

# City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



*Bluestone Trail in Purcell Park*



# **City of Harrisonburg, Virginia**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



This Report  
Prepared by Department of Finance

**Report Cover:** The front cover is a portion of Phase 1 for the new Bluestone Trail. Phase 1 of the Bluestone Trail is a 1 mile shared-use path on the south end of the City that connects James Madison University at Port Republic Road through Purcell Park to businesses along Stone Spring Road and is the first of its type for the City. Completed in October 2014, the shared-use path is a 10-foot wide hard surfaced trail that is anticipated to be used by walkers, joggers and bicyclists for transportation and recreation. In addition to funding from the City, financing for this \$1.4 million project was provided by James Madison University, Virginia Department of Transportation and Virginia Department of Conservation and Recreation.

**CITY OF HARRISONBURG, VIRGINIA**  
**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

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

Kurt D. Hodgen  
City Manager

November 25, 2014

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, 2014 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, 2014, 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 53,000.

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:

- Completed a \$42.7 million bond issue to refinance previously issued outstanding bonds. The City was able to achieve \$3.8 million in debt service savings over the next 18 years.
- Appropriated \$14.2 million from a bond issuance for the construction of a new city new hall, energy efficiency improvements to the public safety and recreation center buildings and reconstruction of the Ramblewood Road athletic complex.
- Appropriated \$1.4 million for the purchase of three replacement transit buses and two replacement paratransit buses with 90 percent of the funding provided by state and federal sources.
- Appropriated \$1 million to complete the first phase of the Bluestone Trail project with funding provided by state and federal sources and a contribution from James Madison University. The Bluestone Trail is a mixed use bicycle and walking trail on the south side of the City that will ultimately connect with the Northend Greenway on the City's north side.
- Appropriated \$540,000 for the purchase of a new ladder truck for the Fire Department financed through a capital lease.
- Appropriated \$350,000 for traffic signal replacements.

### **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 32,200. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 22,500 students. Eastern Mennonite University, a private institution with approximately 1,500 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,800 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 has completed the first three phases of the Stone Spring Road and Erickson Avenue Improvement project. It is planned that this project will be completed in at least four phases. There are currently no construction plans for Phase 4 of the project.

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The initial phases of this project include the installation of waterlines from the City's water treatment plant across the City to the eastern City limits which have been completed. The estimated total cost of the project is \$33.2 million of which \$13.4 million has already been expended and there is \$1.1 million in available cash. It is anticipated that this project will require a future \$18.7 million bond issue in order to complete. The projected completion date is undetermined at this time and will depend on supply/demand, partnering opportunities and the bidding environment.

The City is currently completing the process of purchasing all right-of-way for improvements to Reservoir Street and has begun the process of relocating utilities. It is estimated that this project will cost approximately \$18 million. The completed project is anticipated to be funded by \$9 million from state funding sources and \$9 million in local sources which included \$6 million in bonds issued in December 2011. Construction is projected to begin in fiscal year 2015 and to be completed in fiscal year 2016.

The City is currently in the process of constructing a new City Hall facility. The completed facility will include the offices of the existing municipal building and the community development building. It is estimated that this project will cost approximately \$9.6 million and the City issued bonds in June 2014 to finance the project. Construction is projected to be completed in October 2015.

The City is currently in the planning stages of 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.

The School Board, in cooperation with the City, is in the planning stages for the construction of a new elementary school and renovation of Thomas Harrison Middle School. The School Board continues to experience increased student enrollment and has identified the need for a new school. It is anticipated that construction of the new school will be completed by August 2017 and will be financed through the issuance of bonds.

The City, in conjunction with the Rockingham County, is in the planning stages for the possible construction of a new jail facility. Pursuant to state regulations, the initial planning stage includes the preparation of a Community-Based Corrections Plan and Facilities Planning Study that will be submitted to the Virginia Department of Corrections. It is anticipated that the plan and study will be submitted to the state by the end of December 2014 to ultimately be approved and included in the state's budget for funding by the start of fiscal year 2017.

### **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, 2013. This was the nineteenth 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**

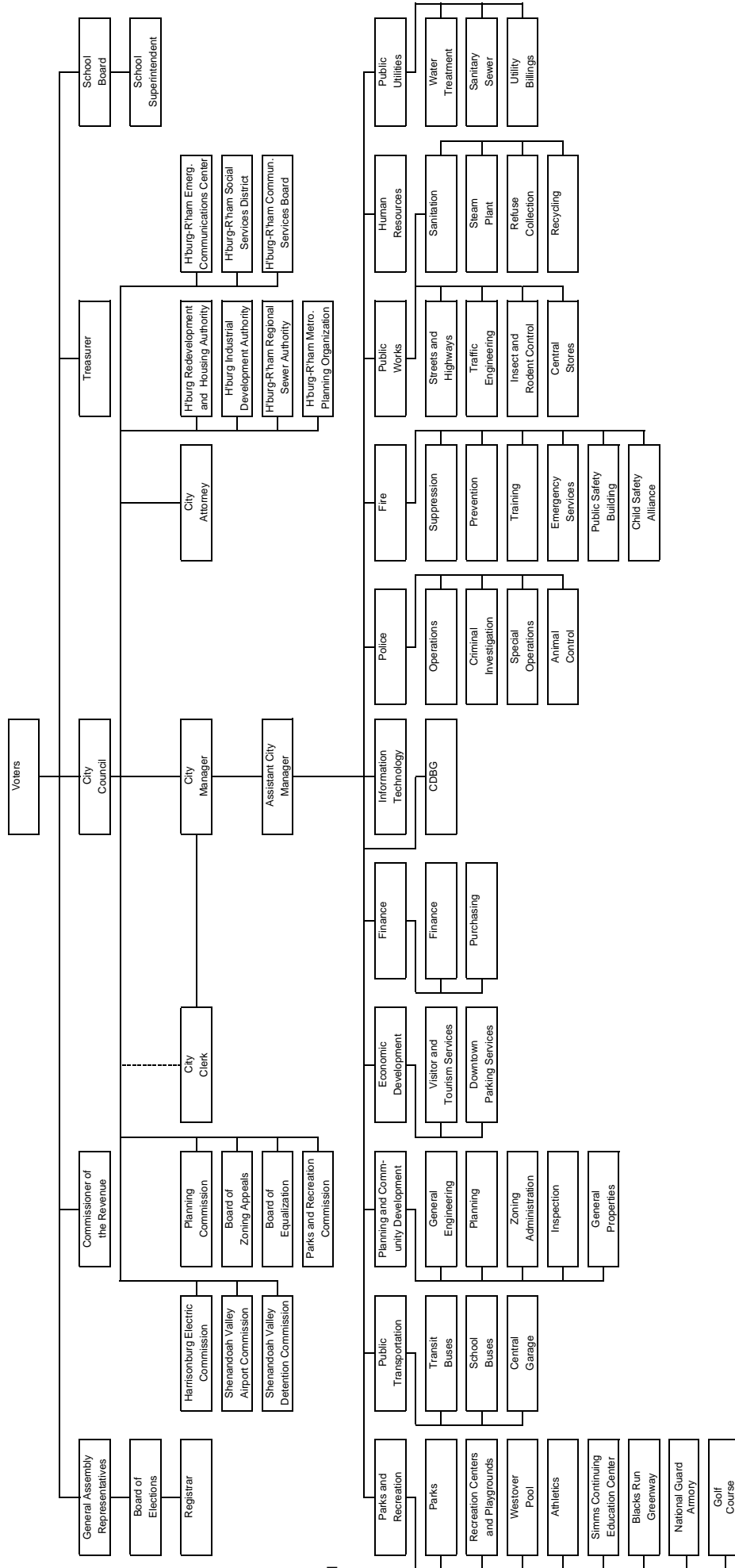
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# City of Harrisonburg, Virginia Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2014**

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**CITY COUNCIL**

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

**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

**SCHOOL BOARD**

---

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

**SCHOOL OFFICIALS**

---

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

# FINANCIAL SECTION

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

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia as of and for the year ended June 30, 2014, 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, 2014, 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 27 to the financial statements, in 2014, the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Emphasis of Matter***

As described in Note 28 to the financial statements, in 2014, the City has determined there was permanent capital asset impairment to the steam plant facility and as such recognized a \$10.1 million impairment loss. 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 the schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budget and actual schedules 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.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 25, 2014

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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, 2014. 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 \$256.5 million (net position). Of this amount, \$53.3 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position decreased by \$4.1 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$56.2 million, an increase of \$4.05 million in comparison with the previous year. Approximately 47.3 percent of this total amount, \$26.6 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$26.6 million, or 27.4 percent of total General Fund expenditures and other financing uses (less debt refunding transactions).
- The City's total long-term debt increased by \$8.8 million during the current fiscal year.

