,758)	-	(42,005)
Machinery and equipment	(3,617,484)	(377,883)	-	(3,995,367)
Accumulated depreciation	<u>(24,411,727)</u>	<u>(2,388,110)</u>	<u>-</u>	<u>(26,799,837)</u>
Capital assets, being depreciated (net)	<u>\$ 30,000,330</u>	<u>\$ 2,009,536</u>	<u>\$ -</u>	<u>\$ 32,009,866</u>

### Component Unit – HEC

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 3,094,507	\$ -	\$ -	\$ 3,094,507
Construction in progress	1,903,624	2,442,002	(1,324,438)	3,021,188
Capital assets, not being depreciated	<u>\$ 4,998,131</u>	<u>\$ 2,442,002</u>	<u>\$ (1,324,438)</u>	<u>\$ 6,115,695</u>
Capital assets, being depreciated:				
Buildings	\$ 3,021,271	\$ 5,550	\$ -	\$ 3,026,821
Machinery and equipment	6,487,380	401,864	-	6,889,244
Infrastructure	113,612,445	1,517,665	(235,433)	114,894,677
Capital assets, being depreciated	<u>123,121,096</u>	<u>1,925,079</u>	<u>(235,433)</u>	<u>124,810,742</u>
Less accumulated depreciation:				
Buildings	(1,930,685)	(80,540)	-	(2,011,225)
Machinery and equipment	(6,180,412)	(285,877)	-	(6,466,289)
Infrastructure	(59,972,627)	(3,577,752)	298,068	(63,252,311)
Accumulated depreciation	<u>(68,083,724)</u>	<u>(3,944,169)</u>	<u>298,068</u>	<u>(71,729,825)</u>
Capital assets, being depreciated (net)	<u>\$ 55,037,372</u>	<u>\$ (2,019,090)</u>	<u>\$ 62,635</u>	<u>\$ 53,080,917</u>

## Note 8. Intangible Asset

**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 resource recovery facility and entering into a twenty year agreement with the City for the purpose of purchasing steam produced by the facility. In June 2004, a new twenty-five year agreement with JMU replaced an amended and updated April 1995 agreement. The City has ceased operating a portion of the facility and has reviewed the remaining useful life of the asset. The City has determined that the intangible asset has been impaired and has written off the remaining \$185,812 in book value for the asset which is shown as part of a special item in the Sanitation Fund, a proprietary fund, and in business-type activities in the government-wide financial statements. See Note 35 for further information.

## Note 9. 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, 2015.

Year Ending June 30,	General				Total	
	Obligation Bonds		Capital Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 7,411,301	\$ 5,014,542	\$ 690,323	\$ 84,424	\$ 8,101,624	\$ 5,098,966
2017	7,497,611	4,706,665	618,839	62,310	8,116,450	4,768,975
2018	7,170,622	4,428,909	454,000	44,631	7,624,622	4,473,540
2019	7,452,839	4,126,009	471,000	27,241	7,923,839	4,153,250
2020	7,688,236	3,808,139	489,000	9,193	8,177,236	3,817,332
2021-2025	41,662,757	13,902,371	-	-	41,662,757	13,902,371
2026-2030	35,959,000	5,675,951	-	-	35,959,000	5,675,951
2031-2035	14,560,000	968,131	-	-	14,560,000	968,131
Total	<u>\$ 129,402,366</u>	<u>\$ 42,630,717</u>	<u>\$ 2,723,162</u>	<u>\$ 227,799</u>	<u>\$ 132,125,528</u>	<u>\$ 42,858,516</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, 2015.

Year Ending June 30,	General		Total	
	Obligation Bonds		Business-type Activities	
	Principal	Interest	Principal	Interest
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	2,306,028	636,684	2,306,028	636,684
2020	1,812,630	554,358	1,812,630	554,358
2021-2025	10,009,577	1,770,794	10,009,577	1,770,794
2026-2030	3,139,334	727,325	3,139,334	727,325
2031-2035	2,544,333	192,406	2,544,333	192,406
2036-2040	189,333	-	189,333	-
Total	<u>\$ 26,948,301</u>	<u>\$ 6,249,508</u>	<u>\$ 26,948,301</u>	<u>\$ 6,249,508</u>

## Note 9. Long-term Liabilities (continued)

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2015.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 136,652,058	\$ -	\$ (7,249,692)	\$ 129,402,366	\$ 7,411,301
Bond premiums/discounts (net)	6,768,249	-	(366,217)	6,402,032	366,388
Total bonds payable	143,420,307	-	(7,615,909)	135,804,398	7,777,689
Capital leases	3,391,389	-	(668,227)	2,723,162	690,323
Moral obligation pledge	124,994	-	(124,994)	-	-
Middle River Regional Jail agreement	-	10,771,794	(1,077,179)	9,694,615	980,462
Compensated absences	3,323,806	1,880,847	(1,804,195)	3,400,458	1,622,164
Postretirement healthcare benefits	2,892,746	618,267	(413,129)	3,097,884	-
Net pension liability	21,061,975	7,670,099	(13,201,526)	15,530,548	-
City landfill closure costs	1,575,270	-	(1,575,270)	-	-
County landfill contractual obligation	2,697,965	-	(2,697,965)	-	-
Governmental activities long-term debt	<u>\$ 178,488,452</u>	<u>\$ 20,941,007</u>	<u>\$ (29,178,394)</u>	<u>\$ 170,251,065</u>	<u>\$ 11,070,638</u>

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, 2015, \$97,876, \$107,597 and \$454,162 of compensated absences, postretirement healthcare benefits and net pension liability, respectively, are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2015.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 29,459,475	\$ -	\$ (2,511,174)	\$ 26,948,301	\$ 2,570,565
Bond premiums/discounts (net)	1,026,308	-	(99,266)	927,042	94,246
Total bonds payable	30,485,783	-	(2,610,440)	27,875,343	2,664,811
Compensated absences	718,555	587,536	(425,485)	880,606	478,685
Postretirement healthcare benefits	632,905	326,137	(70,630)	888,412	-
Net pension liability	4,783,593	1,955,845	(3,096,570)	3,642,868	-
City landfill closure costs	-	1,598,899	-	1,598,899	106,491
County landfill contractual obligation	-	2,697,965	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 36,620,836</u>	<u>\$ 7,166,382</u>	<u>\$ (6,203,125)</u>	<u>\$ 37,584,093</u>	<u>\$ 3,249,987</u>

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2015.

### General Obligation Bonds:

\$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 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
Subtotal	<u>\$ 500,000</u>



**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$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, 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	<u>255,000</u>
Subtotal	\$ <u>1,530,000</u>

\$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 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	<u>2,945,000</u>
Subtotal	\$ <u>27,135,000</u>

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

Bonds bearing interest at 5.125% maturing on February 1, 2016	\$ <u>1,570,000</u>
Subtotal	\$ <u>1,570,000</u>

\$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 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>720,000</u>

**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$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, 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>\$ 8,015,000</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, 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
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	<u>165,000</u>
Subtotal	<u>\$ 4,873,366</u>

**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$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, 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	\$ 22,555,000

\$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, 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	623,000
	<hr/>
Subtotal	\$ 7,124,000

**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$13,610,000 Bonds, Series 2014A, issued June 26, 2014, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2015	\$ 545,000
Bonds bearing interest at 2.000% maturing on July 15, 2016	550,000
Bonds bearing interest at 2.000% maturing on July 15, 2017	565,000
Bonds bearing interest at 2.000% maturing on July 15, 2018	570,000
Bonds bearing interest at 2.000% maturing on July 15, 2019	590,000
Bonds bearing interest at 2.000% maturing on July 15, 2020	600,000
Bonds bearing interest at 2.000% maturing on July 15, 2021	605,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	630,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	665,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	700,000
Bonds bearing interest at 3.000% maturing on July 15, 2025	730,000
Bonds bearing interest at 4.000% maturing on July 15, 2026	755,000
Bonds bearing interest at 3.000% maturing on July 15, 2027	780,000
Bonds bearing interest at 3.000% maturing on July 15, 2028	805,000
Bonds bearing interest at 3.125% maturing on July 15, 2029	830,000
Bonds bearing interest at 3.125% maturing on July 15, 2030	690,000
Bonds bearing interest at 3.125% maturing on July 15, 2031	715,000
Bonds bearing interest at 3.250% maturing on July 15, 2032	740,000
Bonds bearing interest at 3.375% maturing on July 15, 2033	760,000
Bonds bearing interest at 3.500% maturing on July 15, 2034	785,000
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Subtotal	\$ 13,610,000

\$42,675,000 Bonds, Series 2014B, issued June 26, 2014, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.0% maturing on July 15, 2015	\$ 295,000
Bonds bearing interest at 5.0% maturing on July 15, 2016	1,795,000
Bonds bearing interest at 5.0% maturing on July 15, 2017	1,885,000
Bonds bearing interest at 5.0% maturing on July 15, 2018	1,985,000
Bonds bearing interest at 5.0% maturing on July 15, 2019	2,085,000
Bonds bearing interest at 5.0% maturing on July 15, 2020	2,200,000
Bonds bearing interest at 5.0% maturing on July 15, 2021	2,305,000
Bonds bearing interest at 5.0% maturing on July 15, 2022	2,420,000
Bonds bearing interest at 5.0% maturing on July 15, 2023	2,555,000
Bonds bearing interest at 5.0% maturing on July 15, 2024	2,675,000
Bonds bearing interest at 3.0% maturing on July 15, 2025	2,785,000
Bonds bearing interest at 3.0% maturing on July 15, 2026	2,380,000
Bonds bearing interest at 4.0% maturing on July 15, 2027	2,470,000
Bonds bearing interest at 4.0% maturing on July 15, 2028	2,570,000
Bonds bearing interest at 4.0% maturing on July 15, 2029	2,670,000
Bonds bearing interest at 4.0% maturing on July 15, 2030	2,780,000
Bonds bearing interest at 4.0% maturing on July 15, 2031	2,900,000
Bonds bearing interest at 4.0% maturing on July 15, 2032	3,015,000
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Subtotal	\$ 41,770,000
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Total General Obligation Bonds	\$ 129,402,366

**Note 9. Long-term Liabilities (continued)****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, 2015 and February 26, 2016	\$ <u>89,329</u>
Subtotal	\$ <u>89,329</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, 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>2,272,000</u>

\$540,000 lease purchase effective December 18, 2013, maturing annually with interest payable semi-annually:

Lease bearing interest at 1.02% maturing December 18, 2015	\$ 179,994
Lease bearing interest at 1.02% maturing December 18, 2016	<u>181,839</u>
Subtotal	\$ <u>361,833</u>
Total Capital Leases	\$ <u><u>2,723,162</u></u>

The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2015.

**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 4.4766% maturing on October 1, 2015	\$ <u>455,000</u>
Subtotal	\$ <u>455,000</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, 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>400,000</u>

**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

\$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, 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
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>\$ 946,667</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, 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

**Note 9. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

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

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	625,000
	<hr/>
Subtotal	\$ 24,001,634

\$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, 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	75,000
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	95,000
	<hr/>
Subtotal	\$ 1,145,000
	<hr/>
Total General Obligation Bonds	\$ 26,948,301

**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 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 fiscal year reimbursement for debt service payments associated with the bonds totaled \$579,678. The total outstanding balance of the two bond issues at June 30, 2015 was \$855,000.

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. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$115,515. In June 2014, \$2,746,100 was removed through a partial advance refunding bond issue completed by the City. As of June 30, 2015, the outstanding balance of the loan is \$109,900.

## **Note 9. Long-term Liabilities (continued)**

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. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$440,775. As of June 30, 2015, the outstanding balance of the loan is \$5,225,000.

In June 2014, the City issued \$42.7 million in general obligation refunding bonds, of which \$2.7 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) to advance refund a previous bond issue that was originally issued for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$42.7 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$97,832. As of June 30, 2015, the outstanding balance of the loan is \$2,635,000.

### **Component Unit – School Board**

At June 30, 2015, the School Board had \$58,601,388 in long-term liabilities outstanding. This long-term liability is comprised of \$1,194,899 in compensated absences, of which \$312,629 is due within one year, \$3,373,489 in postretirement healthcare benefits and \$54,033,000 in net pension liabilities, of which the entire amounts are due in more than one year.

### **Component Unit – HEC**

At June 30, 2015, HEC had \$3,567,403 in long-term liabilities outstanding. This long-term liability is comprised of \$422,506 in compensated absences, of which the entire amount is due within one year and \$772,172 in postretirement health care benefits and \$2,372,725 in net pension liabilities, of which the entire amounts are due in more than one year.

## **Note 10. 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 11. Series 2006 Bonds Advance Refunded and Defeased**

In June 2014, the City partially refunded and defeased in substance its Series 2006 Public Improvement General Obligation Bonds (old bonds). This defeasance was accomplished by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities of the old bonds are not included in the City's outstanding debt. As of June 30, 2015, \$39,230,000 of the old bonds outstanding were considered defeased.



## **Note 12. 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, 2015, there were three series of Industrial Development Authority Revenue Bonds and nine series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$224.1 million and \$58 million respectively.

## **Note 13. Harrisonburg Redevelopment and Housing Authority Agreements**

**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 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 2015, the City made payments totaling \$67,668 to the Authority for this project.

## **Note 14. 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. \$1,023,189 of the amount reported as landfill closure and postclosure care liability at June 30, 2015 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 \$575,710 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

## **Note 15. Rockingham County Landfill Liability Agreement**

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

## Note 16. Unearned Revenue

The following is a summary of unearned revenue at June 30, 2015 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities		
	General Fund	Internal Service Funds	Total
Advance collection of parking leases	\$ 43,545	\$ -	\$ 43,545
Golf course season passes	51,350	-	51,350
Health insurance premiums	-	697,662	697,662
Total unearned revenue	<u>\$ 94,895</u>	<u>\$ 697,662</u>	<u>\$ 792,557</u>

Unearned revenue for business-type activities in the amount of \$296,850 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$187,450 in the Water Fund and \$109,400 in the Sewer Fund.

## Note 17. Interfund Balances

The General Fund has due from other funds in the amount \$404,001. This amount is mainly comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$54,181 and \$346,110, 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. All other balances are for services provided between funds.

## Note 18. Interfund Transfers

Interfund transfers are generally used to subsidize the operations, programs and capital activities of certain funds, except for transfers from Other Governmental Funds, the Public Transportation Fund and Internal Service Funds totaling \$760,502 to the General Capital Projects Fund for funding related to the new transportation facility. The \$3,066,620 transfer from the General Fund to the Sanitation Fund was related to the reclassification of sanitation activities. The following is a summary of interfund transfers for the year ended June 30, 2015.