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

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

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

The statement of net position presents information on all of the City's assets, 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 steam plant operations.

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 through 71 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 72 through 73 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 74 through 94 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 \$256.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position (79 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 \$53.3 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 114,812,894	\$ 106,161,910	\$ 20,347,813	\$ 25,262,286	\$ 135,160,707	\$ 131,424,196
Capital assets	266,393,441	258,698,106	87,962,102	94,699,138	354,355,543	353,397,244
<b>Total assets</b>	<b>381,206,335</b>	<b>364,860,016</b>	<b>108,309,915</b>	<b>119,961,424</b>	<b>489,516,250</b>	<b>484,821,440</b>
<b>Total deferred outflows of resources</b>	<b>3,892,457</b>	<b>1,277,703</b>	<b>2,184,975</b>	<b>2,389,589</b>	<b>6,077,432</b>	<b>3,667,292</b>
Current and other liabilities	10,200,025	8,700,647	2,495,058	5,374,686	12,695,083	14,075,333
Long-term liabilities	157,426,477	146,133,488	31,837,243	34,304,815	189,263,720	180,438,303
<b>Total liabilities</b>	<b>167,626,502</b>	<b>154,834,135</b>	<b>34,332,301</b>	<b>39,679,501</b>	<b>201,958,803</b>	<b>194,513,636</b>
<b>Total deferred intflows of resources</b>	<b>37,148,543</b>	<b>33,366,891</b>	-	-	<b>37,148,543</b>	<b>33,366,891</b>
Net position:						
Net investment in capital assets	143,056,305	140,255,728	59,661,294	64,061,195	202,717,599	204,316,923
Restricted	418,955	253,898	-	-	418,955	253,898
Unrestricted	36,848,497	37,427,067	16,501,295	18,610,317	53,349,792	56,037,384
<b>Total net position</b>	<b>\$ 180,323,757</b>	<b>\$ 177,936,693</b>	<b>\$ 76,162,589</b>	<b>\$ 82,671,512</b>	<b>\$ 256,486,346</b>	<b>\$ 260,608,205</b>

The information for the previous year for governmental and business-type activities has been restated for the implementation of GASB Statement No. 65. The restatement is explained further in Note 27 of the notes to the financial statements.

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

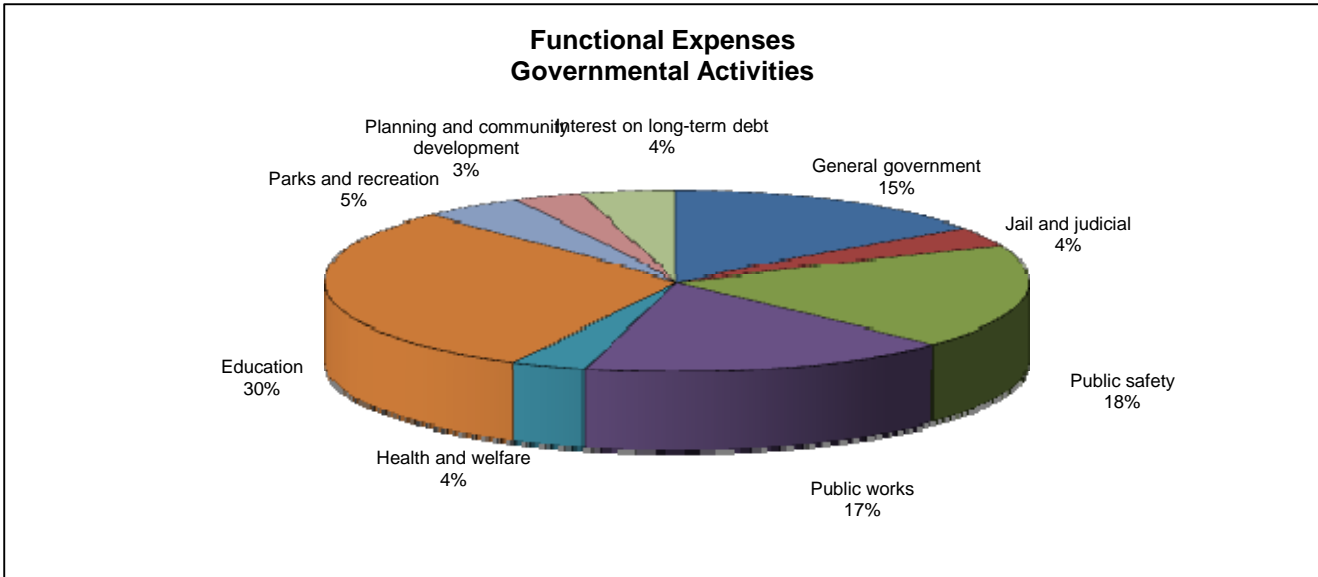
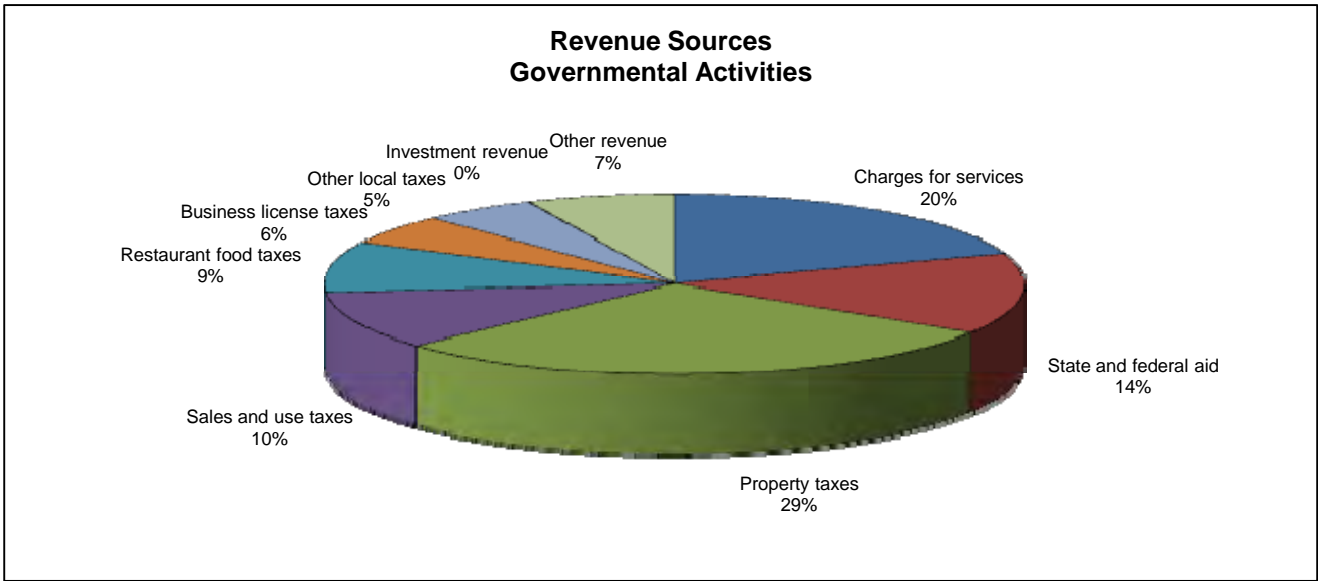
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 22,798,477	\$ 20,519,343	\$ 22,816,320	\$ 22,953,466	\$ 45,614,797	\$ 43,472,809
Operating grants and contributions	7,242,059	6,468,579	2,160,125	1,649,862	9,402,184	8,118,441
Capital grants and contributions	6,052,309	4,057,173	6,506,406	3,277,876	12,558,715	7,335,049
General revenues:						
Property taxes	33,682,085	33,642,817	-	-	33,682,085	33,642,817
Sales and use taxes	11,956,912	11,450,969	-	-	11,956,912	11,450,969
Restaurant food taxes	10,398,660	9,948,280	-	-	10,398,660	9,948,280
Business license taxes	6,246,573	5,892,503	-	-	6,246,573	5,892,503
Other local taxes	6,105,467	5,877,472	-	-	6,105,467	5,877,472
Grants and contributions not restricted to specific programs	3,521,348	3,476,659	-	-	3,521,348	3,476,659
Payment from component units	4,900,000	4,900,000	-	-	4,900,000	4,900,000
Investment revenue	50,039	84,162	19,563	31,340	69,602	115,502
Other revenue	2,698,759	1,973,222	1,117,388	1,805,733	3,816,147	3,778,955
Gain on disposal of capital assets	-	-	28,554	15,055	28,554	15,055
<b>Total revenues</b>	<b>115,652,688</b>	<b>108,291,179</b>	<b>32,648,356</b>	<b>29,733,332</b>	<b>148,301,044</b>	<b>138,024,511</b>
Expenses:						
General government administration	17,537,393	15,182,031	-	-	17,537,393	15,182,031
Jail and judicial administration	4,175,900	3,697,318	-	-	4,175,900	3,697,318
Public safety	20,803,582	19,435,983	-	-	20,803,582	19,435,983
Public works	19,723,564	16,087,945	-	-	19,723,564	16,087,945
Health and welfare	3,941,088	3,792,389	-	-	3,941,088	3,792,389
Education	34,574,455	32,985,755	-	-	34,574,455	32,985,755
Parks, recreation and cultural	5,399,332	5,396,157	-	-	5,399,332	5,396,157
Planning and community development	3,612,415	3,628,594	-	-	3,612,415	3,628,594
Interest on long-term debt	5,071,941	5,304,302	-	-	5,071,941	5,304,302
Water	-	-	5,351,441	5,274,472	5,351,441	5,274,472
Sewer	-	-	9,536,716	9,501,243	9,536,716	9,501,243
Public transportation	-	-	5,218,865	4,915,643	5,218,865	4,915,643
Steam plant	-	-	7,397,708	7,727,570	7,397,708	7,727,570
<b>Total expenses</b>	<b>114,839,670</b>	<b>105,510,474</b>	<b>27,504,730</b>	<b>27,418,928</b>	<b>142,344,400</b>	<b>132,929,402</b>
Excess before special item and transfers	813,018	2,780,705	5,143,626	2,314,404	5,956,644	5,095,109
Special item	-	-	(10,078,503)	-	(10,078,503)	-
Transfers	1,574,046	1,361,276	(1,574,046)	(1,361,276)	-	-
<b>Change in net position</b>	<b>2,387,064</b>	<b>4,141,981</b>	<b>(6,508,923)</b>	<b>953,128</b>	<b>(4,121,859)</b>	<b>5,095,109</b>
Net position - beginning	177,936,693	173,794,712	82,671,512	81,718,384	260,608,205	255,513,096
Net position - ending	\$ 180,323,757	\$ 177,936,693	\$ 76,162,589	\$ 82,671,512	\$ 256,486,346	\$ 260,608,205

The information for the previous year for governmental and business-type activities has been restated for the implementation of GASB Statement No. 65. The restatement is explained further in Note 27 of the notes to the financial statements.

**Governmental activities.** Governmental activities increased the City's net position by \$2.4 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$2.3 million (11.1 percent) due to an increase in revenue in the City's self-insured health insurance plan that is reported in governmental activities and law enforcement asset forfeiture funds.
- Capital grants and contributions increased \$2 million (49.2 percent) mainly due to intergovernmental revenue reimbursements for the Reservoir Street improvement project.
- Sales and use taxes, restaurant food taxes and business license taxes increased \$1.3 million (4.8 percent), collectively, as a result of general improvements in economic activity.
- Expenses in the general government administration activity increased \$2.35 million (15.5 percent) primarily due to an increase in claim payments in the City's self-insured health insurance plan.
- Expenses in the public safety activity increased \$1.4 million (7 percent) primarily from the hiring of additional police department employees and various small equipment purchases by the fire department.

- Expenses in the public works activity increased \$3.6 million (22.6 percent) primarily due increased costs associated with the City's street repaving program and from a landfill remediation project.
- Expenses in the education activity increased \$1.6 million (4.8 percent) primarily due to an increase in funding to the Harrisonburg City School Board.



**Business-type activities.** Business-type activities decreased the City's net position by \$6.5 million. Key elements affecting business-type activities are as follows:

- Charges for services decreased slightly for the year. Water charges for services increased \$170,955 (2.8 percent) while sewer charges for services increased \$518,544 (5.7 percent). These increases were offset by a decrease in steam plant charges for services which decreased \$990,039 (16.4 percent) as the result of declining tipping fees and steam sales to James Madison University (JMU) from less solid waste burned during the year.
- Capital grants and contributions increased \$3.2 million primarily from intergovernmental revenue associated with the construction of a new public transportation facility.
- Expenses in the steam plant activity decreased \$329,862 (4.3 percent) mainly due to decreased costs associated with ash disposal at the Rockingham County landfill as less solid waste was burned during the year.
- A special item in the amount of \$10.1 million was recognized due to an impairment loss reported from a pending sale of the steam plant property to JMU. See Note 28 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 \$822,208 during the year, as compared to a \$341,027 increase in the previous year. School Board expenses increased \$2.1 million (3.3 percent) due to a general increase in instructional expenses and a payment made to the City's health insurance fund. The School Board's funding from the City increased \$1.6 million (6.3 percent) compared to the previous year. State funding increased \$1.7 million due to increased enrollment, while Federal funding decreased \$685,000 as a result of decreased federal stimulus funding.

**HEC activities.** HEC's net position increased \$1.1 million during the year, as compared to a \$2.9 million increase in the previous year. Operating revenues increased \$2.8 million (4.5 percent) during the current year, while expenses increased \$5.4 million (9 percent). The increase in operating revenue was a result of an increased fuel adjustment factor that was passed through to customers. 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 \$26.6 million, while total fund balance was \$32.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents 27.4 percent (25.4 percent in the prior year) of total General Fund expenditures and other financing uses (less debt refunding transactions), while total fund balance represents 33 percent (33.1 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$815,428 mainly from positive results in other local tax revenue that exceeded the final budget by \$1.2 million. Sales and use taxes increased \$505,943 (4.4 percent), business license taxes increased \$354,070 (6 percent) and restaurant food taxes increased \$522,998 (5.3 percent) compared to the previous fiscal year. Expenditures were under the final budget by \$4 million with further explanation in the General Fund Budgetary Highlights section. Public safety expenditures increased \$1.8 million (9.7 percent), public works expenditures increased \$1.8 million (15.3 percent) and the City's funding to the School Board increased \$1.6 million (6.3 percent) 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 \$23.7 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$22 million, of which \$5.6 million was intergovernmental revenue, \$14.2 million was the issuance of bonds and \$1.9 million was transfers from other funds. Intergovernmental revenue included \$2.8 million in funding from the state for the Reservoir Street improvement project and \$1.7 million in funding from the state for the Stone Spring Road/Erickson Avenue improvement project. The \$14.2 million in proceeds from the issuance of bonds was for the construction of a new city hall facility, energy efficiency improvements to the public safety building and recreation center and to partially fund the redevelopment of the Ramblewood athletic complex. Expenditures totaled \$18.9 million, of which the most significant were for the continued construction of a new public transportation facility, the purchase of right-of-way and easements for the Reservoir Street improvement project and the closed 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 \$306,840 compared to an increase of \$480,312 in the previous year. Operating revenues increased \$170,955 (2.8 percent) due a small water rate increase, while total operating expenses increased \$105,513 (2.1 percent).

**Sewer Fund.** The net position of the Sewer Fund increased \$356,153 compared to a decrease of \$632,649 in the previous year. Operating revenues increased \$518,544 (5.7 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 \$4.65 million. Operating revenues increased \$182,178 (11 percent) mainly due to new services provided to a student housing complex located in Rockingham County, while total operating expenses increased \$298,209 (6.1 percent). Expenses increased primarily due to the added route for the aforementioned new services and depreciation expense. Capital contributions from federal and state sources for the construction of a new public transportation facility amounted to \$4 million.

**Steam Plant Fund.** The net position of the Steam Plant Fund decreased \$11.6 million. Operating revenues decreased \$1 million (16.4 percent) due to a decrease in tipping fees and steam sales to JMU as the amount of solid waste the City burned during the year declined, while total operating expenses decreased \$310,484 (4.4 percent) primarily due to decreased costs associated with ash disposal at the Rockingham County landfill. A \$10.1 million special item was also recognized from an impairment loss associated with the sale of the steam plant property to JMU. See Note 28 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 \$52.8 million, or 54.9 percent of the original budget, and can be briefly summarized as follows:

- \$47.7 million appropriated for an advance and current bond refunding transaction.
- \$1.6 million appropriated for prior year encumbrances.
- \$625,000 appropriated from committed fund balance for new Treasurer and Commissioner of the Revenue software.
- \$600,000 appropriated for health insurance purposes.
- \$540,000 appropriated for the purchase of a new fire truck financed from a capital lease obligation.
- \$456,259 appropriated for various police department purposes including state and federal grants.
- \$451,000 appropriated for additional costs related to jail operations shared with Rockingham County.
- \$421,528 appropriated for various fire department purposes including state and federal grants.
- \$340,000 appropriated for architecture services for the construction of a new City Hall facility.
- \$290,656 appropriated for additional snow and ice removal costs.
- \$363,000 appropriated for other purposes.
- \$621,429 in budgetary reductions for street repaving funding requested through the Virginia Department of Transportation Revenue Sharing program but not approved.