Transfer in	Transfer out							Total
	General Fund	General Capital Projects Fund	Other Governmental Funds	Water Fund	Sewer Funds	Public Transportation Fund	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 1,372,029	\$ 1,207,848	\$ -	\$ -	\$ 2,579,877
General Capital Projects Fund	2,423,000	-	225,000	-	-	235,502	300,000	3,183,502
Other Governmental Funds	72,915	-	-	-	-	-	-	72,915
Water Fund	15,658	-	-	-	-	-	-	15,658
Sewer Fund	11,711	-	-	-	-	-	-	11,711
Public Transportation Fund	258,489	-	-	-	-	-	-	258,489
Sanitation Fund	3,066,620	216,148	-	-	-	-	-	3,282,768
Internal Service Funds	69,199	-	-	127,647	11,874	-	-	208,720
Total	<u>\$ 5,917,592</u>	<u>\$ 216,148</u>	<u>\$ 225,000</u>	<u>\$ 1,499,676</u>	<u>\$ 1,219,722</u>	<u>\$ 235,502</u>	<u>\$ 300,000</u>	<u>\$ 9,613,640</u>

**Note 19. 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, 2015.

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$ 87,952	\$ -	\$ -	\$ 87,952
Prepaid expenditures	164,377	-	-	164,377
Loans receivable	371,445	-	-	371,445
Total nonspendable fund balance	<u>\$ 623,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,774</u>
<b>Restricted for:</b>				
Law enforcement	\$ 274,701	\$ -	\$ -	\$ 274,701
City hall construction	-	1,464,504	-	1,464,504
Other purposes	175,938	-	-	175,938
Total restricted fund balance	<u>\$ 450,639</u>	<u>\$ 1,464,504</u>	<u>\$ -</u>	<u>\$ 1,915,143</u>
<b>Committed to:</b>				
Road projects	\$ -	\$ 6,561,882	\$ -	\$ 6,561,882
Trail projects	-	772,011	-	772,011
Bridge projects	-	566,975	-	566,975
Ramblewood athletic complex	-	559,406	-	559,406
City hall construction	-	331,145	-	331,145
Smithland athletic complex	-	323,532	-	323,532
Municipal building renovations	-	250,000	-	250,000
Thomas Harrison house project	-	231,935	-	231,935
Information technology strategic plan	-	231,100	-	231,100
Fire Station No. 1 renovations	-	200,000	-	200,000
School transportation	-	-	188,836	188,836
Other purposes	63,402	797,200	88,071	948,673
Total committed fund balance	<u>\$ 63,402</u>	<u>\$ 10,825,186</u>	<u>\$ 276,907</u>	<u>\$ 11,165,495</u>
<b>Assigned to:</b>				
Tax and cashing software	\$ 155,769	\$ -	\$ -	\$ 155,769
Street paving	138,908	-	-	138,908
Sidewalk project	109,372	-	-	109,372
Subsequent years' expenditures	748,372	-	32,000	780,372
Other purposes	476,858	-	6,897	483,755
Total assigned fund balance	<u>\$ 1,629,279</u>	<u>\$ -</u>	<u>\$ 38,897</u>	<u>\$ 1,668,176</u>

**Note 20. Pension Plan - Agent Multiple-Employer**

**Plan Description.** All full-time, salaried permanent employees of the City, the non-professional employees of the Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. The City and HEC employees participate in the same retirement plan. Members earn one

## Note 20. Pension Plan - Agent Multiple-Employer (continued)

month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>.

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

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

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

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

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

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

**Note 20. Pension Plan - Agent Multiple-Employer (continued)**

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

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

**Employees Covered by Benefit Terms.** At June 30, 2013, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	265	40	23
Inactive employees entitled to but not yet receiving benefits	315	43	28
Active employees	579	89	47
Total inactive and active employees	1,159	172	98

**Contributions.** The contribution requirement for active employees is governed by the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The City and HEC's contractually required contribution rate for the fiscal year ended 2015 was 12.76 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2015 was 7.03 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The following are the contributions from the City, the School Board and HEC to the pension plans:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2015	\$ 3,053,285	\$ 133,175	\$ 368,891
2014	2,883,853	156,508	356,879

**Net Pension Liability.** The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

## Note 20. Pension Plan - Agent Multiple-Employer (continued)

**Actuarial Assumptions – General Employees.** The total pension liability for general employees was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50 percent
Salary increases	3.50 percent – 5.35 percent, including inflation
Investment rate of return	7.00 percent (net of pension plan investment expense), including inflation

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

**Actuarial Assumptions – Hazardous Duty Employee.** The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50 percent
Salary increases	3.50 percent – 4.75 percent, including inflation
Investment rate of return	7.00 percent (net of pension plan investment expense), including inflation

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

## Note 20. Pension Plan - Agent Multiple-Employer (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		5.83%
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return	<u>8.33%</u>

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the contribution rate will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

## Note 20. Pension Plan - Agent Multiple-Employer (continued)

**Changes in the Net Pension Liability.** The following are the changes in net pension liability as of the measurement date of June 30, 2014:

### Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 103,521,137	\$ 77,675,569	\$ 25,845,568
Changes for the year:			
Service cost	2,491,084	-	2,491,084
Interest	7,101,507	-	7,101,507
Differences between expected and actual experience	-	-	-
Contributions-employer	-	2,883,853	(2,883,853)
Contributions-employee	-	1,181,270	(1,181,270)
Net investment income	-	12,298,235	(12,298,235)
Benefit payments, including refunds of employee contributions	(4,409,243)	(4,409,243)	-
Administrative expense	-	(65,911)	65,911
Other changes	133,589	100,885	32,704
Net changes	5,316,937	11,989,089	(6,672,152)
Balances at June 30, 2014	\$ 108,838,074	\$ 89,664,658	\$ 19,173,416

### Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2013	\$ 6,298,876	\$ 6,134,924	\$ 163,952
Changes for the year:			
Service cost	215,283	-	215,283
Interest	431,841	-	431,841
Differences between expected and actual experience	-	-	-
Contributions-employer	-	156,508	(156,508)
Contributions-employee	-	97,148	(97,148)
Net investment income	-	971,483	(971,483)
Benefit payments, including refunds of employee contributions	(259,447)	(259,447)	-
Administrative expense	-	(5,184)	5,184
Other changes	-	51	(51)
Net changes	387,677	960,559	(572,882)
Balances at June 30, 2014	\$ 6,686,553	\$ 7,095,483	\$ (408,930)



## Note 20. Pension Plan - Agent Multiple-Employer (continued)

### Component Unit – HEC

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 12,916,931	\$ 9,692,030	\$ 3,224,901
Changes for the year:			
Service cost	308,274	-	308,274
Interest	878,817	-	878,817
Differences between expected and actual experience	-	-	-
Contributions-employer	-	356,879	(356,879)
Contributions-employee	-	146,183	(146,183)
Net investment income	-	1,521,916	(1,521,916)
Benefit payments, including refunds of employee contributions	(545,647)	(545,647)	-
Administrative expense	-	(8,157)	8,157
Other changes	(89,581)	(67,135)	(22,446)
Net changes	551,863	1,404,039	(852,176)
Balances at June 30, 2014	\$ 13,468,794	\$ 11,096,069	\$ 2,372,725

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the net pension liability using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>Primary Government:</b>			
Net Pension Liability	\$ 34,033,195	\$ 19,173,416	\$ 6,883,875
<b>Component Unit - School Board:</b>			
Net Pension Liability (Asset)	\$ 358,382	\$ (408,930)	\$ (1,058,745)
<b>Component Unit - HEC:</b>			
Net Pension Liability	\$ 4,211,634	\$ 2,372,725	\$ 851,885

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

For the year ended June 30, 2015, the City, the School Board and HEC recognized pension expense of \$1,706,306, \$17,562 and \$184,667, respectively. At June 30, 2015, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 5,494,605	\$ -	\$ 433,936	\$ -	\$ 679,962
Employer contributions subsequent to the measurement date	3,053,285	-	133,175	-	368,891	-
Total	\$ 3,053,285	\$ 5,494,605	\$ 133,175	\$ 433,936	\$ 368,891	\$ 679,962

**Note 20. Pension Plan - Agent Multiple-Employer (continued)**

The amounts reported as deferred outflows of resources related to pensions resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2016	\$ (1,373,652)	\$ (108,484)	\$ (169,991)
2017	(1,373,651)	(108,484)	(169,991)
2018	(1,373,651)	(108,484)	(169,990)
2019	(1,373,651)	(108,484)	(169,990)
Thereafter	-	-	-

**Payable to the Pension Plan**

At June 30, 2015, the City and School Board reported a payable of \$420,072 and \$18,463, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**Note 21. Pension Plan - Teacher Cost-Sharing Pool**

**Plan Description.** All full-time, salaried permanent (professional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a cost-sharing multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>.

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

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

**Plan 2.** Plan 2 is a defined benefit plan. Members hired between July 1, 2010 and December 31, 2013 or members hired before July 1, 2010 who were not vested as of January 1, 2013 are covered under Plan 2. Members become vested when they have at least five years of creditable service. 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.

## Note 21. Pension Plan - Teacher Cost-Sharing Pool (continued)

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

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

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

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

**Contributions.** The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The School Board's contractually required contribution rate for the year ended June 30, 2015 was 14.50 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69 percent of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan were \$4,676,599 and \$3,812,575 for the years ended June 30, 2015 and June 30, 2014, respectively.

## Note 21. Pension Plan - Teacher Cost-Sharing Pool (continued)

**Actuarial Assumptions.** The total pension liability was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50 percent
Salary increases	3.50 percent – 5.95 percent, including inflation
Investment rate of return	7.00 percent (net of pension plan investment expense), including inflation

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		Expected arithmetic nominal return	8.33%

**Note 21. Pension Plan - Teacher Cost-Sharing Pool (continued)**

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the contribution rate will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the School Board's proportionate share of the net pension liability using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 79,342,000	\$ 54,033,000	\$ 33,195,000

**Pension Plan Fiduciary Net Position.** Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>.

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

At June 30, 2015, the School Board reported a liability of \$54,033,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.44712% as compared to 0.44631% at June 30, 2013.

For the year ended June 30, 2015, the School Board recognized pension expense of \$4,294,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 92,000	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,019,000
Employer contributions subsequent to the measurement date	4,676,599	-
Total	\$ 4,768,599	\$ 8,019,000

**Note 21. Pension Plan - Teacher Cost-Sharing Pool (continued)**

The deferred outflows of resources related to pensions resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2016	\$ (1,985,000)
2017	(1,985,000)
2018	(1,985,000)
2019	(1,985,000)
Thereafter	13,000

**Payable to the Pension Plan**

At June 30, 2015, the School Board reported a payable of \$536,830 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**Note 22. 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 available to all City employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least 15 years of consecutive eligible service with the City immediately prior to retirement. Also, retirees must have participated in the City's health insurance program for a minimum of five years immediately prior to retirement. The benefit ends upon the retiree's eligibility for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City Council through the City's Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

**School Board.** The Harrisonburg City School Board provides certain healthcare benefits for retired employees through the Harrisonburg City School Board Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the same health insurance program available to all School Board employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least ten years of cumulative eligible service with the School Board with a minimum of five years immediately prior to retirement. Depending on the number of years of eligible service, the retiree may remain on the plan for a maximum of fifteen years but in all instances the benefit ends upon the retiree's eligibility for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City School Board through the School Board's Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

## Note 22. Postretirement Healthcare Benefit Plan (continued)

### 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 fiscal year 2015, 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	\$ 800,365	\$ 953,683
Interest on the net OPEB obligation	141,026	125,991
Adjustment to the annual required contribution	(153,171)	(137,319)
Annual OPEB cost (expense)	788,220	942,355
Contributions made	(327,575)	(718,640)
Increase in the net OPEB obligation	460,645	223,715
Net OPEB obligation at beginning of year	3,525,651	3,149,774
Net OPEB obligation at end of year	<u>\$ 3,986,296</u>	<u>\$ 3,373,489</u>

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 2015 and the preceding two fiscal years for the City and School Board.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>City of Harrisonburg:</b>			
2015	\$ 788,220	41.6%	\$ 3,986,296
2014	793,090	36.2%	3,525,651
2013	1,043,794	40.7%	3,019,386
<b>School Board:</b>			
2015	\$ 942,355	76.3%	\$ 3,373,489
2014	936,327	77.8%	3,149,774
2013	1,355,114	53.2%	2,941,565

### Funded Status and Funding Progress

**City of Harrisonburg.** As of July 1, 2014, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$8,847,914. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$8,847,914. The covered payroll (annual payroll of the active employees covered by the plan) was \$22,970,245 and the ratio of UAAL to the covered payroll was 38.52 percent.

## **Note 22. Postretirement Healthcare Benefit Plan (continued)**

**School Board.** As of July 1, 2014, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,642,298. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,642,298. The covered payroll (annual payroll of the active employees covered by the plan) was \$34,625,531, and the ratio of UAAL to the covered payroll was 30.74 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, 2014 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 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. 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.

**School Board.** In the July 1, 2014 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 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. 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.

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 23. Virginia Health Insurance Credit Program**

**Plan Description.** The City of Harrisonburg School Board (School Board) participates in the Virginia Health Insurance Credit Program for its professional employees. The program is a cost-sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) and is considered other postemployment benefits (OPEB). Eligible retirees who have 15 or more years of creditable VRS service and are enrolled in a qualified health insurance plan may participate in the program. The retiree receives \$4.00 per year of creditable service as a credit towards their monthly health insurance premiums not to exceed the retiree's monthly insurance premium.



### Note 23. Virginia Health Insurance Credit Program (continued)

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 VRS 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/2014-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

**Funding Policy.** The School Board is required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute an actuarially determined amount necessary to fund its participation in the program. The School Board's contribution rate for fiscal year 2015 was 1.06 percent of annual covered payroll. Total contributions made by the School Board to the program for the fiscal years ending June 30, 2015, 2014, and 2013 were \$352,230, \$362,507, and \$308,569, respectively, and were equal to the required contributions for each year.

### Note 24. Transactions with Component Units

In fiscal year 2015, the City's General Fund made contributions to the School Board, a component unit, totaling \$29,116,246. \$28,316,246 of the total contribution was made in equal monthly installments for the purpose of funding the School Board's operating budget, while \$800,000 of the total contribution was made for the purpose of funding the initial design work for the construction of a new elementary school and pre-k facility.

In fiscal year 2015, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$4,900,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

### Note 25. Joint Ventures

**Harrisonburg-Rockingham Regional Sewer Authority.** The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into an agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2015, the City's contributions totaled \$6,134,652 of which \$3,018,234 was for operations, \$2,742,164 was for debt service and \$374,254 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 \$62.5 million of total debt outstanding at June 30, 2015. The City's share of the required principal and interest payments for the Authority's bond issues is projected as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 1,832,108	\$ 983,021	\$ 2,815,129
2017	1,900,466	912,874	2,813,340
2018	1,973,823	839,737	2,813,560
2019	2,048,514	766,864	2,815,378
2020	2,117,164	690,764	2,807,928
2021-2025	9,040,918	2,342,890	11,383,808
2026-2030	8,648,148	958,112	9,606,260
2031	944,285	15,557	959,842
Total	\$ 28,505,426	\$ 7,509,819	\$ 36,015,245

**Note 25. 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 Authority.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Current assets	\$ 4,494,422	\$ 3,789,042	\$ 705,380
Restricted assets	3,152,318	3,187,027	(34,709)
Capital assets	90,410,696	91,740,489	(1,329,793)
Other assets	<u>775,011</u>	<u>758,709</u>	<u>16,302</u>
Total assets	<u>98,832,447</u>	<u>99,475,267</u>	<u>(642,820)</u>
Deferred outflows of resources	<u>677,328</u>	<u>640,544</u>	<u>36,784</u>
Current liabilities	2,631,124	2,367,741	263,383
Liabilities payable from restricted assets	2,323,334	2,362,279	(38,945)
Long-term liabilities	<u>59,242,676</u>	<u>60,693,569</u>	<u>(1,450,893)</u>
Total liabilities	<u>64,197,134</u>	<u>65,423,589</u>	<u>(1,226,455)</u>
Deferred inflows of resources	<u>358,270</u>	<u>-</u>	<u>358,270</u>
Net position	<u>\$ 34,954,371</u>	<u>\$ 34,692,222</u>	<u>\$ 262,149</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 2015, the City's contributions totaled \$1,766,551. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. The HRECC currently operates using certain capital assets of the City and County; however, the HRECC is responsible for the maintenance of these assets. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Department of Finance, 345 South Main Street, Harrisonburg, Virginia 22801.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,804,331	\$ 3,133,619	\$ (329,288)
Capital assets	<u>3,583,390</u>	<u>2,488,633</u>	<u>1,094,757</u>
Total assets	<u>6,387,721</u>	<u>5,622,252</u>	<u>765,469</u>
Deferred outflows of resources	<u>188,964</u>	<u>177,616</u>	<u>11,348</u>
Current liabilities	492,409	67,356	425,053
Long-term liabilities	<u>1,700,036</u>	<u>2,060,481</u>	<u>(360,445)</u>
Total liabilities	<u>2,192,445</u>	<u>2,127,837</u>	<u>64,608</u>
Deferred inflows of resources	<u>338,412</u>	<u>-</u>	<u>338,412</u>
Net position	<u>\$ 4,045,828</u>	<u>\$ 3,672,031</u>	<u>\$ 700,861</u>

## **Note 26. Jointly Governed Organizations**

**Harrisonburg-Rockingham Social Services District (District).** The District was established by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$3,097,037 to the District in fiscal year 2015.