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, business license tax and restaurant food tax collection from improving economic activity.

- Public safety expenditures were under the final amended budget by \$1.1 million. The variance was primarily from open year-end capital outlay purchase orders that were encumbered.
- Public works expenditures were under the final amended budget by \$1.7 million. The variance was primarily the result of the timing in street repaving, sidewalk repair and capital outlay expenditures.

### Capital Asset and Debt Administration

**Capital assets.** At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities totaled \$354.4 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), JMU land and steam agreement (an intangible asset) and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$958,000.

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

- Construction was completed on Phase 3 of the Stone Spring Road/Erickson Avenue Phase project increasing governmental activities' infrastructure and decreasing construction in progress by \$7.2 million.
- The purchase of right-of-way and easements and engineering design continued on the Reservoir Street improvement project increasing governmental activities' land by \$1.5 million, easements by \$732,581 and construction in progress by \$2.3 million.
- Construction continued on a new public transportation facility increasing governmental and business-type activities' construction in progress by \$4.9 million and \$4.4 million, respectively.
- Construction began on the redevelopment of the Ramblewood athletic complex increasing governmental activities' construction in progress by \$3.1 million.
- An impairment loss was recognized for assets associated with the steam plant decreasing land, buildings, improvements other than buildings and machinery and equipment collectively by \$10.1 million and increasing capital assets held for sale by \$4.2 million.
- Construction and engineering continued on the eastern source water line development project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$708,000.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Held for sale	\$ -	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000	\$ -
Land	51,149,688	49,667,796	432,970	442,295	51,582,658	50,110,091
Easements	1,631,647	899,066	333,687	333,687	1,965,334	1,232,753
Construction in progress	20,986,848	14,739,819	20,882,862	15,844,562	41,869,710	30,584,381
Buildings	79,592,742	85,020,073	5,083,631	8,050,626	84,676,373	93,070,699
Improvements other than buildings	7,490,100	7,883,270	11,080,721	12,654,859	18,570,821	20,538,129
Machinery and equipment	15,415,166	14,322,733	7,942,227	19,048,736	23,357,393	33,371,469
Intangibles:						
JMU agreement	-	-	185,812	212,357	185,812	212,357
Other	52,000	78,000	-	-	52,000	78,000
Infrastructure	90,075,250	86,087,349	37,820,192	38,112,016	127,895,442	124,199,365
<b>Total capital assets</b>	<b>\$ 266,393,441</b>	<b>\$ 258,698,106</b>	<b>\$ 87,962,102</b>	<b>\$ 94,699,138</b>	<b>\$ 354,355,543</b>	<b>\$ 353,397,244</b>

Additional information on the City's capital assets can be found in Note 7 on pages 44 through 46 of this report.



**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$189.3 million. Of this amount, \$173.9 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$8.8 million during the current fiscal year.

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

- The issuance of \$13.6 million in general obligation bonds to fund the construction of a new city hall facility, energy efficiency improvements to the public safety building and recreation center and to partially fund the redevelopment of the Ramblewood athletic complex in governmental activities.
- The issuance of \$42.7 million in general obligation bonds to advance and current refund several outstanding bond issues for governmental activities. The City was able to reduce its total debt service payments over the next 18 years on the old bonds by \$3.8 million.
- Entered into a \$540,000 capital lease agreement for the purchase of a new fire truck.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 143,420,307	\$ 132,292,894	\$ 30,485,783	\$ 33,027,532	\$ 173,906,090	\$ 165,320,426
Capital leases	3,391,389	3,321,531	-	-	3,391,389	3,321,531
Moral obligation pledge	124,994	365,972	-	-	124,994	365,972
Compensated absences	3,323,806	3,245,927	718,555	732,823	4,042,361	3,978,750
Postretirement healthcare benefits	2,892,746	2,474,926	632,905	544,460	3,525,651	3,019,386
City landfill closure costs	1,575,270	1,734,273	-	-	1,575,270	1,734,273
County landfill obligation	2,697,965	2,697,965	-	-	2,697,965	2,697,965
<b>Total long-term debt</b>	<b>\$ 157,426,477</b>	<b>\$ 146,133,488</b>	<b>\$ 31,837,243</b>	<b>\$ 34,304,815</b>	<b>\$ 189,263,720</b>	<b>\$ 180,438,303</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 \$390.9 million of which \$224.7 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 48 through 57 of this report.

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

The approved \$94.3 million fiscal year 2015 General Fund budget included the use of \$177,477 from unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2015 General Fund budget.

- The unemployment rate for the City in December 2013 was 5 percent, which was a decrease from a rate of 6 percent in December 2012. This rate was higher than the 4.8 percent state rate but still compares favorably to the 6.5 percent national rate in December 2013.
- Flat real estate assessed values.
- Increased the real estate tax rate from \$0.63 to \$0.69. This tax rate increase is anticipated to provide an additional \$2.4 million in revenue compared to fiscal year 2013.
- Increased the personal property tax rate from \$3.00 to \$3.50 and the business personal property tax rate from \$2.00 to \$2.12. This tax rate increase is anticipated to provide an additional \$1.1 million in revenue compared to fiscal year 2013.
- Increased the vehicle license tax with an anticipated increase of \$339,000 in additional revenue compared to fiscal year 2013.

- Growth in other local tax revenue which includes sales tax, business license tax and restaurant food tax revenue of just under \$1.6 million.
- The reclassification of refuse collection, landfill and recycling activities to the Sanitation Fund from the General Fund. This decreased the General Fund's expenditure budget by \$3.8 million; however, this decrease was offset by \$5.4 million in charges for services revenue associated with these activities.
- Increased costs of approximately \$760,000 for the shared jail facility with Rockingham County.
- An increase of approximately \$1.5 million in additional funding to the School Board.
- A two percent salary increase for School Board employees and the partial implementation of a salary study for City employees which resulted in an at least two percent salary increase for employees.
- An approximate 25 percent increase in School Board retirement contributions.
- A 13.1 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 sewer authority rate increase of \$0.07 per one thousand gallons (approximately 5.9 percent) was approved to provide funding for the City's share of debt service for the Harrisonburg-Rockingham Regional Sewer Authority's \$90 million wastewater treatment plant expansion and increased operational costs associated with the expansion.

### **Requests for Information**

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

**BASIC  
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA  
STATEMENT OF NET POSITION  
At June 30, 2014

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 44,026,849	\$ 19,059,737	\$ 63,086,586	\$ 7,296,629	\$ 9,128,059
Investments	-	-	-	-	11,500,000
Receivables (net of allowance for uncollectibles)	46,600,596	3,018,552	49,619,148	1,875,729	6,528,259
Due from primary government	-	-	-	-	698,741
Due from component units	75,350	-	75,350	55,776	115,868
Internal balances	1,779,919	(1,779,919)	-	-	-
Inventory	1,498,802	-	1,498,802	99,517	1,646,920
Prepaid expenses	201,030	49,443	250,473	396,818	118,391
Loans receivable	8,848,601	-	8,848,601	-	-
Restricted assets	11,781,747	-	11,781,747	-	-
Capital assets:					
Capital assets, held for sale	-	4,200,000	4,200,000	-	-
Capital assets, not being depreciated	73,768,183	21,649,519	95,417,702	5,611,429	4,998,131
Capital assets (net of accumulated depreciation)	192,625,258	62,112,583	254,737,841	30,000,330	55,037,372
<b>Total assets</b>	<b>381,206,335</b>	<b>108,309,915</b>	<b>489,516,250</b>	<b>45,336,228</b>	<b>89,771,741</b>
<b>Deferred outflows of resources</b>					
Deferred bond refunding charges	3,892,467	2,184,975	6,077,442	-	-
<b>Total deferred outflows of resources</b>	<b>3,892,467</b>	<b>2,184,975</b>	<b>6,077,442</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Accounts payable	5,335,332	590,635	5,925,967	44,695	4,740,355
Accrued payroll	660,264	126,941	787,205	6,358,139	129,781
Accrued interest	1,405,499	430,024	1,835,523	-	-
Due to primary government	-	-	-	28,200	47,150
Due to component units	620,167	78,574	698,741	115,868	55,776
Customer deposits	-	332,077	332,077	-	944,177
Unearned revenue	723,645	884,473	1,608,118	-	-
Other liabilities	898,012	52,334	950,346	541,856	244,562
Liabilities payable from restricted assets	557,106	-	557,106	-	-
Long-term liabilities:					
Due within one year	10,048,305	2,924,007	12,972,312	302,855	397,797
Due in more than one year	147,378,172	28,913,236	176,291,408	3,820,731	772,172
<b>Total liabilities</b>	<b>167,626,502</b>	<b>34,332,301</b>	<b>201,958,803</b>	<b>11,212,344</b>	<b>7,331,770</b>
<b>Deferred inflows of resources</b>					
Property tax revenue	37,148,543	-	37,148,543	-	-
<b>Total deferred inflows of resources</b>	<b>37,148,543</b>	<b>-</b>	<b>37,148,543</b>	<b>-</b>	<b>-</b>
<b>Net position</b>					
Net investment in capital assets	143,056,305	59,661,294	202,717,599	35,611,759	60,035,503
Restricted for:					
Public safety	418,955	-	418,955	-	-
Unrestricted	36,848,497	16,501,295	53,349,792	(1,487,875)	22,404,468
<b>Total net position</b>	<b>\$ 180,323,757</b>	<b>\$ 76,162,589</b>	<b>\$ 256,486,346</b>	<b>\$ 34,123,884</b>	<b>\$ 82,439,971</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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 17,537,393	\$ 11,197,390	\$ 327,251	\$ -
Jail and judicial administration	4,175,900	651,517	-	-
Public safety	20,803,582	575,764	1,903,939	733,000
Public works	19,723,564	5,891,879	4,408,183	5,319,309
Health and welfare	3,941,088	-	-	-
Education	34,574,455	2,712,725	-	-
Parks, recreation and cultural	5,399,332	1,143,398	2,314	-
Planning and community development	3,612,415	625,804	600,372	-
Interest on long-term debt	5,071,941	-	-	-
<b>Total governmental activities</b>	<b>114,839,670</b>	<b>22,798,477</b>	<b>7,242,059</b>	<b>6,052,309</b>
Business-type activities:				
Water	5,351,441	6,204,657	15,347	508,200
Sewer	9,536,716	9,654,399	-	495,400
Public transportation	5,218,865	1,834,284	2,144,778	5,221,175
Steam plant	7,397,708	5,122,980	-	281,631
<b>Total business-type activities</b>	<b>27,504,730</b>	<b>22,816,320</b>	<b>2,160,125</b>	<b>6,506,406</b>
<b>Total primary government</b>	<b>\$ 142,344,400</b>	<b>\$ 45,614,797</b>	<b>\$ 9,402,184</b>	<b>\$ 12,558,715</b>
<b>Component units:</b>				
School Board	\$ 65,850,105	\$ 2,085,684	\$ 16,617,427	\$ -
Harrisonburg Electric Commission (HEC)	65,608,062	65,608,836	-	1,050,448
<b>Total component units</b>	<b>\$ 131,458,167</b>	<b>\$ 67,694,520</b>	<b>\$ 16,617,427</b>	<b>\$ 1,050,448</b>

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
\$ (6,012,752)	\$ -	\$ (6,012,752)	\$ -	\$ -
(3,524,383)	-	(3,524,383)	-	-
(17,590,879)	-	(17,590,879)	-	-
(4,104,193)	-	(4,104,193)	-	-
(3,941,088)	-	(3,941,088)	-	-
(31,861,730)	-	(31,861,730)	-	-
(4,253,620)	-	(4,253,620)	-	-
(2,386,239)	-	(2,386,239)	-	-
(5,071,941)	-	(5,071,941)	-	-
<u>(78,746,825)</u>	<u>-</u>	<u>(78,746,825)</u>	<u>-</u>	<u>-</u>
-	1,376,763	1,376,763	-	-
-	613,083	613,083	-	-
-	3,981,372	3,981,372	-	-
-	(1,993,097)	(1,993,097)	-	-
<u>-</u>	<u>3,978,121</u>	<u>3,978,121</u>	<u>-</u>	<u>-</u>
<u>(78,746,825)</u>	<u>3,978,121</u>	<u>(74,768,704)</u>	<u>-</u>	<u>-</u>
-	-	-	(47,146,994)	-
-	-	-	-	1,051,222
<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,146,994)</u>	<u>1,051,222</u>
33,682,085	-	33,682,085	-	-
11,956,912	-	11,956,912	-	-
10,398,660	-	10,398,660	-	-
6,246,573	-	6,246,573	-	-
6,105,467	-	6,105,467	-	-
3,521,348	-	3,521,348	20,342,999	-
-	-	-	27,344,636	-
4,900,000	-	4,900,000	-	-
50,039	19,563	69,602	1,364	42,063
2,698,759	1,117,388	3,816,147	280,203	-
-	28,554	28,554	-	-
-	(10,078,503)	(10,078,503)	-	-
1,574,046	(1,574,046)	-	-	-
<u>81,133,889</u>	<u>(10,487,044)</u>	<u>70,646,845</u>	<u>47,969,202</u>	<u>42,063</u>
2,387,064	(6,508,923)	(4,121,859)	822,208	1,093,285
<u>177,936,693</u>	<u>82,671,512</u>	<u>260,608,205</u>	<u>33,301,676</u>	<u>81,346,686</u>
<u>\$ 180,323,757</u>	<u>\$ 76,162,589</u>	<u>\$ 256,486,346</u>	<u>\$ 34,123,884</u>	<u>\$ 82,439,971</u>

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2014

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 29,149,736	\$ 11,390,352	\$ 592,092	\$ 41,132,180
Receivables (net of allowance for uncollectibles)	42,958,431	3,365,095	163,883	46,487,409
Due from other funds	614,012	-	-	614,012
Due from component units	-	-	28,200	28,200
Inventory	96,152	-	-	96,152
Prepaid expenditures	181,536	-	4,705	186,241
Loans receivable	8,759,550	-	89,051	8,848,601
Restricted assets	17,372	11,764,375	-	11,781,747
<b>Total assets</b>	<b>\$ 81,776,789</b>	<b>\$ 26,519,822</b>	<b>\$ 877,931</b>	<b>\$ 109,174,542</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,713,445	\$ 1,779,526	\$ 55,405	\$ 3,548,376
Accrued payroll	513,461	-	131,895	645,356
Due to other funds	13,401	4,904	96,845	115,150
Due to component units	104,767	513,267	1,337	619,371
Unearned revenue	8,609,719	-	117,331	8,727,050
Other liabilities	898,012	-	-	898,012
Liabilities payable from restricted assets	3,475	553,631	-	557,106
Total liabilities	<u>11,856,280</u>	<u>2,851,328</u>	<u>402,813</u>	<u>15,110,421</u>
<b>Deferred Inflows of Resources</b>				
Property tax revenue	<u>37,866,053</u>	<u>-</u>	<u>-</u>	<u>37,866,053</u>
Total deferred inflows of resources	<u>37,866,053</u>	<u>-</u>	<u>-</u>	<u>37,866,053</u>
<b>Fund Balances</b>				
Nonspendable	652,688	-	4,705	657,393
Restricted	432,852	11,210,744	-	11,643,596
Committed	2,761,367	12,457,750	470,413	15,689,530
Assigned	1,612,151	-	-	1,612,151
Unassigned	26,595,398	-	-	26,595,398
Total fund balances	<u>32,054,456</u>	<u>23,668,494</u>	<u>475,118</u>	<u>56,198,068</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 81,776,789</b>	<b>\$ 26,519,822</b>	<b>\$ 877,931</b>	<b>\$ 109,174,542</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, 2014**