**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 \$289,884 to the Commission in fiscal year 2015.

## **Note 27. 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 28. Middle River Regional Jail Agreements**

**Service Agreement.** The City, along with Rockingham County (County), entered into an agreement with Augusta County, the City of Staunton and the City of Waynesboro to become members of the Middle River Regional Jail Authority (Authority) effective July 1, 2015, whereby the Authority agrees to operate an inmate facility for the member jurisdictions. The City and County have agreed to a combined minimum of 150 prisoners per day. In accordance with the service agreement, the Authority will divide its charges to member jurisdictions into an operating and debt service component which will be allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. Beginning in fiscal year 2016, the City and County will have an assumed combined total of 150 prisoners per day for the operating component and 250 prisoners per day for the debt service component that will be used in calculating annual member contributions. For subsequent fiscal years, the City and County's known actual daily usage will be used when calculating the three year average. The City and County's annual contribution percentage will be combined based on the total number of prisoners between the two jurisdictions with the City and County each responsible for 50 percent of the contribution. It is anticipated that the City's payments to the Authority for operating and debt service in fiscal year 2016 will total \$796,170 of which \$599,168 will be for operations and \$197,002 will be for debt service.

**Buy-in Agreement.** In addition to the Service Agreement, the City, along with Rockingham County (County), entered into a buy-in agreement with Augusta County, the City of Staunton and the City of Waynesboro in which the City and County have agreed to purchase from the existing member jurisdictions the right to use capacity in the jail and become member jurisdictions of the Authority for \$21,543,588. The City is responsible for \$10,771,794 or 50 percent of the purchase price. The terms of the agreement required a payment of ten percent of the purchase price prior to June 30, 2015 with the balance of the purchase price payable in ten annual installments of \$1,076,298 commencing December 15, 2015. The City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$10,771,794 and a liability (after the initial ten percent payment) of \$9,694,615.

## Note 29. Restatement of Beginning Net Position

The beginning net position of the governmental activities, business-type activities and the component units on the statement of activities and for the Proprietary Funds in the fund financial statements have been restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The School Board's net position has also been restated to correct the compensated absences liability related to sick leave. The following is a summary of the restatement made to the beginning net position of the government-wide activities.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Net position at the beginning of the year, as previously reported	\$ 180,323,757	\$ 76,162,589	\$ 256,486,346	\$ 34,123,884	\$ 82,439,971
Restatement for:					
Net pension liability	(21,027,728)	(4,783,593)	(25,811,321)	(61,646,952)	(3,224,901)
Employer contributions subsequent to the measurement date	2,331,470	547,920	2,879,390	3,969,083	356,881
Correction of compensated absences	-	-	-	(171,596)	-
Net position at the beginning of the year, as restated	<u>\$ 161,627,499</u>	<u>\$ 71,926,916</u>	<u>\$ 233,554,415</u>	<u>\$ (23,725,581)</u>	<u>\$ 79,571,951</u>

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

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Net position at the beginning of the year, as previously reported	\$ 42,681,234	\$ 28,348,051	\$ 13,218,485	\$ (6,522,419)	\$ 77,725,351	\$ 2,258,793
Restatement for:						
Net pension liability	(1,465,186)	(1,087,965)	(925,265)	(1,305,177)	(4,783,593)	(643,644)
Employer contributions subsequent to the measurement date	167,103	120,107	108,702	152,008	547,920	68,310
Net position at the beginning of the year, as restated	<u>\$ 41,383,151</u>	<u>\$ 27,380,193</u>	<u>\$ 12,401,922</u>	<u>\$ (7,675,588)</u>	<u>\$ 73,489,678</u>	<u>\$ 1,683,459</u>

## Note 30. Fund and Government-wide Activities Reclassifications

**Sanitation Fund.** Effective July 1, 2014, the activities of the City's refuse collection, landfill and recycling operations were moved from the General Fund to the Sanitation Fund (an enterprise fund). In conjunction with this reclassification, \$3,066,620 and \$216,148 in net financial resources were transferred from the General Fund and General Capital Projects Fund, respectively, to the Sanitation Fund and \$3,141,653 in net economic resources (capital assets and long-term liabilities) were transferred to business-type activities on the statement of activities from governmental activities.

## Note 31. Commitments

The City has a construction contract outstanding for the construction of a new city hall facility. The contract totals \$9.35 million, of which \$8 million had been expended as of June 30, 2015. This contract is a commitment of the General Capital Projects Fund and is being financed through previously issued bonds.

The City has a construction contract outstanding for improvements to Carlton Street. The contract totals \$1.3 million, of which \$540,232 had been expended as of June 30, 2015. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and intergovernmental revenue from the State of Virginia.

**Note 31. Commitments (continued)**

The following is a summary of significant encumbrances at June 30, 2015.

	General Fund	General Capital Projects Fund	Total
Tax and cashing software	\$ 155,769	\$ -	\$ 155,769
Street repaving	138,908	-	138,908
Wolfe Street curb and gutter project	109,372	-	109,372
New City Hall construction and engineering	-	1,330,216	1,330,216
Carlton Street improvements	-	702,012	702,012
West Rock Street bridge replacement	-	367,781	367,781
Reservoir Street engineering and utility relocations	-	326,444	326,444
Engineering design for future street improvement projects	-	545,840	545,840
Other purposes	476,858	330,615	807,473
Total encumbrances	<u>\$ 880,907</u>	<u>\$ 3,602,908</u>	<u>\$ 4,483,815</u>

**Note 32. 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 other legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

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

**Note 33. 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.

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

### Note 33. Risk Management (continued)

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 \$175,000, are covered by commercial insurance.

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2013 to June 30, 2015:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2015	\$ 1,567,971	\$ 13,573,430	\$ 14,275,430	\$ 865,971
2014	1,140,874	14,879,231	14,452,134	1,567,971

### Note 34. Hotel and Conference Center

The City has entered into a Memorandum of Understanding (MOU) with the Harrisonburg Industrial Development Authority (IDA), James Madison University (JMU), dpM Partners, LLC (Developer) and the James Madison University Foundation, Inc. (Foundation) for the construction of a hotel and conference center by the Developer on the campus of JMU. The Developer will finance and own the hotel portion of the project while the Foundation will finance and own the conference center portion of the project.

The City has entered into a support agreement with the IDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the IDA to the extent necessary to reimburse the Foundation for its annual debt payments and the IDA has agreed to a non-binding moral obligation pledge to pay to the Foundation such appropriated funds received from the City. The pledged tax revenue will be calculated beginning on the September 1 after the City has issued a Certificate of Occupancy for both the hotel and conference center and on every September 1 thereafter. The agreement remains in force for a maximum of 21 years from the date of the Certificate of Occupancy. The City's obligation terminates upon the repayment of the Foundation's construction debt or if the hotel and conference center ceases operations for one year. The agreement does not legally obligate the City for any debt incurred by the Foundation. Estimated construction costs of the conference center portion of the project are estimated to be \$11 million. It is anticipated construction will begin in the Spring of 2016 and that the project will be completed in August 2017.

### Note 35. Resource Recovery Facility Impairment and Special Item

The City owns and operated a resource recovery facility that burned municipal solid waste to create steam which was sold to James Madison University (JMU) to be used for its heating and cooling needs for certain areas of its campus. In fiscal year 2014, the City ceased operating the portion of the resource recovery facility that burned solid waste with the portion of the plant that provides heating and cooling needs to JMU still in operation by the City using natural gas. The City was unable to burn enough solid waste to provide sufficient steam sales to JMU under an existing agreement. In October 2014, the City agreed in principle to sell and transfer the resource recovery facility to JMU for \$4.2 million. Based on this, the City recorded a \$10.1 million estimated asset impairment loss in fiscal year 2014 to reflect the expected sales price. The sale of the facility has not been finalized as of June 30, 2015, however, it is anticipated that the sale will be finalized prior to the end of fiscal year 2016. The City has recorded a further estimated asset impairment loss of \$1.7 million in fiscal year 2015 which is shown as part of a special item in the Sanitation Fund, a proprietary fund, and in business-type activities in the government-wide financial statements. See also Note 8.

### **Note 36. Subsequent Event**

On November 24, 2015, City Council held a public hearing regarding the issuance of a not-to-exceed \$10 million in general obligation bonds to finance a new water tank (including related infrastructure), a portion of the Reservoir Street improvement project, a portion of the Pleasant Valley Road bridge replacement and Fire Station No. 1 renovations. Management anticipates City Council to consider a resolution regarding the bonds in December 2015; if approved, the bonds will be issued and the closing transaction will occur shortly thereafter.

### **Note 37. New Governmental Accounting Standards Board (GASB) Standards**

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities in conformity with GAAP and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature. The provisions of the statement are effective for fiscal year 2016 and management has not yet determined the effect, if any, it will have on the City's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves and establishes accounting and financial reporting standards for measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures of other postemployment benefits (OPEB). This statement identifies the methods and assumptions that should be used for the various calculations of an OPEB plan. This statement also establishes note disclosure and required supplementary information requirements for employer reporting of OPEB plans. The provisions of the statement are effective for fiscal year 2018 and management has not yet determined the effect it will have on the City's financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement establishes accounting and financial reporting standards for issues related to fair value measurement. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of the statement are effective for fiscal year 2016 and management has not yet determined the effect, if any, it will have on the City's financial statements.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

## Current Fiscal Year

	Fiscal Year 2015	
	Primary Government	School Non- Professional Employees
Total pension liability		
Service cost	\$ 2,843,366	\$ 215,283
Interest	7,980,324	431,841
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	(4,954,890)	(259,447)
Net change in total pension liability	5,868,800	387,677
Total pension liability - beginning	116,438,068	6,298,876
Total pension liability - ending	<u>\$ 122,306,868</u>	<u>\$ 6,686,553</u>
Plan fiduciary net position		
Contributions - employer	\$ 3,240,732	\$ 156,508
Contributions - employee	1,327,453	97,148
Net investment income	13,820,151	971,483
Benefit payments, including refunds of employee contributions	(4,954,890)	(259,447)
Administrative expense	(74,068)	(5,184)
Other changes	33,750	51
Net change in fiduciary net position	13,393,128	960,559
Plan fiduciary net position - beginning	87,367,599	6,134,924
Plan fiduciary net position - ending	<u>\$ 100,760,727</u>	<u>\$ 7,095,483</u>
Change in net pension liability	\$ (7,524,328)	\$ (572,882)
Net pension liability - beginning	29,070,469	163,952
Net pension liability (asset) - ending	<u>\$ 21,546,141</u>	<u>\$ (408,930)</u>
Plan fiduciary net position as a percentage of the total pension liability	82.38%	106.12%
Covered-employee payroll	\$ 25,811,638	\$ 1,941,438
Net pension liability as a percentage of covered-employee payroll	83.47%	-21.06%

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

**CITY OF HARRISONBURG, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Current Fiscal Year**

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**Exhibit 13**

	<b>Fiscal Year 2015</b>	
	<b>Primary Government</b>	<b>School Non- Professional Employees</b>
Actuarially determined contribution	\$ 3,422,176	\$ 133,175
Contributions in relation to the actuarially determined contribution	3,422,176	133,175
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 26,909,663	\$ 1,921,153
Contributions as a percentage of covered-employee payroll	12.72%	6.93%

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

**CITY OF HARRISONBURG, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHOOL BOARD TEACHER COST-SHARING POOL**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Current Fiscal Year**

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**Exhibit 14**

	<u><b>Fiscal Year</b></u> <u><b>2015</b></u>
School Board's proportion of the net pension liability	0.44712%
School Board's proportionate share of the net pension liability	\$ 54,033,000
School Board's covered-employee payroll	\$ 32,684,093
School Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.32%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

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

**CITY OF HARRISONBURG, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHOOL BOARD TEACHER COST-SHARING POOL**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Current Fiscal Year**

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**Exhibit 15**

	<u><b>Fiscal Year</b></u> <u><b>2015</b></u>
Contractually required contribution	\$ 4,676,599
Contributions in relation to the contractually required contribution	<u>4,676,599</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 33,237,754
Contributions as a percentage of covered-employee payroll	14.07%

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

CITY OF HARRISONBURG, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS

Exhibit 16

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 Postretirement Healthcare Benefit Plan</b>						
July 1, 2014	\$ -	\$ 8,847,914	\$ 8,847,914	0.00%	\$ 22,970,245	38.52%
July 1, 2013	-	8,397,248	8,397,248	0.00%	22,015,601	38.14%
July 1, 2012	-	10,754,602	10,754,602	0.00%	21,193,426	50.74%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
July 1, 2014	\$ -	\$ 10,642,298	\$ 10,642,298	0.00%	\$ 34,625,531	30.74%
July 1, 2013	-	10,572,262	10,572,262	0.00%	34,053,658	31.05%
July 1, 2012	-	12,697,856	12,697,856	0.00%	31,640,526	40.13%
<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. Pension Plans**

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

**Changes of Benefit Terms.** There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of Assumptions.** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

**Largest 10 – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

**All Others (Non 10 Largest) – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**All Others (Non 10 Largest) – LEOS:**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**Teacher Cost-Sharing Pool:**

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**Note 2. Postretirement Healthcare Benefit Plan**

The assumptions used in the July 1, 2013 actuarial valuation for the City and School Board reflects a change in the actuarial assumption for the annual healthcare cost trend rate to 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years. The assumptions also reflect changes in benefits associated with the City and School Board's health insurance plan.



**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, 2015

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	\$ -	\$ 353,604	\$ 99,659	\$ 453,263
Receivables	86,662	4,445	412	91,519
Due from component units	-	30,340	-	30,340
Loans receivable	-	-	141,916	141,916
<b>Total assets</b>	<b>\$ 86,662</b>	<b>\$ 388,389</b>	<b>\$ 241,987</b>	<b>\$ 717,038</b>
<b>Liabilities</b>				
Accounts payable	\$ 30,941	\$ 2,827	\$ -	\$ 33,768
Accrued payroll	1,540	135,777	-	137,317
Due to other funds	54,181	-	-	54,181
Due to component units	-	1,543	-	1,543
Total liabilities	86,662	140,147	-	226,809
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	-	32,509	141,916	174,425
Total deferred inflows of resources	-	32,509	141,916	174,425
<b>Fund Balances</b>				
Committed	-	188,836	88,071	276,907
Assigned	-	26,897	12,000	38,897
Total fund balances	-	215,733	100,071	315,804
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 86,662</b>	<b>\$ 388,389</b>	<b>\$ 241,987</b>	<b>\$ 717,038</b>

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2015

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	\$ -	\$ 261	\$ 56	\$ 317
Charges for services	-	3,013,803	-	3,013,803
Miscellaneous	-	28,563	43,262	71,825
Intergovernmental	552,304	-	-	552,304
Total revenues	<u>552,304</u>	<u>3,042,627</u>	<u>43,318</u>	<u>3,638,249</u>
<b>Expenditures:</b>				
Current:				
Education	-	3,003,161	-	3,003,161
Planning and community development	552,304	-	90,013	642,317
Total expenditures	<u>552,304</u>	<u>3,003,161</u>	<u>90,013</u>	<u>3,645,478</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>39,466</u>	<u>(46,695)</u>	<u>(7,229)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	7,915	65,000	72,915
Transfers out	-	(225,000)	-	(225,000)
Total other financing sources (uses)	<u>-</u>	<u>(217,085)</u>	<u>65,000</u>	<u>(152,085)</u>
<b>Net change in fund balances</b>	-	(177,619)	18,305	(159,314)
Fund balances at beginning of year	<u>-</u>	<u>393,352</u>	<u>81,766</u>	<u>475,118</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 215,733</u>	<u>\$ 100,071</u>	<u>\$ 315,804</u>