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**Exhibit 4**

Total fund balances of governmental funds (Exhibit 3)	\$ 56,198,068
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.	9,355,935
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	265,693,567
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(154,745,368)
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>3,821,555</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 180,323,757</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 33,559,753	\$ -	\$ -	\$ 33,559,753
Other local taxes	34,740,681	-	-	34,740,681
Permits, privilege fees and regulatory licenses	455,881	-	-	455,881
Fines and forfeitures	1,127,606	-	-	1,127,606
Use of money and property	155,270	6,514	230	162,014
Charges for services	7,334,562	-	2,686,087	10,020,649
Miscellaneous	2,397,981	-	67,027	2,465,008
Recovered costs	-	291,795	-	291,795
Payments from component units	4,900,000	-	-	4,900,000
Intergovernmental	10,263,106	5,585,636	565,328	16,414,070
Total revenues	<u>94,934,840</u>	<u>5,883,945</u>	<u>3,318,672</u>	<u>104,137,457</u>
<b>Expenditures:</b>				
Current:				
General government administration	4,583,135	-	-	4,583,135
Jail and judicial administration	3,878,939	-	-	3,878,939
Public safety	20,131,261	-	-	20,131,261
Public works	13,484,504	-	-	13,484,504
Health and welfare	3,919,223	-	-	3,919,223
Education	27,344,636	-	2,568,003	29,912,639
Parks, recreation and cultural	4,747,280	-	-	4,747,280
Planning and community development	3,330,255	-	583,528	3,913,783
Debt service:				
Principal retirement	7,159,619	-	-	7,159,619
Interest and fiscal charges	5,179,111	-	-	5,179,111
Bond issue costs	257,393	-	-	257,393
Capital projects	-	18,893,701	-	18,893,701
Total expenditures	<u>94,015,356</u>	<u>18,893,701</u>	<u>3,151,531</u>	<u>116,060,588</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>919,484</u>	<u>(13,009,756)</u>	<u>167,141</u>	<u>(11,923,131)</u>
<b>Other financing sources (uses):</b>				
Long-term debt issued or incurred	540,000	13,610,000	-	14,150,000
Refunding debt issued	42,675,000	-	-	42,675,000
Premium on long-term debt issued	5,070,771	579,577	-	5,650,348
Payment to bond refunding escrow agent	(42,327,820)	-	-	(42,327,820)
Payment for current bond refunding	(5,146,875)	-	-	(5,146,875)
Transfers in	2,555,856	1,890,000	-	4,445,856
Transfers out	(3,470,988)	-	-	(3,470,988)
Total other financing sources (uses)	<u>(104,056)</u>	<u>16,079,577</u>	<u>-</u>	<u>15,975,521</u>
<b>Net change in fund balances</b>	815,428	3,069,821	167,141	4,052,390
Fund balances at beginning of year	<u>31,239,028</u>	<u>20,598,673</u>	<u>307,977</u>	<u>52,145,678</u>
Fund balances at end of year	<u>\$ 32,054,456</u>	<u>\$ 23,668,494</u>	<u>\$ 475,118</u>	<u>\$ 56,198,068</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, 2014**

**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 4,052,390
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.	(1,012,301)
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.	10,104,572
The contribution (donation) of capital assets affects only the statement of activities. These transactions do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	733,000
The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(2,761,724)
The transfer of capital assets to other funds affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(171,346)
Other capital asset transactions.	(240,143)
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.	(8,341,529)
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.	516,186
Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(492,041)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 2,387,064</u>

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

## GENERAL FUND

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 33,632,900	\$ 33,632,900	\$ 33,559,753	\$ (73,147)
Other local taxes	33,523,000	33,523,000	34,740,681	1,217,681
Permits, privilege fees and regulatory licenses	528,250	528,250	455,881	(72,369)
Fines and forfeitures	515,000	515,000	1,127,606	612,606
Use of money and property	165,000	165,000	155,270	(9,730)
Charges for services	6,735,800	7,064,349	7,334,562	270,213
Miscellaneous	1,729,363	1,772,524	2,397,981	625,457
Payments from component units	4,900,000	4,900,000	4,900,000	-
Intergovernmental	10,212,614	10,057,471	10,263,106	205,635
Total revenues	<u>91,941,927</u>	<u>92,158,494</u>	<u>94,934,840</u>	<u>2,776,346</u>
<b>Expenditures:</b>				
Current:				
General government administration	5,002,907	5,293,530	4,583,135	710,395
Jail and judicial administration	3,199,397	3,878,939	3,878,939	-
Public safety	19,689,956	21,244,819	20,131,261	1,113,558
Public works	14,159,855	15,184,581	13,484,504	1,700,077
Health and welfare	3,919,523	3,928,973	3,919,223	9,750
Education	27,301,636	27,344,636	27,344,636	-
Parks, recreation and cultural	4,894,938	4,982,985	4,747,280	235,705
Planning and community development	3,345,155	3,508,156	3,330,255	177,901
Debt service:				
Principal retirement	7,159,620	7,159,619	7,159,619	-
Interest and fiscal charges	5,181,231	5,181,232	5,179,111	2,121
Bond issue costs	-	271,076	257,393	13,683
Total expenditures	<u>93,854,218</u>	<u>97,978,546</u>	<u>94,015,356</u>	<u>3,963,190</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,912,291)</u>	<u>(5,820,052)</u>	<u>919,484</u>	<u>6,739,536</u>
<b>Other financing sources (uses):</b>				
Long-term debt issued or incurred	-	540,000	540,000	-
Refunding debt issued	-	42,675,000	42,675,000	-
Premium on long-term debt issued	-	5,070,771	5,070,771	-
Payment to advanced refunding escrow	-	(42,327,820)	(42,327,820)	-
Payment current bond refunding	-	(5,146,875)	(5,146,875)	-
Transfers in	2,555,856	2,555,856	2,555,856	-
Transfers out	(2,280,988)	(3,470,988)	(3,470,988)	-
Total other financing sources (uses)	<u>274,868</u>	<u>(104,056)</u>	<u>(104,056)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (1,637,423)</u>	<u>\$ (5,924,108)</u>	815,428	<u>\$ 6,739,536</u>
Fund balance at beginning of year			<u>31,239,028</u>	
Fund balance at end of year			<u>\$ 32,054,456</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, 2014

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,418,419	\$ 4,931,585	\$ 100	\$ 7,709,633	\$ 19,059,737	\$ 2,894,669
Receivables (net of allowance for uncollectibles)	663,871	1,033,321	11,127	77,084	1,785,403	113,187
Due from other funds	-	-	-	13,401	13,401	-
Due from component units	-	-	-	-	-	47,150
Due from other governments	-	-	1,233,149	-	1,233,149	-
Inventory	-	-	-	-	-	1,402,650
Prepaid expenses	12,685	6,924	-	29,834	49,443	14,789
Total current assets	<u>7,094,975</u>	<u>5,971,830</u>	<u>1,244,376</u>	<u>7,829,952</u>	<u>22,141,133</u>	<u>4,472,445</u>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	47,662,470	22,876,357	12,745,078	4,678,197	87,962,102	699,874
Total noncurrent assets	<u>47,662,470</u>	<u>22,876,357</u>	<u>12,745,078</u>	<u>4,678,197</u>	<u>87,962,102</u>	<u>699,874</u>
<b>Total assets</b>	<u>54,757,445</u>	<u>28,848,187</u>	<u>13,989,454</u>	<u>12,508,149</u>	<u>110,103,235</u>	<u>5,172,319</u>
<b>Deferred outflows of resources</b>						
Deferred bond refunding charges	830,268	-	-	1,354,707	2,184,975	-
<b>Total deferred outflows of resources</b>	<u>830,268</u>	<u>-</u>	<u>-</u>	<u>1,354,707</u>	<u>2,184,975</u>	<u>-</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	141,134	20,800	276,750	151,951	590,635	1,786,956
Accrued payroll	36,749	26,856	31,663	31,673	126,941	14,908
Accrued interest	162,048	-	-	267,976	430,024	-
Due to other funds	-	-	230,558	-	230,558	281,705
Due to component units	8,587	3,457	1,567	64,963	78,574	796
Customer deposits	332,077	-	-	-	332,077	-
Unearned revenue	187,450	104,900	-	592,123	884,473	635,020
Other liabilities	52,334	-	-	-	52,334	-
Compensated absences	117,662	68,472	63,288	64,146	313,568	50,658
Current portion of bonds payable	443,705	-	-	2,166,734	2,610,439	-
Total current liabilities	<u>1,481,746</u>	<u>224,485</u>	<u>603,826</u>	<u>3,339,566</u>	<u>5,649,623</u>	<u>2,770,043</u>
Noncurrent liabilities:						
Compensated absences	143,818	106,583	65,626	88,960	404,987	47,377
Postretirement healthcare benefits	197,891	169,068	101,517	164,429	632,905	96,106
Bonds payable	11,083,024	-	-	16,792,320	27,875,344	-
Total noncurrent liabilities	<u>11,424,733</u>	<u>275,651</u>	<u>167,143</u>	<u>17,045,709</u>	<u>28,913,236</u>	<u>143,483</u>
<b>Total liabilities</b>	<u>12,906,479</u>	<u>500,136</u>	<u>770,969</u>	<u>20,385,275</u>	<u>34,562,859</u>	<u>2,913,526</u>
<b>Net position</b>						
Net investment in capital assets	36,966,009	22,876,357	12,745,078	(12,926,150)	59,661,294	699,874
Unrestricted	5,715,225	5,471,694	473,407	6,403,731	18,064,057	1,558,919
<b>Total net position</b>	<u>\$ 42,681,234</u>	<u>\$ 28,348,051</u>	<u>\$ 13,218,485</u>	<u>\$ (6,522,419)</u>	<u>77,725,351</u>	<u>\$ 2,258,793</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,562,762)	
Net position of business-type activities (Exhibit 1)					\$ 76,162,589	