## SCHOOL TRANSPORTATION FUND

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

For the Year Ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 261	\$ 261
Charges for services	3,046,943	3,046,943	3,013,803	(33,140)
Miscellaneous	500	500	28,563	28,063
Total revenues	<u>3,047,443</u>	<u>3,047,443</u>	<u>3,042,627</u>	<u>(4,816)</u>
<b>Expenditures:</b>				
Current:				
Education	<u>3,047,443</u>	<u>3,305,358</u>	<u>3,003,161</u>	<u>302,197</u>
Total expenditures	<u>3,047,443</u>	<u>3,305,358</u>	<u>3,003,161</u>	<u>302,197</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(257,915)</u>	<u>39,466</u>	<u>297,381</u>
<b>Other financing sources:</b>				
Transfers in	-	7,915	7,915	-
Transfers out	-	(225,000)	(225,000)	-
Total other financing sources	<u>-</u>	<u>(217,085)</u>	<u>(217,085)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (475,000)</u>	<u>(177,619)</u>	<u>\$ 297,381</u>
Fund balance at beginning of year			<u>393,352</u>	
Fund balance at end of year			<u>\$ 215,733</u>	

## BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 56	\$ 56
Miscellaneous	26,395	26,395	43,262	16,867
Total revenues	26,395	26,395	43,318	16,923
<b>Expenditures:</b>				
Current:				
Planning and community development	58,395	158,395	90,013	68,382
Total expenditures	58,395	158,395	90,013	68,382
<b>Deficiency of revenues under expenditures</b>	(32,000)	(132,000)	(46,695)	85,305
<b>Other financing sources:</b>				
Transfers in	-	65,000	65,000	-
Total other financing sources	-	65,000	65,000	-
<b>Net change in fund balance</b>	<u>\$ (32,000)</u>	<u>\$ (67,000)</u>	18,305	<u>\$ 85,305</u>
Fund balance at beginning of year			81,766	
Fund balance at end of year			<u>\$ 100,071</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, 2015

Exhibit B-1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 339,279	\$ -	\$ 2,202,108	\$ 2,541,387
Receivables	5,976	-	-	5,976
Due from component units	3,918	-	-	3,918
Inventory	102,047	1,277,825	-	1,379,872
Prepaid expenses	13,625	-	-	13,625
Total current assets	464,845	1,277,825	2,202,108	3,944,778
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	6,359,723	572,904	-	6,932,627
Total noncurrent assets	6,359,723	572,904	-	6,932,627
<b>Total assets</b>	6,824,568	1,850,729	2,202,108	10,877,405
<b>Deferred outflows of resources</b>				
Deferred pension outflows	64,406	9,359	-	73,765
<b>Total deferred outflows of resources</b>	64,406	9,359	-	73,765
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	213,071	9,470	865,971	1,088,512
Accrued payroll	17,596	2,351	-	19,947
Due to other funds	-	346,110	-	346,110
Due to component units	3,554	461	-	4,015
Unearned revenue	-	-	697,662	697,662
Compensated absences	46,807	4,758	-	51,565
Total current liabilities	281,028	363,150	1,563,633	2,207,811
Noncurrent liabilities:				
Compensated absences	40,318	5,993	-	46,311
Postretirement healthcare benefits	95,503	12,094	-	107,597
Net pension liability	388,102	66,060	-	454,162
Total noncurrent liabilities	523,923	84,147	-	608,070
<b>Total liabilities</b>	804,951	447,297	1,563,633	2,815,881
<b>Deferred inflows of resources</b>				
Deferred pension inflows	111,220	18,931	-	130,151
<b>Total deferred inflows of resources</b>	111,220	18,931	-	130,151
<b>Net position</b>				
Net investment in capital assets	6,359,723	572,904	-	6,932,627
Unrestricted	(386,920)	820,956	638,475	1,072,511
<b>Total net position</b>	\$ 5,972,803	\$ 1,393,860	\$ 638,475	\$ 8,005,138

## INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2015

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Operating revenues:</b>				
Charges for services	\$ 3,593,260	\$ 759,837	\$ 15,618,840	\$ 19,971,937
Total operating revenues	<u>3,593,260</u>	<u>759,837</u>	<u>15,618,840</u>	<u>19,971,937</u>
<b>Operating expenses:</b>				
Personal services	571,820	70,310	-	642,130
Fringe benefits	156,223	18,532	-	174,755
Purchased services	177,588	15,505	583,595	776,688
Internal services	4,294	1,071	-	5,365
Other charges	81,677	17,233	1,145,166	1,244,076
Materials and supplies	57,133	1,278	-	58,411
Depreciation	179,199	21,529	-	200,728
Cost of inventory issued	2,567,446	798,528	-	3,365,974
Claims related charges	-	-	13,537,104	13,537,104
Total operating expenses	<u>3,795,380</u>	<u>943,986</u>	<u>15,265,865</u>	<u>20,005,231</u>
<b>Operating income (loss)</b>	<u>(202,120)</u>	<u>(184,149)</u>	<u>352,975</u>	<u>(33,294)</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	11,289	-	-	11,289
Investment revenue	508	-	975	1,483
Total nonoperating revenues	<u>11,797</u>	<u>-</u>	<u>975</u>	<u>12,772</u>
<b>Income (loss) before contributions and transfers</b>	<u>(190,323)</u>	<u>(184,149)</u>	<u>353,950</u>	<u>(20,522)</u>
Capital contributions	6,433,481	-	-	6,433,481
Transfers in	57,341	151,379	-	208,720
Transfers out	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
<b>Change in net position</b>	<u>6,000,499</u>	<u>(32,770)</u>	<u>353,950</u>	<u>6,321,679</u>
Net position at beginning of year, as restated	<u>(27,696)</u>	<u>1,426,630</u>	<u>284,525</u>	<u>1,683,459</u>
Net position at end of year	<u>\$ 5,972,803</u>	<u>\$ 1,393,860</u>	<u>\$ 638,475</u>	<u>\$ 8,005,138</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2015

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	\$ 3,594,410	\$ 759,837	\$ -	\$ 4,354,247
Receipts from premiums	-	-	15,681,482	15,681,482
Receipts other sources	10,554	-	150,028	160,582
Payments to employees	(563,645)	(73,909)	-	(637,554)
Payments for fringe benefits	(202,636)	(25,109)	-	(227,745)
Payments to vendors	(2,810,140)	(875,532)	(1,692,435)	(5,378,107)
Payments for internal services	(4,294)	(1,071)	-	(5,365)
Payments for claims related charges	-	-	(14,275,430)	(14,275,430)
Net cash provided by (used for) operating activities	24,249	(215,784)	(136,355)	(327,890)
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	57,341	151,379	-	208,720
Transfers out	(300,000)	-	-	(300,000)
Interfund loan	-	64,405	-	64,405
Net cash provided by (used for) noncapital financing activities	(242,659)	215,784	-	(26,875)
<b>Cash flows from investing activities:</b>				
Interest received	508	-	975	1,483
Net cash provided by investing activities	508	-	975	1,483
<b>Net decrease in cash and cash equivalents</b>	(217,902)	-	(135,380)	(353,282)
<b>Cash and cash equivalents:</b>				
Beginning	557,181	-	2,337,488	2,894,669
Ending	\$ 339,279	\$ -	\$ 2,202,108	\$ 2,541,387

(continued)

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2015

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)	\$ (202,120)	\$ (184,149)	\$ 352,975	\$ (33,294)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	179,199	21,529	-	200,728
Pension expense net of employer contributions	(57,147)	(7,639)	-	(64,786)
Miscellaneous revenue	10,554	-	-	10,554
Participant assessments	-	-	150,028	150,028
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,108)	-	-	(1,108)
Due from component units	2,258	-	-	2,258
Inventory	68,850	(46,073)	-	22,777
Prepaid expenses	1,164	-	-	1,164
Increase (decrease) in:				
Accounts payable	539	3,017	(702,000)	(698,444)
Accrued payroll	4,727	312	-	5,039
Due to component units	3,152	68	-	3,220
Unearned revenue	-	-	62,642	62,642
Compensated absences	4,028	(4,187)	-	(159)
Postretirement healthcare benefits	10,153	1,338	-	11,491
Net cash provided by (used for) operating activities	\$ <u>24,249</u>	\$ <u>(215,784)</u>	\$ <u>(136,355)</u>	\$ <u>(327,890)</u>
<b>Non - cash capital and related financing activities:</b>				
Additions to capital assets:				
Contributed by other funds	6,433,481	-	-	6,433,481

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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.

## AGENCY FUNDS

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

At June 30, 2015

	<u>Juvenile Crime Control Fund</u>	<u>Industrial Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 92,517	\$ 2,620,982	\$ 2,713,499
Receivables	<u>-</u>	<u>-</u>	<u>135,334</u>	<u>135,334</u>
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 92,517</u>	<u>\$ 2,756,316</u>	<u>\$ 2,848,833</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 41,602	\$ 41,602
Accrued payroll	-	-	49,862	49,862
Amounts held for others	<u>-</u>	<u>92,517</u>	<u>2,664,852</u>	<u>2,757,369</u>
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 92,517</u>	<u>\$ 2,756,316</u>	<u>\$ 2,848,833</u>



CITY OF HARRISONBURG, VIRGINIA  
AGENCY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
For the Year Ended June 30, 2015

Exhibit C-2  
Page 1

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>Juvenile Crime Control Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 36,323	\$ -	\$ 36,323	\$ -
<b>Total assets</b>	<b>\$ 36,323</b>	<b>\$ -</b>	<b>\$ 36,323</b>	<b>\$ -</b>
Liabilities:				
Accounts payable	\$ 3,481	\$ -	\$ 3,481	\$ -
Accrued payroll	2,294	-	2,294	-
Amounts held for others	30,548	-	30,548	-
<b>Total liabilities</b>	<b>\$ 36,323</b>	<b>\$ -</b>	<b>\$ 36,323</b>	<b>\$ -</b>
<b><u>Industrial Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 92,681	\$ 86	\$ 250	\$ 92,517
<b>Total assets</b>	<b>\$ 92,681</b>	<b>\$ 86</b>	<b>\$ 250</b>	<b>\$ 92,517</b>
Liabilities:				
Amounts held for others	\$ 92,681	\$ 86	\$ 250	\$ 92,517
<b>Total liabilities</b>	<b>\$ 92,681</b>	<b>\$ 86</b>	<b>\$ 250</b>	<b>\$ 92,517</b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,954,639	\$ 4,474,437	\$ 4,808,094	\$ 2,620,982
Receivables	89,810	135,334	89,810	135,334
<b>Total assets</b>	<b>\$ 3,044,449</b>	<b>\$ 4,609,771</b>	<b>\$ 4,897,904</b>	<b>\$ 2,756,316</b>
Liabilities:				
Accounts payable	\$ 24,302	\$ 41,602	\$ 24,302	\$ 41,602
Accrued payroll	43,054	49,862	43,054	49,862
Amounts held for others	2,977,093	4,519,961	4,832,202	2,664,852
<b>Total liabilities</b>	<b>\$ 3,044,449</b>	<b>\$ 4,611,425</b>	<b>\$ 4,899,558</b>	<b>\$ 2,756,316</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2015

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	\$ 3,083,643	\$ 4,474,523	\$ 4,844,667	\$ 2,713,499
Receivables	<u>89,810</u>	<u>135,334</u>	<u>89,810</u>	<u>135,334</u>
<b>Total assets</b>	<b>\$ <u>3,173,453</u></b>	<b>\$ <u>4,609,857</u></b>	<b>\$ <u>4,934,477</u></b>	<b>\$ <u>2,848,833</u></b>
Liabilities:				
Accounts payable	\$ 27,783	\$ 41,602	\$ 27,783	\$ 41,602
Accrued payroll	45,348	49,862	45,348	49,862
Amounts held for others	<u>3,100,322</u>	<u>4,520,047</u>	<u>4,863,000</u>	<u>2,757,369</u>
<b>Total liabilities</b>	<b>\$ <u>3,173,453</u></b>	<b>\$ <u>4,611,511</u></b>	<b>\$ <u>4,936,131</u></b>	<b>\$ <u>2,848,833</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, 2015

Exhibit D-1

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 6,148,092	\$ 1,630,590	\$ 547,851	\$ 8,326,533
Receivables	2,022,137	73,842	-	2,095,979
Inventory	-	80,940	-	80,940
Prepaid expenditures	513,536	11,000	-	524,536
<b>Total assets</b>	<b>\$ 8,683,765</b>	<b>\$ 1,796,372</b>	<b>\$ 547,851</b>	<b>\$ 11,027,988</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 13,148	\$ 23,660	\$ 360,836	\$ 397,644
Accrued payroll	6,387,656	182,742	-	6,570,398
Due to primary government	30,340	-	-	30,340
Due to component units	95,156	-	-	95,156
Other liabilities	619,731	-	-	619,731
<b>Total liabilities</b>	<b>7,146,031</b>	<b>206,402</b>	<b>360,836</b>	<b>7,713,269</b>
Fund Balances:				
Nonspendable:				
Inventory	-	80,940	-	80,940
Prepaid expenditures	513,536	11,000	-	524,536
Committed to:				
Food services	-	1,498,030	-	1,498,030
Assigned to:				
Instruction	223,540	-	-	223,540
Administration, attendance and health	8,233	-	-	8,233
Operations and maintenance	71,326	-	-	71,326
Technology	55,939	-	-	55,939
Subsequent years' expenditures	-	-	187,015	187,015
Unassigned	665,160	-	-	665,160
<b>Total fund balances</b>	<b>1,537,734</b>	<b>1,589,970</b>	<b>187,015</b>	<b>3,314,719</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,683,765</b>	<b>\$ 1,796,372</b>	<b>\$ 547,851</b>	<b>\$ 11,027,988</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, 2015**

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**Exhibit D-2**

Total fund balances of governmental funds (Exhibit D-1)		\$	3,314,719
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			38,424,380
Net pension assets are not current financial resources and, therefore, are not reported in the funds.			408,930
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.			(58,601,388)
Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred pension outflows	\$	4,901,774	
Deferred pension inflows		<u>(8,452,936)</u>	
Net adjustment	\$	<u>(3,551,162)</u>	<u>(3,551,162)</u>
Net position of governmental activities (Exhibit 1)		\$	<u>(20,004,521)</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, 2015

Exhibit D-3

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Revenues:</b>				
Use of money and property	\$ 40,537	\$ 1,230	\$ -	\$ 41,767
Charges for services	1,328,033	534,435	-	1,862,468
Miscellaneous	298,196	7,395	-	305,591
Payment from primary government	28,316,246	-	800,000	29,116,246
Intergovernmental	33,582,734	2,858,667	-	36,441,401
Total revenues	<u>63,565,746</u>	<u>3,401,727</u>	<u>800,000</u>	<u>67,767,473</u>
<b>Expenditures:</b>				
Current:				
Instruction	48,649,874	-	-	48,649,874
Administration, attendance and health	3,704,087	-	-	3,704,087
Pupil transportation	3,231,550	-	-	3,231,550
Operations and maintenance	4,833,824	-	-	4,833,824
Food services	-	3,384,571	-	3,384,571
Technology	2,642,917	28,657	-	2,671,574
Capital projects	-	-	612,985	612,985
Total expenditures	<u>63,062,252</u>	<u>3,413,228</u>	<u>612,985</u>	<u>67,088,465</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>503,494</u>	<u>(11,501)</u>	<u>187,015</u>	<u>679,008</u>
<b>Other financing sources (uses):</b>				
Transfers in	83	-	-	83
Transfers out	-	-	(83)	(83)
Total other financing sources (uses)	<u>83</u>	<u>-</u>	<u>(83)</u>	<u>-</u>
<b>Net change in fund balances</b>	503,577	(11,501)	186,932	679,008
Fund balances at beginning of year	<u>1,034,157</u>	<u>1,601,471</u>	<u>83</u>	<u>2,635,711</u>
Fund balances at end of year	<u>\$ 1,537,734</u>	<u>\$ 1,589,970</u>	<u>\$ 187,015</u>	<u>\$ 3,314,719</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, 2015

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 679,008

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

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

Capital outlay expenditures	\$ 867,931	
Depreciation expense	<u>(1,657,485)</u>	
Net adjustment	\$ <u>(789,554)</u>	(789,554)

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. (273,206)

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

Employer pension expenditures	\$ 4,901,774	
Pension expense	<u>(4,399,137)</u>	
Net adjustment	\$ <u>502,637</u>	502,637

The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 3,602,175

Change in net position of governmental activities (Exhibit 2) \$ 3,721,060

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHOOL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 30,000	\$ 30,000	\$ 40,537	\$ 10,537
Charges for services	1,523,633	1,523,633	1,328,033	(195,600)
Miscellaneous	133,042	133,042	298,196	165,154
Payment from primary government	28,836,860	28,836,860	28,316,246	(520,614)
Intergovernmental	32,574,253	32,954,214	33,582,734	628,520
Total revenues	<u>63,097,788</u>	<u>63,477,749</u>	<u>63,565,746</u>	<u>87,997</u>
<b>Expenditures:</b>				
Current:				
Instruction	48,749,936	48,800,103	48,649,874	150,229
Administration, attendance and health	3,665,431	3,765,656	3,704,087	61,569
Pupil transportation	3,253,249	3,268,095	3,231,550	36,545
Operations and maintenance	4,811,418	4,963,066	4,833,824	129,242
Facilities	-	4,226	-	4,226
Technology	2,617,754	2,754,780	2,642,917	111,863
Total expenditures	<u>63,097,788</u>	<u>63,555,926</u>	<u>63,062,252</u>	<u>493,674</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(78,177)</u>	<u>503,494</u>	<u>581,671</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>83</u>	<u>(83)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>83</u>	<u>(83)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (78,177)</u>	<u>503,577</u>	<u>\$ 581,588</u>
Fund balance at beginning of year			<u>1,034,157</u>	
Fund balance at end of year			<u>\$ 1,537,734</u>	



## 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,230	\$ (770)
Charges for services	560,593	560,593	534,435	(26,158)
Miscellaneous	15,000	15,000	7,395	(7,605)
Intergovernmental	2,692,000	2,692,000	2,858,667	166,667
Total revenues	<u>3,269,593</u>	<u>3,269,593</u>	<u>3,401,727</u>	<u>132,134</u>
<b>Expenditures:</b>				
Current:				
Food services	3,254,593	3,240,936	3,384,571	(143,635)
Technology	15,000	28,657	28,657	-
Total expenditures	<u>3,269,593</u>	<u>3,269,593</u>	<u>3,413,228</u>	<u>(143,635)</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	(11,501)	<u>\$ (11,501)</u>
Fund balance at beginning of year			<u>1,601,471</u>	
Fund balance at end of year			<u>\$ 1,589,970</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, 2015**

**Schedule 1**  
**Page 1**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 26,525,900	\$ 26,712,101	\$ 186,201
Real and personal public service corporation property taxes	302,700	448,017	145,317
Personal property taxes	8,005,700	8,021,019	15,319
Mobile home taxes	5,900	7,033	1,133
Machinery and tools taxes	1,913,000	2,027,504	114,504
Penalties and interest	200,000	265,766	65,766
Total general property taxes	<u>36,953,200</u>	<u>37,481,440</u>	<u>528,240</u>
Other local taxes:			
Local sales and use taxes	12,038,200	12,532,757	494,557
Consumer utility taxes	1,119,500	1,114,465	(5,035)
Business license taxes	6,262,400	6,275,116	12,716
Motor vehicle license taxes	1,154,000	1,185,099	31,099
Bank stock taxes	550,000	580,676	30,676
Taxes on recordation and wills	400,000	603,848	203,848
Tobacco taxes	646,800	632,433	(14,367)
Admission and amusement taxes	165,000	172,616	7,616
Hotel and motel room taxes	2,200,000	2,276,431	76,431
Restaurant food taxes	10,703,900	11,050,508	346,608
Short-term rental taxes	98,000	115,248	17,248
Public right-of-way use fee	120,000	105,507	(14,493)
Total other local taxes	<u>35,457,800</u>	<u>36,644,704</u>	<u>1,186,904</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	4,500	6,463	1,963
Permits and other licenses	392,770	500,577	107,807
Total permits, privilege fees and regulatory licenses	<u>397,270</u>	<u>507,040</u>	<u>109,770</u>
Fines and forfeitures:			
Court fines	550,000	549,825	(175)
Parking fines	50,000	33,816	(16,184)
Drug forfeiture	-	82,388	82,388
Total fines and forfeitures	<u>600,000</u>	<u>666,029</u>	<u>66,029</u>
Use of money and property:			
Use of money	50,000	61,488	11,488
Use of property	120,000	113,503	(6,497)
Total use of money and property	<u>170,000</u>	<u>174,991</u>	<u>4,991</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 1  
Page 2

<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>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 77,317	\$ 49,846	\$ (27,471)
Charges for parking	96,900	111,330	14,430
Charges for rescue services	115,000	120,118	5,118
Charges for parks and recreation	422,500	442,563	20,063
Charges for golf course	693,600	689,889	(3,711)
Total charges for services	<u>1,405,317</u>	<u>1,413,746</u>	<u>8,429</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	393,113	430,533	37,420
Service charge on tax exempt property	60,000	68,849	8,849
Debt service reimbursement from HRHA	669,903	654,122	(15,781)
Donations - JMU & EMU	130,000	5,000	(125,000)
Donations	126,497	103,553	(22,944)
Other miscellaneous	427,880	564,669	136,789
Total miscellaneous	<u>1,807,393</u>	<u>1,826,726</u>	<u>19,333</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	18,000	35,261	17,261
Mobile home titling taxes	4,400	5,718	1,318
Tax on deeds (grantor tax)	135,000	156,580	21,580
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,625,100	1,613,449	(11,651)
Auto rental taxes	194,900	235,328	40,428
Animal friendly license plate	500	719	219
Total non-categorical aid	<u>3,500,483</u>	<u>3,569,638</u>	<u>69,155</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	130,000	129,290	(710)
Treasurer	121,000	120,541	(459)
Registrar	44,300	44,591	291
Total shared expenses	<u>295,300</u>	<u>294,422</u>	<u>(878)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 1  
Page 3

<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	\$ 137,419	\$ 154,966	\$ 17,547
Other fire department	39,695	41,543	1,848
Internet crimes against children grant	-	14,953	14,953
Litter control grant	8,000	12,305	4,305
State aid to localities, police	1,361,118	1,268,944	(92,174)
Street and highway maintenance	4,195,000	4,289,304	94,304
VDOT revenue sharing	950,000	950,000	-
Other categorical aid	50	1,807	1,757
Total other categorical aid	<u>6,691,282</u>	<u>6,733,822</u>	<u>42,540</u>
Total categorical aid	<u>6,986,582</u>	<u>7,028,244</u>	<u>41,662</u>
Total revenue from the Commonwealth	<u>10,487,065</u>	<u>10,597,882</u>	<u>110,817</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	139,036	48,151	(90,885)
Police grants	77,081	96,354	19,273
Total revenue from the Federal Government	<u>216,117</u>	<u>144,505</u>	<u>(71,612)</u>
Total intergovernmental	<u>10,703,182</u>	<u>10,742,387</u>	<u>39,205</u>
<b>Total General Fund</b>	<u>\$ 92,394,162</u>	<u>\$ 94,357,063</u>	<u>\$ 1,962,901</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 931,581	\$ 552,304	\$ (379,277)
Total revenue from the Federal Government	<u>931,581</u>	<u>552,304</u>	<u>(379,277)</u>
Total intergovernmental	<u>931,581</u>	<u>552,304</u>	<u>(379,277)</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 931,581</u>	<u>\$ 552,304</u>	<u>\$ (379,277)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 1  
Page 4

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Use of money and property	\$ -	\$ 261	\$ 261
Charges for services	3,046,943	3,013,803	(33,140)
Miscellaneous	500	28,563	28,063
<b>Total School Transportation Fund</b>	<b>\$ 3,047,443</b>	<b>\$ 3,042,627</b>	<b>\$ (4,816)</b>
<b>Business Loan Program Fund:</b>			
Use of money and property	\$ -	\$ 56	\$ 56
Miscellaneous	26,395	43,262	16,867
<b>Total Business Loan Program Fund</b>	<b>\$ 26,395</b>	<b>\$ 43,318</b>	<b>\$ 16,923</b>
<b>Total Special Revenue Funds</b>	<b>\$ 4,005,419</b>	<b>\$ 3,638,249</b>	<b>\$ (367,170)</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ 219	\$ 11,753	\$ 11,534
Miscellaneous	331,288	40,288	(291,000)
Recovered costs	350,687	201,177	(149,510)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT revenue sharing	9,643,966	1,173,405	(8,470,561)
VDOT capital projects revenue bonds	-	8,445	8,445
<b>Total revenue from the Commonwealth</b>	<b>9,643,966</b>	<b>1,181,850</b>	<b>(8,462,116)</b>
Revenue from the Federal Government:			
Categorical aid:			
Safe route to schools grant	292,244	56,915	(235,329)
Transportation enhancement grant	1,140,215	944,069	(196,146)
LWC fund grant	200,000	135,997	(64,003)
<b>Total revenue from the Federal Government</b>	<b>1,632,459</b>	<b>1,136,981</b>	<b>(495,478)</b>
<b>Total intergovernmental</b>	<b>11,276,425</b>	<b>2,318,831</b>	<b>(8,957,594)</b>
<b>Total General Capital Projects Fund</b>	<b>\$ 11,958,619</b>	<b>\$ 2,572,049</b>	<b>\$ (9,386,570)</b>
<b>Total Capital Projects Fund</b>	<b>\$ 11,958,619</b>	<b>\$ 2,572,049</b>	<b>\$ (9,386,570)</b>
<b>Grand Total Revenues (Primary Government)</b>	<b>\$ 108,358,200</b>	<b>\$ 100,567,361</b>	<b>\$ (7,790,839)</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 1  
Page 5

<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:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 30,000	\$ 40,537	\$ 10,537
Charges for services	1,523,633	1,328,033	(195,600)
Miscellaneous	133,042	298,196	165,154
Payment from primary government	28,836,860	28,316,246	(520,614)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	5,210,390	5,281,827	71,437
Basic school aid	13,652,176	14,100,003	447,827
State standard of quality funds	2,667,986	2,803,140	135,154
Fringe benefits	2,504,030	2,554,724	50,694
At risk	1,699,112	1,741,723	42,611
Primary class size	1,247,655	1,197,434	(50,221)
Technology initiative	258,000	258,000	-
English as second language	1,085,642	1,134,839	49,197
Regional tuition programs (special education)	1,128,041	1,100,455	(27,586)
Other state funds	470,786	691,568	220,782
Total categorical aid	29,923,818	30,863,713	939,895
Total revenue from the Commonwealth	29,923,818	30,863,713	939,895
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,325,728	1,055,534	(270,194)
Special education	1,095,713	991,419	(104,294)
Title III	235,921	198,546	(37,375)
ESEA - Title II Part A	206,164	285,181	79,017
Other federal funds	166,870	188,341	21,471
Total revenue from the Federal Government	3,030,396	2,719,021	(311,375)
Total intergovernmental	32,954,214	33,582,734	628,520
<b>Total School Fund</b>	<b>\$ 63,477,749</b>	<b>\$ 63,565,746</b>	<b>\$ 87,997</b>

(continued)



CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 1  
Page 6

<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 Nutrition Fund:</b>			
Use of money and property	\$ 2,000	\$ 1,230	\$ (770)
Charges for services	560,593	534,435	(26,158)
Miscellaneous	15,000	7,395	(7,605)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	75,000	84,118	9,118
Total categorical aid	75,000	84,118	9,118
Total revenue from the Commonwealth	75,000	84,118	9,118
Revenue from the Federal Government:			
Categorical aid:			
School food program	2,617,000	2,618,026	1,026
USDA donated food	-	156,523	156,523
Total revenue from the Federal Government	2,617,000	2,774,549	157,549
Total intergovernmental	2,692,000	2,858,667	166,667
<b>Total School Nutrition Fund</b>	<b>\$ 3,269,593</b>	<b>\$ 3,401,727</b>	<b>\$ 132,134</b>
<b>School Capital Projects Fund:</b>			
Payment from primary government	\$ 800,000	\$ 800,000	\$ -
<b>Total School Capital Projects Fund</b>	<b>\$ 800,000</b>	<b>\$ 800,000</b>	<b>\$ -</b>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<b>\$ 67,547,342</b>	<b>\$ 67,767,473</b>	<b>\$ 220,131</b>

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

**Schedule 2**  
**Page 1**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 193,918	\$ 192,870	\$ 1,048
Total legislative	<u>193,918</u>	<u>192,870</u>	<u>1,048</u>
General and financial administration:			
City manager	497,444	487,727	9,717
City attorney	193,809	174,252	19,557
Human resources	399,769	365,094	34,675
Independent auditor	22,950	22,950	-
Commissioner of the revenue	403,141	389,904	13,237
Assessors	312,970	294,375	18,595
Equalization	3,025	2,851	174
Treasurer	570,179	558,506	11,673
Finance	445,228	425,609	19,619
Information technology	1,710,740	1,417,079	293,661
Purchasing agent	141,957	139,817	2,140
Total general and financial administration	<u>4,701,212</u>	<u>4,278,164</u>	<u>423,048</u>
Board of elections:			
Registrar	235,617	170,013	65,604
Total board of elections	<u>235,617</u>	<u>170,013</u>	<u>65,604</u>
Total general government administration	<u>5,130,747</u>	<u>4,641,047</u>	<u>489,700</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	4,801,141	4,801,141	-
Middle River Regional Jail	<u>1,116,477</u>	<u>1,116,477</u>	<u>-</u>
Total jail and judicial administration	<u>5,917,618</u>	<u>5,917,618</u>	<u>-</u>
Public safety:			
Law enforcement and traffic control:			
Administration	3,318,784	3,198,770	120,014
Operations	3,653,323	3,625,354	27,969
Criminal investigations	1,547,039	1,520,384	26,655
Special operations	<u>1,357,089</u>	<u>1,320,532</u>	<u>36,557</u>
Total law enforcement and traffic control	<u>9,876,235</u>	<u>9,665,040</u>	<u>211,195</u>
Fire and rescue services:			
Administration	519,080	516,443	2,637
Suppression	6,481,213	6,283,333	197,880
Prevention	448,903	447,440	1,463
Training	<u>261,710</u>	<u>257,949</u>	<u>3,761</u>
Total fire and rescue services	<u>7,710,906</u>	<u>7,505,165</u>	<u>205,741</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 2  
Page 2

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Correction and detention:			
City operated institutions	\$ 85,500	\$ 82,575	\$ 2,925
Total correction and detention	85,500	82,575	2,925
Inspections:			
Building	798,466	759,258	39,208
Total inspections	798,466	759,258	39,208
Other protection:			
Public safety building	373,851	345,201	28,650
Child safety alliance	50,657	47,718	2,939
Animal control	317,637	315,718	1,919
Coroner	1,000	-	1,000
Emergency services	221,967	163,291	58,676
Harrisonburg-Rockingham ECC	1,766,551	1,766,551	-
Total other protection	2,731,663	2,638,479	93,184
Total public safety	21,202,770	20,650,517	552,253
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	757,980	736,594	21,386
Highway and street maintenance	6,854,111	6,576,244	277,867
Street lights	575,758	563,619	12,139
Snow and ice removal	659,185	655,707	3,478
Traffic engineering	1,532,859	1,482,701	50,158
Highway and street beautification	298,466	274,366	24,100
Total maintenance of highways, streets, bridges and sidewalks	10,678,359	10,289,231	389,128
Sanitation and waste removal:			
Street and road cleaning	423,367	391,749	31,618
Insect and rodent control	23,487	5,171	18,316
Total sanitation and waste removal	446,854	396,920	49,934
Maintenance of general buildings and grounds:			
General properties	746,174	700,393	45,781
Total maintenance of general buildings and grounds	746,174	700,393	45,781
Total public works	11,871,387	11,386,544	484,843