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Year Ended June 30, 2014

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 6,123,315	\$ 9,650,857	\$ 1,834,284	\$ 5,064,269	\$ 22,672,725	\$ 18,899,217
Connection fees	81,342	3,542	-	-	84,884	-
Total operating revenues	<u>6,204,657</u>	<u>9,654,399</u>	<u>1,834,284</u>	<u>5,064,269</u>	<u>22,757,609</u>	<u>18,899,217</u>
<b>Operating expenses:</b>						
Personal services	1,512,662	1,044,052	1,831,079	1,397,895	5,785,688	629,145
Fringe benefits	513,709	403,163	451,403	534,811	1,903,086	226,559
Purchased services	220,148	131,815	112,024	1,292,608	1,756,595	764,265
Internal services	197,029	236,488	1,246,154	56,280	1,735,951	5,475
Other charges	475,305	117,236	235,386	1,521,129	2,349,056	917,930
Materials and supplies	388,180	121,962	52,484	296,219	858,845	62,061
Contributions to regional sewer authority	-	6,073,718	-	-	6,073,718	-
Depreciation and amortization	1,828,683	1,367,387	1,267,427	1,590,009	6,053,506	33,600
Cost of inventory issued	-	-	-	-	-	3,599,958
Claims related charges	-	-	-	-	-	14,879,231
Total operating expenses	<u>5,135,716</u>	<u>9,495,821</u>	<u>5,195,957</u>	<u>6,688,951</u>	<u>26,516,445</u>	<u>21,118,224</u>
<b>Operating income (loss)</b>	<u>1,068,941</u>	<u>158,578</u>	<u>(3,361,673)</u>	<u>(1,624,682)</u>	<u>(3,758,836)</u>	<u>(2,219,007)</u>
<b>Nonoperating revenues (expenses):</b>						
Intergovernmental revenue	15,347	-	2,144,778	-	2,160,125	-
Connection application fees	219,325	780,458	-	-	999,783	-
Miscellaneous revenue	34,279	831	81,915	580	117,605	26,392
Participant assessments	-	-	-	-	-	681,432
Reimbursement of bond payment	-	-	-	58,711	58,711	-
Investment revenue	6,251	4,622	-	8,690	19,563	1,777
Interest expense	(122,868)	-	-	(683,154)	(806,022)	-
Gain (loss) on disposal of capital assets	2,100	12,102	14,352	-	28,554	(5,881)
Total nonoperating revenues (expenses)	<u>154,434</u>	<u>798,013</u>	<u>2,241,045</u>	<u>(615,173)</u>	<u>2,578,319</u>	<u>703,720</u>
<b>Income (loss) before contributions, special item and transfers</b>	<u>1,223,375</u>	<u>956,591</u>	<u>(1,120,628)</u>	<u>(2,239,855)</u>	<u>(1,180,517)</u>	<u>(1,515,287)</u>
Capital contributions	586,814	588,132	5,221,175	281,631	6,677,752	70,459
Special item	-	-	-	(10,078,503)	(10,078,503)	-
Transfers in	-	-	550,822	395,705	946,527	770,524
Transfers out	<u>(1,503,349)</u>	<u>(1,188,570)</u>	<u>-</u>	<u>-</u>	<u>(2,691,919)</u>	<u>-</u>
<b>Change in net position</b>	<u>306,840</u>	<u>356,153</u>	<u>4,651,369</u>	<u>(11,641,022)</u>	<u>(6,326,660)</u>	<u>(674,304)</u>
Net position at beginning of year, as restated	<u>42,374,394</u>	<u>27,991,898</u>	<u>8,567,116</u>	<u>5,118,603</u>		<u>2,933,097</u>
Net position at end of year	<u>\$ 42,681,234</u>	<u>\$ 28,348,051</u>	<u>\$ 13,218,485</u>	<u>\$ (6,522,419)</u>		<u>\$ 2,258,793</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>(182,263)</u>	
Change in net position of business-type activities (Exhibit 2)					<u>\$ (6,508,923)</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, 2014

Exhibit 10  
 Page 1

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 6,162,137	\$ 9,666,862	\$ 1,829,165	\$ 2,652,045	\$ 20,310,209	\$ 4,533,045
Receipts from premiums	-	-	-	-	-	14,425,222
Receipts from other sources	38,329	832	86,121	580	125,862	557,961
Receipts from customer deposits	185,325	-	-	-	185,325	-
Payments to employees	(1,530,721)	(1,038,861)	(1,820,452)	(1,387,203)	(5,777,237)	(626,689)
Payments for fringe benefits	(488,341)	(378,724)	(433,837)	(514,635)	(1,815,537)	(212,444)
Payments to vendors	(1,092,547)	(394,032)	(392,136)	(3,147,573)	(5,026,288)	(5,359,464)
Payments for internal services	(197,029)	(236,488)	(1,246,154)	(56,280)	(1,735,951)	(5,475)
Payments to other governmental units	-	(6,073,718)	-	-	(6,073,718)	-
Payments to refund customer deposits	(148,279)	-	-	-	(148,279)	-
Payments for claims related charges	-	-	-	-	-	(14,452,134)
Net cash provided by (used for) operating activities	<u>2,928,874</u>	<u>1,545,871</u>	<u>(1,977,293)</u>	<u>(2,453,066)</u>	<u>44,386</u>	<u>(1,139,978)</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	26,032	-	2,075,292	-	2,101,324	-
Transfers in	-	-	550,822	395,705	946,527	770,524
Transfers out	(1,503,349)	(1,188,570)	-	-	(2,691,919)	-
Interfund loan	-	-	(944,594)	-	(944,594)	55,192
Net cash provided by (used for) noncapital financing activities	<u>(1,477,317)</u>	<u>(1,188,570)</u>	<u>1,681,520</u>	<u>395,705</u>	<u>(588,662)</u>	<u>825,716</u>
<b>Cash flows from capital and related financing activities:</b>						
Capital grants and contributions	-	-	6,115,956	281,631	6,397,587	-
Connection application fees	243,867	732,500	-	-	976,367	-
Proceeds from sale of capital assets	2,100	12,102	14,352	-	28,554	-
Principal paid on long-term debt	(417,866)	-	-	(2,024,617)	(2,442,483)	-
Interest paid on long-term debt	(360,719)	-	-	(629,567)	(990,286)	-
Purchase and construction of capital assets	(1,004,017)	(729,906)	(5,936,378)	(457,367)	(8,127,668)	-
Net cash provided by (used for) capital and related financing activities	<u>(1,536,635)</u>	<u>14,696</u>	<u>193,930</u>	<u>(2,829,920)</u>	<u>(4,157,929)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
Interest received	6,251	4,622	-	8,690	19,563	1,777
Net cash provided by investing activities	<u>6,251</u>	<u>4,622</u>	<u>-</u>	<u>8,690</u>	<u>19,563</u>	<u>1,777</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(78,827)</u>	<u>376,619</u>	<u>(101,843)</u>	<u>(4,878,591)</u>	<u>(4,682,642)</u>	<u>(312,485)</u>
<b>Cash and cash equivalents:</b>						
Beginning	<u>6,497,246</u>	<u>4,554,966</u>	<u>101,943</u>	<u>12,588,224</u>	<u>23,742,379</u>	<u>3,207,154</u>
Ending	<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>

(continued)