(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, 2015

Schedule 2  
Page 3

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Health and welfare:			
Health:			
Local health department	\$ 413,211	\$ 413,211	\$ -
Total health	413,211	413,211	-
Mental health and mental retardation:			
Community services board	463,682	463,682	-
Total mental health and mental retardation	463,682	463,682	-
Welfare/social services:			
Tax relief for the elderly and disabled veterans	108,500	108,185	315
Joint expenditures with Rockingham County	3,097,037	3,097,037	-
Total welfare/social services	3,205,537	3,205,222	315
Total health and welfare	4,082,430	4,082,115	315
Education:			
Payment to Harrisonburg City School Board	29,636,860	29,116,246	520,614
Total education	29,636,860	29,116,246	520,614
Parks, recreation and culture:			
Parks and recreation:			
Administration	1,022,914	943,483	79,431
Parks	936,929	936,578	351
Recreation centers and playgrounds	582,042	580,828	1,214
National guard armory	99,529	79,819	19,710
Simms continuing education center	325,385	312,699	12,686
Westover pool	451,488	441,567	9,921
Athletics	431,277	426,611	4,666
Blacks run greenway	55,942	52,272	3,670
Golf course grounds management	627,130	613,820	13,310
Golf course clubhouse management	438,747	437,910	837
Total parks and recreation	4,971,383	4,825,587	145,796
Total parks, recreation and culture	4,971,383	4,825,587	145,796

(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, 2015

Schedule 2  
Page 4

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	\$ 193,724	\$ 188,503	\$ 5,221
Zoning administrator	146,370	136,895	9,475
Board of zoning appeals	6,032	2,846	3,186
Economic development	632,127	539,612	92,515
Downtown renaissance	216,297	203,122	13,175
Tourism and visitors services	424,014	386,435	37,579
Downtown parking services	209,934	185,259	24,675
Total planning	<u>1,828,498</u>	<u>1,642,672</u>	<u>185,826</u>
Community development:			
Massanutten Regional Library	466,390	466,390	-
Regional Juvenile Detention Home	290,056	289,884	172
Shenandoah Valley Airport	67,923	67,923	-
Harrisonburg First Tee	70,000	70,000	-
Court Square Theater	57,000	57,000	-
Boys and Girls Club	51,500	51,500	-
Blue Ridge Community College	46,484	46,484	-
Other contributions	492,792	492,076	716
Total community development	<u>1,542,145</u>	<u>1,541,257</u>	<u>888</u>
Total planning and community development	<u>3,370,643</u>	<u>3,183,929</u>	<u>186,714</u>
Debt service:			
Principal retirement	7,917,919	7,917,919	-
Interest and fiscal charges	4,745,311	4,371,146	374,165
Total debt service	<u>12,663,230</u>	<u>12,289,065</u>	<u>374,165</u>
<b>Total General Fund</b>	<u>\$ 98,847,068</u>	<u>\$ 96,092,668</u>	<u>\$ 2,754,400</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 931,581	\$ 552,304	\$ 379,277
Total community development	<u>931,581</u>	<u>552,304</u>	<u>379,277</u>
Total planning and community development	<u>931,581</u>	<u>552,304</u>	<u>379,277</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 931,581</u>	<u>\$ 552,304</u>	<u>\$ 379,277</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015

Schedule 2  
Page 5

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Education:			
School bus services	\$ 3,055,467	\$ 2,794,558	\$ 260,909
Field trips and charters	249,891	208,603	41,288
Total education	3,305,358	3,003,161	302,197
<b>Total School Transportation Fund</b>	<b>\$ 3,305,358</b>	<b>\$ 3,003,161</b>	<b>\$ 302,197</b>
<b>Business Loan Program Fund:</b>			
Planning and community development:			
Community development:			
Revolving loan program	\$ 158,395	\$ 90,013	\$ 68,382
Total community development	158,395	90,013	68,382
Total planning and community development	158,395	90,013	68,382
<b>Total Business Loan Program Fund</b>	<b>\$ 158,395</b>	<b>\$ 90,013</b>	<b>\$ 68,382</b>
<b>Total Special Revenue Funds</b>	<b>\$ 4,395,334</b>	<b>\$ 3,645,478</b>	<b>\$ 749,856</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 38,103,150	\$ 16,918,207	\$ 21,184,943
<b>Total General Capital Projects Fund</b>	<b>\$ 38,103,150</b>	<b>\$ 16,918,207</b>	<b>\$ 21,184,943</b>
<b>Total Capital Projects Fund</b>	<b>\$ 38,103,150</b>	<b>\$ 16,918,207</b>	<b>\$ 21,184,943</b>
<b>Grand Total Expenditures (Primary Government)</b>	<b>\$ 141,345,552</b>	<b>\$ 116,656,353</b>	<b>\$ 24,689,199</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 48,800,103	\$ 48,649,874	\$ 150,229
Administration, attendance and health	3,765,656	3,704,087	61,569
Pupil transportation	3,268,095	3,231,550	36,545
Operations and maintenance	4,963,066	4,833,824	129,242
Facilities	4,226	-	4,226
Technology	2,754,780	2,642,917	111,863
Total education	63,555,926	63,062,252	493,674
<b>Total School Fund</b>	<b>\$ 63,555,926</b>	<b>\$ 63,062,252</b>	<b>\$ 493,674</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, 2015

Schedule 2  
Page 6

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 3,240,936	\$ 3,384,571	\$ (143,635)
Technology	<u>28,657</u>	<u>28,657</u>	<u>-</u>
Total education	<u>3,269,593</u>	<u>3,413,228</u>	<u>(143,635)</u>
<b>Total School Nutrition Fund</b>	<u><u>\$ 3,269,593</u></u>	<u><u>\$ 3,413,228</u></u>	<u><u>\$ (143,635)</u></u>
<b>School Capital Projects Fund:</b>			
Capital projects	<u>\$ 800,000</u>	<u>\$ 612,985</u>	<u>\$ 187,015</u>
<b>Total School Capital Projects Fund</b>	<u><u>\$ 800,000</u></u>	<u><u>\$ 612,985</u></u>	<u><u>\$ 187,015</u></u>
<b>Grand Total Expenditures (Component Unit - School Board)</b>	<u><u>\$ 67,625,519</u></u>	<u><u>\$ 67,088,465</u></u>	<u><u>\$ 537,054</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540	\$ 134,630,600	\$ 136,515,744	\$ 132,202,885	\$ 125,843,397	\$ 135,003,446
Restricted	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291
Unrestricted <sup>a</sup>	15,778,923	36,848,497	38,537,607	37,720,341	36,505,429	31,737,220	32,029,616	40,774,314	36,167,946	21,859,603
Total governmental activities net position	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435	\$ 166,827,487	\$ 168,890,884	\$ 173,938,641	\$ 163,050,360	\$ 158,167,340
Business-type activities										
Net investment in capital assets	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398	\$ 54,121,109	\$ 49,644,177
Unrestricted	9,413,613	16,501,295	18,960,244	20,567,739	24,007,072	23,349,719	23,104,614	22,819,366	21,189,184	22,849,797
Total business-type activities net position	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453	\$ 87,622,285	\$ 87,051,233	\$ 78,034,764	\$ 75,310,293	\$ 72,493,974
Primary government										
Net investment in capital assets	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921	\$ 198,903,166	\$ 200,462,363	\$ 187,418,283	\$ 179,964,506	\$ 184,647,623
Restricted	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291
Unrestricted	25,192,536	53,349,792	57,497,851	58,288,080	60,512,501	55,086,939	55,134,230	63,593,680	57,357,130	44,709,400
Total primary government net position	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888	\$ 254,449,772	\$ 255,942,117	\$ 251,973,405	\$ 238,360,653	\$ 230,661,314

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

<sup>a</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										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
<b>Expenses:</b>											
Governmental activities:											
General government administration	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148	\$ 10,607,363	\$ 9,494,062	
Jail and judicial administration	5,137,399	4,175,900	3,697,318	3,353,068	3,158,825	2,689,276	3,012,532	2,521,878	2,695,536	2,247,160	
Public safety	21,236,076	20,803,582	19,435,983	18,759,038	18,414,704	17,934,535	18,518,912	16,446,587	16,122,159	14,598,247	
Public works <sup>a</sup>	15,158,769	19,723,564	16,087,945	15,430,666	11,384,626	10,924,418	11,935,693	10,621,521	11,140,416	10,280,042	
Health and welfare	4,103,981	3,941,088	3,792,389	3,684,731	3,933,460	3,911,386	4,369,125	3,764,612	3,130,065	2,571,383	
Education	37,481,649	34,574,455	32,985,755	30,965,228	27,641,213	28,735,066	31,253,898	25,922,982	25,341,757	24,630,393	
Parks, recreation and cultural	5,486,051	5,399,332	5,396,157	5,319,618	5,279,763	5,100,351	5,379,470	5,103,321	4,692,190	4,458,904	
Planning and community development	3,555,510	3,612,415	3,628,594	3,844,899	3,618,639	3,867,423	4,032,505	4,125,103	5,265,157	2,970,408	
Interest on long-term debt	5,116,339	5,071,941	5,304,302	5,602,256	6,006,543	6,131,512	5,860,753	6,078,904	5,612,049	4,368,265	
Business-type activities:											
Water	5,218,201	5,351,441	5,281,491	5,398,401	5,014,952	5,118,820	5,359,913	4,951,007	4,560,390	4,034,616	
Sewer	9,526,208	9,536,716	9,501,243	9,217,798	8,165,858	7,391,517	6,772,876	6,413,266	5,717,556	5,075,967	
Public transportation	6,327,540	5,218,865	4,915,643	4,817,708	6,916,882	6,767,823	6,817,081	6,042,341	5,538,155	5,070,888	
Steam plant/sanitation <sup>a</sup>	7,185,575	7,397,708	7,751,402	6,670,472	9,999,432	9,878,225	10,809,914	11,162,477	10,604,466	10,446,049	
Public parking	-	-	-	-	-	-	-	-	-	175,050	
Total expenses	\$ 141,790,591	\$ 142,344,400	\$ 132,978,350	\$ 127,935,248	\$ 122,245,944	\$ 121,143,571	\$ 126,858,487	\$ 114,921,147	\$ 111,027,259	\$ 100,421,434	
<b>Program revenues:</b>											
Governmental activities:											
Charges for services:											
General government administration	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743	\$ 9,478,806	\$ 8,620,160	\$ 7,913,474	\$ 7,067,373	\$ 6,845,784	
Jail and judicial administration	549,825	651,517	526,549	417,063	553,923	504,223	493,611	432,767	380,856	517,689	
Public works <sup>a</sup>	-	5,891,879	5,714,587	4,223,763	-	-	-	-	-	-	
Education <sup>b</sup>	3,018,032	2,712,725	2,402,874	2,163,748	1,103,317	1,042,513	1,063,064	1,003,942	775,673	787,786	
Parks, recreation and cultural	1,132,452	1,143,398	1,078,285	1,156,262	845,073	686,775	1,055,627	1,278,101	768,070	548,215	
Other activities	891,990	1,201,568	988,430	868,216	6,779,026	6,537,125	6,931,438	6,620,432	7,163,982	6,566,639	
Operating grants and contributions	7,733,498	7,242,059	6,468,579	6,420,728	1,394,887	1,105,400	4,827,882	5,540,980	3,996,228	71,267	
Capital grants and contributions <sup>c</sup>	2,511,563	6,052,309	4,057,173	3,020,379	-	-	-	-	-	-	
Business-type activities:											
Charges for services:											
Water	6,566,279	6,204,657	6,033,702	5,803,549	5,793,929	5,414,295	5,727,877	6,024,104	5,424,741	5,263,336	
Sewer	10,135,852	9,654,399	9,135,855	8,631,508	8,047,117	6,748,325	6,377,771	6,080,893	5,572,991	5,148,993	
Public transportation <sup>b</sup>	1,897,980	1,834,284	1,652,106	1,558,556	3,573,754	3,153,152	3,290,998	2,906,147	2,667,281	2,467,922	
Steam plant/sanitation <sup>a</sup>	6,784,257	5,122,980	6,131,803	4,717,861	9,859,085	9,867,232	10,158,755	9,023,207	8,006,673	7,483,560	
Other activities	-	-	-	-	-	-	-	-	-	178,530	
Operating grants and contributions	2,229,329	2,160,125	1,649,862	1,469,284	1,353,559	1,496,827	1,444,903	1,242,498	1,140,983	1,198,685	
Capital grants and contributions <sup>d</sup>	2,689,399	6,506,406	3,277,876	3,226,291	840,082	2,176,754	8,458,276	1,684,705	2,201,180	2,571,747	
Total program revenues	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299	\$ 53,267,647	\$ 49,410,495	\$ 48,211,427	\$ 58,450,362	\$ 49,751,250	\$ 45,166,031	\$ 39,650,153	
<b>Net (expense) revenue:</b>											
Governmental activities	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)	\$ (72,632,344)	\$ (74,106,921)	\$ (63,562,360)	\$ (64,454,510)	\$ (60,281,484)	
Business-type activities	2,045,572	3,978,121	431,425	(697,330)	(629,598)	(299,800)	5,698,796	(1,607,537)	(1,406,718)	(489,797)	
Total net (expense) revenue	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)	\$ (74,667,601)	\$ (72,835,449)	\$ (72,932,144)	\$ (68,408,125)	\$ (65,169,897)	\$ (65,861,228)	\$ (60,771,281)	

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

**Table 2**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340	\$ 30,867,419	\$ 29,049,768	\$ 27,464,833	\$ 23,731,628	\$ 20,248,223
Sales and use taxes	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783	10,487,699	11,053,388	11,772,450	11,695,874	11,421,441
Restaurant food taxes	11,026,410	10,398,660	9,948,280	8,815,101	8,414,191	8,001,430	8,095,857	8,021,419	7,673,364	7,091,567
Business license taxes	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,196,857	6,042,082	5,728,339
Other local taxes	6,798,376	6,105,467	5,877,472	5,599,612	5,382,633	5,274,469	5,275,971	5,515,800	6,572,592	7,201,363
Unrestricted grants and contributions	3,569,638	3,521,348	3,476,659	3,423,474	3,520,574	3,465,825	3,488,042	3,768,406	2,754,072	1,832,499
Unrestricted payment from component units	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000
Investment revenue <sup>a</sup>	75,041	50,039	84,162	68,365	87,557	151,425	658,303	2,644,259	3,534,382	1,363,309
Other revenue <sup>b</sup>	1,742,779	2,698,759	1,973,222	2,265,535	4,254,403	1,570,827	1,202,291	1,447,468	1,486,856	1,872,657
Gain on sale of capital asset	-	-	-	-	-	-	238,903	-	-	-
Special item <sup>a,b,u</sup>	-	-	-	(1,446,706)	-	-	-	4,109,942	2,183,062	11,005,846
Transfers	2,527,927	1,574,046	1,361,276	6,335,894	484,233	378,256	(875,910)	(1,386,572)	(1,130,257)	197,160
Business-type activities:										
General revenues:										
Investment revenue	15,198	19,563	31,340	32,121	52,446	79,908	505,917	1,101,241	1,403,613	1,082,397
Other revenue	1,286,114	1,117,388	1,805,733	1,308,949	1,215,028	1,167,345	1,927,746	1,844,195	1,034,676	1,149,279
Gain on disposal of capital assets	2,550	28,554	15,055	10,863	4,525	1,855	8,100	-	-	-
Special item <sup>b</sup>	(1,916,812)	(10,078,503)	-	-	-	-	-	-	-	-
Transfers	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)	(378,256)	875,910	1,386,572	1,130,257	(197,160)
Total general revenues and other changes in net position	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565	\$ 71,439,799	\$ 72,376,837	\$ 78,686,870	\$ 72,906,076	\$ 74,396,920
Change in net position:										
Governmental activities	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954	\$ 2,920,948	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020	\$ 12,080,920
Business-type activities	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168	571,052	9,016,469	2,724,471	2,161,828	1,544,719
Total change in net position	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116	\$ (1,492,345)	\$ 3,968,712	\$ 13,516,973	\$ 7,044,848	\$ 13,625,639

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

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

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

<sup>c</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>d</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>e</sup>For 2009, 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>f</sup>For 2011, the increase in other revenue was the result of a one-time payment of \$2.3 million from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

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

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

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

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

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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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 623,774	\$ 652,688	613,043	\$ 780,708	\$ 1,055,286	\$ 838,087	\$ 772,046	\$ 609,960	\$ 611,347	\$ 873,061
Restricted	450,639	432,852	253,898	436,546	464,466	459,667	345,524	959,650	1,037,225	1,059,596
Committed <sup>a,b</sup>	63,402	2,761,367	3,386,367	3,095,380	860,879	1,297,212	1,879,300	2,344,663	3,311,602	31,700
Assigned <sup>c,d</sup>	1,629,279	1,612,151	3,053,319	1,671,329	4,175,696	1,096,324	175,380	5,620,402	4,754,769	2,059,387
Unassigned	24,214,042	26,595,398	23,932,401	25,534,922	18,711,352	16,273,005	16,363,415	15,747,798	14,711,182	10,729,138
Total general fund	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885	\$ 25,267,679	\$ 19,964,295	\$ 19,535,665	\$ 25,282,473	\$ 24,426,125	\$ 14,752,882
All other governmental funds										
Nonspendable	\$ -	\$ 4,705	4,546	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ 7,534
Restricted <sup>e</sup>	1,464,504	11,210,744	7,215,617	5,758,290	4,128,472	772,478	9,365,268	2,134,402	25,913,479	4,364,535
Committed	11,102,093	12,928,163	13,686,487	10,650,430	8,794,481	8,811,974	7,704,596	11,911,533	14,087,497	4,817,016
Assigned	38,897	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)	-	-
Total all other governmental funds	\$ 12,605,494	\$ 24,143,612	\$ 20,906,650	\$ 16,348,227	\$ 12,916,529	\$ 9,462,064	\$ 17,026,663	\$ 14,030,422	\$ 40,000,976	\$ 9,189,085

**Notes:** Any significant increases or decreases for 2015 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2006-2010).

<sup>a</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>b</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>c</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>d</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>e</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)

Table 4

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
General property taxes	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	32,180,329	31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821	\$ 23,716,424	\$ 20,151,128
Other local taxes	36,644,704	34,740,681	33,134,475	31,114,956	30,439,292	29,295,439	30,439,109	31,533,497	31,976,274	31,493,067
Permits, privilege fees and regulatory licenses	507,040	455,881	536,965	498,465	561,431	354,076	848,149	1,099,610	552,074	503,149
Fines and forfeitures	666,029	1,127,606	662,961	526,260	626,169	598,904	570,997	518,259	504,628	517,689
Use of money and property <sup>a</sup>	187,061	162,014	194,763	171,599	188,084	197,844	662,621	2,523,091	3,675,662	2,227,982
Charges for services <sup>b</sup>	4,427,549	10,020,649	9,496,051	7,775,198	1,377,980	1,193,264	1,193,156	1,098,841	842,690	811,677
Miscellaneous <sup>c</sup>	1,938,839	2,465,008	2,005,958	2,014,528	4,159,989	1,540,896	1,700,774	1,733,883	1,001,438	882,152
Recovered costs	201,177	291,795	165,551	606,506	-	-	-	217,422	1,198,496	1,266,205
Payments from component units	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000
Intergovernmental <sup>d</sup>	13,613,522	16,414,070	14,809,888	15,344,247	16,254,692	13,499,776	13,628,264	13,191,514	12,771,940	7,703,658
Total revenues	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	95,132,088	90,033,162	\$ 82,489,273	\$ 82,840,778	\$ 83,764,938	\$ 81,033,501	\$ 69,956,707
Expenditures:										
Current:										
General government administration	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	4,003,007	3,612,654	\$ 3,494,629	\$ 3,454,035	\$ 3,533,956	\$ 3,195,490	\$ 2,902,847
Jail and judicial administration	5,917,618	3,878,939	3,400,357	3,056,108	2,861,864	2,392,315	2,715,571	2,224,918	2,398,575	1,975,668
Public safety	20,650,517	20,131,261	18,348,671	17,541,823	17,180,648	17,033,685	18,351,114	16,282,631	15,906,087	14,266,182
Public works <sup>b</sup>	11,386,544	13,484,504	11,691,698	10,484,164	7,324,180	7,085,021	8,643,955	8,314,632	7,911,328	11,167,310
Health and welfare	4,082,115	3,919,223	3,770,524	3,662,866	3,911,595	3,889,521	4,347,260	3,742,747	3,108,200	2,549,518
Education	32,119,407	29,912,639	28,497,263	26,201,268	22,992,077	23,993,390	24,627,567	22,960,156	22,299,274	21,622,750
Parks, recreation and cultural	4,825,587	4,747,280	4,666,748	4,946,248	4,685,460	4,590,497	4,819,548	4,832,776	4,852,311	4,488,905
Planning and community development <sup>f</sup>	3,826,246	3,913,783	3,715,326	3,731,690	3,342,151	3,739,296	4,112,650	6,046,145	3,564,027	3,206,577
Debt service:										
Principal retirement	7,917,919	7,159,619	8,016,601	7,054,192	6,568,187	6,144,985	5,852,898	4,594,087	4,885,030	4,202,660
Interest and fiscal charges <sup>g</sup>	4,371,146	5,179,111	5,335,520	5,406,443	5,846,542	5,776,747	5,879,099	6,732,755	4,167,115	4,255,457
Bond issuance costs	-	257,393	-	381,755	77,341	-	58,379	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	520,040	-	-	-
Capital projects <sup>h</sup>	16,918,207	18,893,701	13,820,417	11,335,007	12,888,316	11,668,260	15,865,369	35,015,071	32,370,731	6,744,259
Total expenditures	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	97,804,571	91,291,015	\$ 89,808,346	\$ 99,247,485	\$ 114,279,874	\$ 104,658,168	\$ 77,382,133
Excess (deficiency) of revenues over (under) expenditures	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	(2,672,483)	(1,257,853)	\$ (7,319,073)	\$ (16,406,707)	\$ (30,514,936)	\$ (23,624,667)	\$ (7,425,426)



CITY OF HARRISONBURG, VIRGINIA  
CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)

Table 4

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other financing sources (uses):										
Long-term debt issued or incurred	\$ -	\$ 14,150,000	\$ 8,050,000	5,865,000	9,515,000	\$ -	\$ 13,480,500	\$ -	\$ 50,000,000	\$ -
Refunding debt issued	-	42,675,000	-	21,400,000	5,691,105	-	7,377,000	-	-	-
Premium on long-term debt issued	-	5,650,348	-	786,742	362,907	-	99,617	-	-	-
Discount on long-term debt issued	-	-	-	-	-	-	-	-	(176,698)	-
Payment to bond refunding escrow agent	-	(42,327,820)	-	-	(5,847,247)	-	(7,412,601)	-	-	-
Payment for current bond refunding	-	(5,146,875)	-	(21,649,901)	-	-	-	-	-	-
Transfers in	5,836,294	4,445,856	8,250,668	8,279,617	2,890,945	2,780,092	4,713,939	6,622,370	17,534,802	5,660,761
Transfers out	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)	(2,597,008)	(2,596,988)	(4,602,315)	(8,218,306)	(18,945,703)	(6,940,225)
Total other financing sources (uses)	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	12,355,387	10,015,702	\$ 183,104	\$ 13,656,140	\$ (1,595,936)	\$ 48,412,401	\$ (1,279,464)
Special item:										
Sale of capital asset <sup>h</sup>	\$ -	\$ -	-	-	-	-	-	7,000,000	15,697,400	-
Net change in fund balances	\$ (16,611,438)	\$ 4,052,390	4,278,566	9,682,904	8,757,849	\$ (7,135,969)	\$ (2,750,567)	\$ (25,110,872)	\$ 40,485,134	\$ (8,704,890)
Debt service as a percentage of noncapital expenditures	12.79%	12.74%	14.70%	14.15%	14.81%	14.75%	13.86%	14.33%	12.54%	12.92%

**Notes:** Any significant increases or decreases for 2015 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 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>b</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>c</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>d</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>e</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>f</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>g</sup>For 2007 and 2008, the City had various major construction projects in progress including the new high school and an elementary middle school complex.

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

<sup>i</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)*

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General property taxes</b>										
Real estate taxes <sup>a,b,c</sup>	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064	\$ 22,871,691	\$ 22,471,813	\$ 20,253,878	\$ 18,794,716	\$ 14,614,206	\$ 14,082,477
Real and personal public service corporation property taxes	448,017	294,775	344,311	305,419	311,567	315,297	290,145	296,523	257,361	288,174
Personal property taxes <sup>d,e</sup>	8,021,019	6,926,126	6,996,148	6,636,271	6,227,915	6,002,949	6,481,657	6,135,629	6,903,578	3,967,554
Mobile home taxes	7,033	6,485	8,069	7,613	7,568	6,976	6,779	6,642	7,958	7,036
Machinery and tools taxes	2,027,504	1,869,428	1,794,444	1,800,539	1,849,859	1,918,964	1,769,620	1,571,168	1,713,458	1,634,123
Penalties and interest	265,766	216,744	271,353	266,423	256,925	293,075	195,629	244,143	219,863	171,764
<b>Total general property taxes</b>	<b>\$ 37,481,440</b>	<b>\$ 33,559,753</b>	<b>\$ 33,745,312</b>	<b>\$ 32,180,329</b>	<b>\$ 31,525,525</b>	<b>\$ 31,009,074</b>	<b>\$ 28,997,708</b>	<b>\$ 27,048,821</b>	<b>\$ 23,716,424</b>	<b>\$ 20,151,128</b>
<b>Other local taxes</b>										
Local sales and use taxes	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783	\$ 10,487,699	\$ 11,053,388	\$ 11,772,450	\$ 11,695,874	\$ 11,421,441
Consumer utility taxes <sup>f</sup>	1,114,465	1,099,063	1,093,995	1,071,465	1,079,982	1,063,641	1,059,448	1,053,085	1,489,300	1,878,219
Business license taxes	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,208,829	6,044,898	5,745,193
Franchise license taxes <sup>g</sup>	-	-	-	-	-	-	-	-	167,399	304,159
Motor vehicle license taxes <sup>g</sup>	1,185,099	888,410	861,119	759,588	667,392	698,446	708,619	723,115	736,579	502,226
Bank stock taxes	580,676	562,403	514,445	543,039	577,159	556,236	487,649	362,690	481,402	501,430
Taxes on recordation and wills	603,848	443,901	359,086	273,405	381,220	311,749	380,766	598,229	595,283	746,064
Tobacco taxes	632,433	634,796	703,979	768,267	700,232	759,637	794,917	868,029	878,952	882,623
Admission and amusement taxes	172,616	144,475	175,395	178,371	182,473	198,641	195,222	195,197	172,964	169,701
Hotel and motel room taxes <sup>h</sup>	2,276,431	2,110,603	1,963,223	1,838,184	1,634,615	1,505,247	1,536,035	1,599,097	1,533,589	1,429,097
Restaurant food taxes <sup>h</sup>	11,050,508	10,436,529	9,913,531	8,833,426	8,403,911	8,001,668	8,037,199	8,027,404	7,671,308	7,099,944
Emergency telephone service taxes <sup>i</sup>	-	-	-	-	-	-	-	-	401,181	669,166
Short-term rental taxes	115,248	103,840	93,218	61,237	59,244	17,778	-	-	-	-
Public right-of-way use fee	105,507	113,176	113,012	111,110	135,196	123,100	113,315	125,372	107,545	143,804
<b>Total other local taxes</b>	<b>\$ 36,644,704</b>	<b>\$ 34,740,681</b>	<b>\$ 33,134,475</b>	<b>\$ 31,114,956</b>	<b>\$ 30,439,292</b>	<b>\$ 29,295,439</b>	<b>\$ 30,439,109</b>	<b>\$ 31,533,497</b>	<b>\$ 31,976,274</b>	<b>\$ 31,493,067</b>

**Notes:** Any significant increases or decreases for 2015 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 estate assessments.

<sup>b</sup>For 2013, the increase in real estate taxes was the result of an increase in the real estate tax rate.

<sup>c</sup>For 2015, the increase in real estate taxes was the result of an increase in the real estate tax rate.

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

<sup>e</sup>For 2015, the increase in personal property taxes was the result of an increase in the personal property tax rate.

<sup>f</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 receiving a predetermined percentage of the total communications sales and use tax which is now considered an intergovernmental revenue.

<sup>g</sup>For 2015, the increase in motor vehicle license taxes was the result of an increase in the tax rates.

<sup>h</sup>For 2013, the increases in hotel and motel room taxes and restaurant food taxes was the result of an increase in the tax rates.

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

Table 6

Fiscal Year	Real Estate <sup>1</sup>			Personal Property				Total	
	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>	Assessed Values	Total Direct Tax Rate
2015	\$ 2,463,332,515	\$ 1,407,562,622	\$ 52,607,250	\$ 332,061,200	\$ 95,391,700	\$ 1,042,700	\$ 463,264	\$ 4,352,461,251	0.89
2014	2,461,494,084	1,393,309,162	53,751,656	330,936,077	93,454,600	1,031,496	831,727	4,334,808,802	0.81
2013	2,475,833,386	1,382,285,462	52,516,179	337,161,049	89,963,300	1,115,803	448,655	4,339,323,834	0.81
2012	2,543,042,004	1,388,078,371	50,092,960	315,996,800	89,852,200	1,142,200	329,028	4,388,533,563	0.76
2011	2,510,853,924	1,364,937,892	50,956,726	305,187,900	91,009,800	1,188,000	364,071	4,324,498,313	0.76
2010	2,454,130,651	1,333,884,176	50,623,169	298,874,400	95,937,200	1,200,100	487,596	4,235,137,292	0.76
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	3,902,956,409	0.78
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

**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>Vehicles assessed at average trade-in value, as of January 1, as determined by the National Automobile Dealers Association (NADA).  
 Business equipment assessed values are based upon depreciation schedule, year of purchase and cost. <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>	
2015	\$ 0.69	\$ 0.69	\$ 0.69	\$ 2.12	\$ 2.12	\$ 0.69	\$ 3.50	\$ 3.50	\$ 0.89
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	0.81
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.76
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	0.78
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

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

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

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

**Table 8**

Property Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 606,321	1	1.63%	\$ 392,863	1	1.81%
American Campus Communities, Inc.	461,334	2	1.24%	-	-	-
George's Foods, LLC	401,605	3	1.08%	-	-	-
Copper Beech Townhome Communities, LLC	385,676	4	1.03%	-	-	-
Packaging Corporation of America	372,850	5	1.00%	257,886	4	1.19%
Graham Packaging Company, LP	347,675	6	0.93%	171,628	6	0.79%
The Macerich Company	280,143	7	0.75%	-	-	-
R.R. Donnelley & Sons Company	256,214	8	0.69%	-	-	-
Virginia Mennonite Retirement Community	239,816	9	0.64%	167,778	8	0.77%
Ariake USA, Inc	188,877	10	0.51%	-	-	-
IntraPac Corporation	-	-	-	339,698	2	1.57%
Banta Corporation	-	-	-	293,636	3	1.35%
GMH Communities Trust	-	-	-	218,538	5	1.01%
SDG Macerich Properties, LP	-	-	-	170,977	7	0.79%
Reddy Ice Corporation	-	-	-	148,742	9	0.69%
Verizon Communications Inc.	-	-	-	140,287	10	0.65%
<b>Total</b>	<b>\$ 3,540,511</b>		<b>9.49%</b>	<b>\$ 2,302,033</b>		<b>10.62%</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		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)				Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 37,288,334	\$	- \$	37,288,334	\$ 36,588,785	98.12%	- \$	36,588,785	98.12%
2014	33,472,734		30,106	33,502,840	32,671,163	97.61%	550,237	33,221,400	99.16%
2013	33,518,148		(150)	33,517,998	32,841,981	97.98%	495,208	33,337,189	99.46%
2012	31,917,343		(15,443)	31,901,900	31,164,825	97.64%	589,781	31,754,606	99.54%
2011	31,326,231		(4,300)	31,321,931	30,500,885	97.37%	671,159	31,172,044	99.52%
2010	30,809,804		(16,641)	30,793,163	29,834,014	96.83%	778,911	30,612,925	99.41%
2009	29,095,900		1,340	29,097,240	28,136,769	96.70%	765,463	28,902,232	99.33%
2008	27,221,485		(23,903)	27,197,582	26,384,561	96.93%	652,284	27,036,845	99.41%
2007	23,722,324		(22,247)	23,700,077	22,950,373	96.75%	584,280	23,534,653	99.30%
2006	21,683,449		68,924	21,752,373	21,076,071	97.20%	512,496	21,588,567	99.25%

**Notes:** In 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities:</b>										
General obligation bonds <sup>a,b,c,d</sup>	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002	\$ 130,273,104	\$ 125,946,648	\$ 131,255,776	\$ 116,394,892	\$ 120,144,124	\$ 73,994,468
General obligation revenue bonds <sup>e</sup>	-	-	-	-	-	-	-	6,186,488	6,258,756	6,321,024
Notes payable	-	-	-	-	-	-	-	-	-	400,000
Capital leases	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958	6,635,404	7,480,465	8,287,363	9,058,940	9,797,450
State literary fund loans	-	-	-	-	-	-	-	-	-	11,825
<b>Business-type activities:</b>										
General obligation bonds <sup>d</sup>	27,875,343	30,485,783	33,027,532	34,999,325	36,852,820	26,684,249	27,072,664	25,958,685	27,213,206	28,427,727
General obligation revenue bonds <sup>d</sup>	-	-	-	239,994	469,862	9,392,103	9,598,939	9,800,776	9,992,612	10,179,448
<b>Total primary government</b>	<b>\$ 166,402,903</b>	<b>\$ 177,297,479</b>	<b>\$ 168,641,957</b>	<b>\$ 170,885,206</b>	<b>\$ 173,347,744</b>	<b>\$ 168,658,404</b>	<b>\$ 175,407,844</b>	<b>\$ 166,628,204</b>	<b>\$ 172,667,638</b>	<b>\$ 129,131,942</b>
Percentage of personal income <sup>f</sup>	8.88%	9.86%	9.65%	10.40%	11.29%	11.35%	11.74%	11.67%	12.92%	10.24%
Per capita <sup>g</sup>	\$ 3,111	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448	\$ 3,644	\$ 3,571	\$ 3,774	\$ 2,863

**Notes:** The City does not have overlapping governments and has not included this information in the above table. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Certain prior year balances have been reclassified to reflect current financial reporting (2006-2013). <sup>h</sup>See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2006-2009 and 2011-2014.

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

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

<sup>c</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>d</sup>For 2011, the City issued \$28.1 million in general obligation bonds to advance refund \$17.7 million in general obligation revenue 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General obligation bonds <sup>a,b,c,d</sup>	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577	\$ 147,357,330	\$ 102,422,195
Total	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577	\$ 147,357,330	\$ 102,422,195
Percentage of assessed real property value <sup>e</sup>	4.17%	4.45%	4.23%	4.16%	4.26%	3.98%	4.53%	4.38%	6.15%	4.40%
Per capita <sup>2</sup>	\$ 3,060	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120	\$ 3,289	\$ 3,051	\$ 3,221	\$ 2,271

**Notes:** The City does not have overlapping governments and has not included this information in the above table. Details regarding the City's outstanding debt can be found in the notes to the financial statements. There are no restricted net assets for debt service available for the repayment of principal on bonded debt. Certain prior year balances have been reclassified to reflect current financial reporting (2006-2013).<sup>1</sup> See Table 6 for assessed real property data. <sup>2</sup>See Table 13 for population data. Population estimates were adjusted on Table 13 for 2006-2009 and 2011-2014.

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

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

<sup>c</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>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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	\$ 383,863,800	\$ 349,636,450	\$ 325,298,821	\$ 239,765,363	\$ 232,702,951
Total debt applicable to limit	156,350,667	166,111,533	163,133,244	163,706,026	165,926,512	162,043,877	167,937,695	158,497,695	163,765,205	119,311,725
Legal debt margin	\$ 235,999,572	\$ 224,743,957	\$ 227,930,259	\$ 234,415,308	\$ 226,748,342	\$ 221,819,923	\$ 181,698,755	\$ 166,801,126	\$ 76,000,158	\$ 113,391,226
Total debt applicable to the limit as percentage of debt limit <sup>a</sup>	39.85%	42.50%	41.72%	41.12%	42.26%	42.21%	48.03%	48.72%	68.30%	51.27%
<b>Legal Debt Margin Calculation for Fiscal Year 2015</b>										
Total assessed value of taxed real property	\$ 3,923,502,387									
Debt limit (10% of total assessed value)	\$ 392,350,239									
Debt applicable to limit:										
General obligation bonds	156,350,667									
Legal debt margin	\$ 235,999,572									

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

<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**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate Percentage<sup>4</sup></b>
2015	53,491	\$ 1,874,539	\$ 35,044	5,423	5.9
2014	52,612	1,797,542	34,166	5,158	6.5
2013	52,127	1,747,975	33,533	4,956	7.0
2012	50,862	1,643,351	32,310	4,709	7.7
2011	50,057	1,535,599	30,677	4,513	7.8
2010	48,914	1,486,448	30,389	4,323	7.8
2009	48,134	1,493,983	31,038	4,241	5.5
2008	46,660	1,428,169	30,608	4,363	3.4
2007	45,752	1,336,233	29,206	4,356	2.8
2006	45,104	1,260,657	27,950	4,347	3.4

**Notes:** Population estimates have been adjusted for 2006-2009 and 2011-2014 using estimates from the University of Virginia Weldon Cooper Center for Public Policy and personal income has been adjusted accordingly.

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2015. University of Virginia Weldon Cooper Center for Public Service for 2006-2009 and 2011-2014. United States Census Bureau for 2010.

<sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2006-2014 have been adjusted based upon the latest available data. Data for 2015 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 2009-2014 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 2015			Fiscal Year 2006		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	>1,000	1	> 3.32%	>1,000	1	n/a
Harrisonburg City Public Schools	>1,000	2	> 3.32%	500 - 999	4	n/a
Aramark Campus LLC	500 - 999	3	1.66% - 3.32%	-	-	n/a
City of Harrisonburg	500 - 999	4	1.66% - 3.32%	500 - 999	6	n/a
Tenneco Inc.	500 - 999	5	1.66% - 3.32%	500 - 999	7	n/a
Rosetta Stone Inc.	500 - 999	6	1.66% - 3.32%	-	-	n/a
George's Chicken, LLC	500 - 999	7	1.66% - 3.32%	-	-	n/a
Eastern Mennonite University	250 - 499	8	0.83% - 1.66%	-	-	n/a
Virginia Mennonite Retirement Community	250 - 499	9	0.83% - 1.66%	250 - 499	9	n/a
Wal-Mart Stores, Inc.	250 - 499	10	0.83% - 1.66%	500 - 999	5	n/a
Rockingham Memorial Hospital	-	-	-	>1,000	2	n/a
R. R. Donnelley & Sons Company	-	-	-	500 - 999	3	n/a
Graham Packaging Company, LP	-	-	-	250 - 499	8	n/a
Banta Corporation	-	-	-	250 - 499	10	n/a
Total City Employment	30,091			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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government administration	48.6	48.6	45.7	45.5	45.4	45.7	46.1	43.9	41.8	39.0
Public safety:										
Police <sup>a</sup>	114.4	114.2	107.6	107.4	108.5	108.8	110.8	107.8	101.6	101.8
Fire <sup>a</sup>	81.8	80.7	80.7	80.7	80.8	80.5	79.8	76.8	72.3	71.5
Other	14.0	14.0	14.0	13.0	13.0	13.0	13.0	12.0	12.0	11.5
Public works <sup>b,c</sup>	75.2	99.7	98.0	102.2	72.6	73.1	76.2	74.3	74.2	66.7
Education <sup>b,e</sup>	43.0	42.5	40.2	38.8	-	-	-	-	-	-
Parks, recreation and cultural	72.4	72.2	73.8	75.9	75.6	70.7	71.2	70.6	69.4	66.8
Planning and community development <sup>d</sup>	17.0	17.0	16.4	17.8	18.8	19.1	19.4	17.2	18.8	11.9
Water	33.9	33.9	32.6	32.6	33.1	33.2	33.2	31.4	30.1	29.7
Sewer	24.6	24.4	24.1	22.2	23.8	23.7	23.7	22.6	23.3	22.9
Public transportation <sup>b,e</sup>	58.8	50.9	47.1	49.8	87.8	87.1	86.4	78.6	79.8	79.2
Steam plant/sanitation <sup>b,c</sup>	58.9	31.0	31.0	31.0	56.9	60.9	61.5	60.9	56.9	56.9
Central garage	14.8	15.1	15.8	15.8	14.7	14.7	15.4	15.8	13.0	13.0
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Total	659.4	646.2	629.0	634.7	633.0	632.5	638.7	613.9	595.2	571.9

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

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

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

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

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

<sup>d</sup>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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Calls answered	40,099	39,132	34,935	33,021	41,070	43,634	40,321	26,658	28,232	30,901
Traffic citations	7,648	10,683	7,900	6,268	9,359	8,437	8,177	5,326	6,295	7,144
Fire										
Calls answered	5,246	4,708	4,923	4,789	4,514	4,473	4,381	4,314	3,991	4,088
Inspections	1,351	1,568	1,893	2,135	1,868	1,927	1,983	1,218	1,387	1,472
Public works										
Streets repaved (total miles)	11.69	9.98	5.10	5.58	5.47	6.90	9.47	10.42	7.47	4.88
Materials recycled (tons)	737.0	709.5	754.4	757.8	827.8	722.6	1,048.3	942.3	1,234.2	1,847.3
Parks and recreation										
Pool admissions	47,548	49,553	50,388	52,489	47,417	48,304	43,872	41,229	30,736	42,633
Rounds of golf played	29,488	28,995	27,275	27,068	21,906	20,812	21,896	21,024	19,235	20,311
Planning and community development										
Building permits issued	691	651	1,035	810	739	748	961	1,747	829	1,039
Water										
Daily consumption (millions of gallons)	5.61	5.38	5.37	5.36	5.44	5.17	5.38	5.50	5.40	5.35
New customer connections	61	59	67	40	151	110	528	509	347	435
Sewer										
Daily consumption (millions of gallons)	4.57	4.40	4.27	4.29	4.33	4.20	4.12	3.95	4.26	4.36
New customer connections	15	12	14	8	132	8	13	36	52	46
Public transportation										
Transit bus passengers	2,820,419	2,773,561	2,749,235	2,535,828	2,063,301	1,862,500	1,709,558	1,489,770	1,492,276	1,380,851
Steam plant										
Avg. daily steam plant intake (tons) <sup>a</sup>	-	67.8	125.1	111.7	138.5	149.6	148.3	130.4	128.5	145.6

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

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

<sup>a</sup>In 2015, the City discontinued operations at the steam plant.

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

Table 17

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	49	48	48	48	46	47	43	43	42	40
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	12	12	13	13	13	13	12	12	13
Public works:										
Streets (centerline miles)	140.27	138.99	137.92	137.92	137.92	137.92	135.34	134.07	134.07	132.62
Refuse collection trucks	8	7	7	7	7	7	7	6	6	6
Recycling collection trucks	2	4	3	3	3	3	3	3	4	4
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	11	11	10	10
Parks acreage	877	877	877	877	877	877	869	869	869	869
Golf course acreage	215	215	215	215	215	215	215	215	215	201
Water:										
Water lines (linear feet)	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193	1,467,840	1,469,084	1,443,140	1,441,109	1,432,761
Storage capacity (millions of gallons) <sup>a</sup>	25.25	25.25	25.25	25.25	25.25	25.25	23.25	38.25	33.25	33.25
Sewer:										
Sewer lines (linear feet)	1,024,320	1,024,591	1,077,694	1,078,563	1,075,233	1,071,840	1,063,710	1,018,647	1,007,810	999,431
Public transportation:										
Transit buses	48	44	42	42	36	36	36	36	31	33
Steam plant										
Steam plant capacity (tons per day) <sup>b</sup>	-	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 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.

<sup>b</sup>In 2015, the City discontinued operations at the steam plant.

# 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 the *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, 2015, 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 20, 2015.

**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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 20, 2015



**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, 2015. 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, 2015.

## 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 20, 2015

**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2015**

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, 2015**

**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 **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Child Nutrition Cluster – Summer Food Service Program	10.559
Title I – Grants to Local Educational Agencies	84.010
Federal Transit Cluster – Formula Grants	20.507

8. The **threshold for** distinguishing Type A and B programs was **\$326,019**.
9. The City was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

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

None.

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

None.

**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2015**

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

**14-001. Federal Transit – CFDA 20.507**

***Condition:***

Certified weekly payroll reports were not provided by the contractor to the City in a timely manner, as required by the Davis-Bacon Act.

***Recommendation:***

Contractors should submit reports timely.

***Current Status:***

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

**14-002. Title I – CFDA 84.010**

***Condition:***

Reimbursement requests for June 2015 included salaries that were accrued as of June 30, but not paid until July and August 2015.

***Recommendation:***

Reimbursement requests should only be submitted after the qualifying expenditures have been paid.

***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, 2015**

Page 1

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Department of Agriculture:</b>		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 670,689
National School Lunch Program	10.555	1,686,936
Fresh Fruit and Vegetable Program	10.582	120,533
Department of Health:		
Summer Food Service Program for Children (part of Child Nutrition Cluster)	10.559	139,868
Department of Agriculture and Consumer Services:		
Donated commodities:		
National School Lunch Program (part of Child Nutrition Cluster)	10.555	183,578
Summer Food Service Program for Children (part of Child Nutrition Cluster)	10.555	1,247
<b>Department of Housing and Urban Development:</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	552,304
<b>National Park Service</b>		
Pass-through payments:		
Department of Conservation and Recreation:		
Outdoor Recreation_Acquisition, Development and Planning	15.916	135,998
<b>Department of Justice:</b>		
Direct payments:		
Bulletproof Vest Partnership Program	16.607	9,942
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,928
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	47,764
Equitable Sharing Program	16.922	99,888
<b>Department of Transportation:</b>		
Direct payments:		
Federal Transit_Formula Grants	20.507	3,281,068
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction	20.205	949,103
Department of Rail and Public Transportation:		
Formula Grants for Rural Areas	20.509	7,989
Department of Motor Vehicles:		
State and Community Highway Safety	20.600	8,683
Alcohol Open Container Requirements	20.607	17,423
<b>Department of the Treasury:</b>		
Direct payments:		
Equitable Sharing Program	21.000	30,000



**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

Page 2

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Education:</b>		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,055,534
Career and Technical Education - Basic Grants to States	84.048	96,394
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	4,625
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	10,000
English Language Acquisition Grants	84.365	198,546
Improving Teacher Quality State Grants	84.367	285,181
Special Education Cluster:		
Special Education_Grants to States	84.027	965,744
Special Education_Preschool Grants	84.173	25,675
<b>Department of Homeland Security:</b>		
Direct payments:		
Assistance to Firefighters Grant	97.044	24,426
Pass-through payments:		
Department of Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	49,910
Emergency Management Performance Grants	97.042	7,500
Homeland Security Grant Program	97.067	108,205
State Homeland Security Program (SHSP)	97.073	10,293
<b>Department of Defense:</b>		
Direct payments:		
JROTC Funds	12.VA 170853	77,321
<b>Total expenditures of federal awards</b>		<b>\$ 10,867,295</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, 2015**

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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, 2015, the School Board, a component unit, had food commodities totaling \$22,472 in inventory.

**Note 3. Subrecipients**

The City provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Expended</b>
Community Development Block Grants/Entitlement Grants	14.218	\$ 198,283
Homeland Security Grant Program	97.067	93,741

**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, 2015.

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Outstanding Loan Amount</b>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 946,667