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Steam Plant Fund	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 1,068,941	\$ 158,578	\$ (3,361,673)	\$ (1,624,682)	\$ (3,758,836)	\$ (2,219,007)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,828,683	1,367,387	1,267,427	1,590,009	6,053,506	33,600
Connection fees	(81,342)	(3,542)	-	-	(84,884)	-
Miscellaneous revenue	38,329	831	86,121	580	125,861	26,557
Participant assessments	-	-	-	-	-	531,404
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	29,254	16,005	(5,119)	89,186	129,326	153
Due from other funds	-	-	-	33,504	33,504	-
Due from component units	-	-	-	-	-	307
Inventory	-	-	-	-	-	(64,367)
Prepaid expenses	(12,685)	(5,122)	19,969	5,507	7,669	(6,425)
Increase (decrease) in:						
Accounts payable	5,156	(18,678)	(12,992)	(46,108)	(72,622)	482,477
Accrued payroll	5,517	4,378	9,527	3,795	23,217	2,703
Due to component units	(1,386)	(610)	781	2,985	1,770	160
Customer deposits	37,046	-	-	-	37,046	-
Unearned revenue	-	-	-	(2,534,915)	(2,534,915)	58,591
Other liabilities	9,568	-	-	-	9,568	-
Compensated absences	(25,008)	1,175	1,883	7,681	(14,269)	(77)
Postretirement healthcare benefits	26,801	25,469	16,783	19,392	88,445	13,946
Net cash provided by (used for) operating activities	\$ <u>2,928,874</u>	\$ <u>1,545,871</u>	\$ <u>(1,977,293)</u>	\$ <u>(2,453,066)</u>	\$ <u>44,386</u>	\$ <u>(1,139,978)</u>

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

Additions to capital assets:						
Contributed by developers	\$ 508,200	\$ 495,400	\$ -	\$ -	\$ 1,003,600	\$ -
Contributed by other funds	78,614	92,732	-	-	171,346	70,459
Purchase and construction on account	54,767	6,202	234,880	30,628	326,477	-
Capitalized interest	267,272	-	-	-	267,272	-
Impairment loss	-	-	-	10,078,503	10,078,503	-

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, 2014

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,083,643
Receivables	<u>89,810</u>
<b>Total assets</b>	<u><u>\$ 3,173,453</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 27,783
Accrued payroll	45,348
Amounts held for others	<u>3,100,322</u>
<b>Total liabilities</b>	<u><u>\$ 3,173,453</u></u>

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

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

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

**A. Reporting Entity**

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

**Discretely presented component units.** The Harrisonburg City School Board (School Board) is responsible for elementary and secondary education within the City's jurisdiction. The School Board is comprised of six elected members. The 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. Property taxes not collected within 60 days after June 30 are reflected as a deferred inflow of resources while other taxes are reflected as unearned revenue.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

*Special revenue funds* account for the administration of the community development block grant, operations of the school bus system and the administration of a revolving loan program.

*Internal service funds* account for central garage, central stores and self-insured health insurance services provided to other departments or agencies of the City, or to other governments or agencies, on a cost reimbursement basis.

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

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

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

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

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

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

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

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

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented is the original budget and the final budget as of June 30, 2014.

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 \$52.8 million, of which \$47.7 million involved an advanced and current refunding bond issue. 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, 2014. 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, 2014 amounted to \$678,825.

**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 \$390,140 in interest expense of which \$267,272 was capitalized.

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

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

**8. School Board Capital Assets.** Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$2,761,724 in net capital assets to the School Board during the current fiscal year on the government-wide statement of activities.

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

**10. Compensated absences.** It is the City's policy to permit employees to accumulate earned but not used vacation, 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. 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 a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on 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.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. This item represents property tax 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.

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

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

The City's formally adopted General Fund minimum fund balance policy requires unassigned fund balance to be equal to no less than 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.

**14. 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	\$ (136,652,058)
Bond issue premiums/discounts (net)	(6,768,249)
Deferred charge for bond refunding	3,892,467
Capital leases	(3,391,389)
Moral obligation pledge	(124,994)
Compensated absences (not including internal service funds)	(3,225,771)
Postretirement healthcare benefits (not including internal service funds)	(2,796,640)
Landfill closure and postclosure	(1,575,270)
County landfill contractual obligation	(2,697,965)
Accrued interest	<u>(1,405,499)</u>
Net adjustment	<u>\$ (154,745,368)</u>

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

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

Capital outlay	\$ 19,231,411
Depreciation expense (not including internal service funds)	<u>(9,126,839)</u>
Net adjustment	<u>\$ 10,104,572</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:

Debt issued or incurred	\$ (56,825,000)
Deferred charge for bond issue premiums on debt issued	(5,650,348)
Payment to bond refunding escrow agent	42,327,820
Payment for current bond refunding	5,146,875
Principal payments	7,400,597
Amortization of bond premiums/discounts (net)	68,204
Amortization of deferred bond refunding charges	(72,938)
Interest expense included in bond refunding	<u>(736,739)</u>
Net adjustment	<u>\$ (8,341,529)</u>



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

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

Compensated absences (not including internal service funds)	\$ (77,957)
Postretirement healthcare benefits (not including internal service funds)	(403,874)
Landfill closure and postclosure	159,003
Accrued interest	<u>839,014</u>
Net adjustment	<u>\$ 516,186</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, 2014, 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, 2014, 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, 2014.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 58,974,056	\$ 6,613,466	\$ -	\$ 65,587,522
State Non-Arbitrage Pool (SNAP)	11,781,747	-	-	11,781,747
Certificates of Deposit	-	-	5,500,000	5,500,000
Money Market Account	-	-	6,000,000	6,000,000
Deposits	<u>6,923,660</u>	<u>682,462</u>	<u>9,128,059</u>	<u>16,734,181</u>
Total deposits and investments	<u>\$ 77,679,463</u>	<u>\$ 7,295,928</u>	<u>\$ 20,628,059</u>	<u>\$ 105,603,450</u>

**Note 4. Receivables**

The following is a summary of receivables at June 30, 2014.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 38,910,359	\$ -	\$ 38,910,359	\$ -	\$ -
Other taxes receivable	1,557,098	-	1,557,098	-	-
Accounts receivable	387,897	1,839,227	2,227,124	-	6,528,259
Interest receivable	2,172	-	2,172	-	-
Other receivables	607,722	20,879	628,601	631,825	-
Due from other governments:					
Commonwealth of Virginia	5,126,819	473,368	5,600,187	1,161,881	-
Federal Government	531,284	759,781	1,291,065	82,023	-
Other Governments	156,070	-	156,070	-	-
Allowance for uncollectibles	(678,825)	(74,703)	(753,528)	-	-
<b>Total</b>	<b>\$ 46,600,596</b>	<b>\$ 3,018,552</b>	<b>\$ 49,619,148</b>	<b>\$ 1,875,729</b>	<b>\$ 6,528,259</b>

**Note 5. Restricted Assets**

The City has certain assets presented on the government-wide statement of net position and the governmental fund balance sheet as restricted for specific purposes. Restricted assets for governmental activities in the amount of \$11,781,747 represent unspent bond proceeds.

**Note 6. Loans Receivable**

The following is a summary of loans receivable at June 30, 2014.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 2,670,000	\$ 35,000
HRHA	December 6, 2011	17.5	3.19%	5,500,000	275,000
HRHA	October 24, 2006	26.5	4.21%	214,550	104,650
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
<b>Total General Fund</b>				<b>8,759,550</b>	<b>414,650</b>
2014-02	February 28, 2014	5	4.5%	23,502	4,236
2014-01	July 31, 2013	5	4.5%	21,213	4,735
2013-03	January 31, 2013	4	4.5%	17,160	6,196
2013-02	August 29, 2012	3	4.5%	8,099	6,916
2013-01	July 3, 2012	5	4.5%	16,074	4,971
2012-02	March 14, 2012	4	4.5%	1,141	1,141
2012-01	December 28, 2011	4	4.5%	1,862	1,172
<b>Total Business Loan Program Fund</b>				<b>89,051</b>	<b>29,367</b>
<b>Total Governmental Activities</b>				<b>\$ 8,848,601</b>	<b>\$ 444,017</b>

\*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 2014.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 49,667,796	\$ 1,536,404	\$ (54,512)	\$ 51,149,688
Easements	899,066	732,581	-	1,631,647
Construction in progress	14,739,819	15,608,588	(9,361,559)	20,986,848
Capital assets, not being depreciated	<u>\$ 65,306,681</u>	<u>\$ 17,877,573</u>	<u>\$ (9,416,071)</u>	<u>\$ 73,768,183</u>
Capital assets, being depreciated:				
Buildings	\$ 112,510,662	\$ -	\$ (3,520,975)	\$ 108,989,687
Improvements other than buildings	12,253,673	74,150	-	12,327,823
Machinery and equipment	32,588,820	3,103,529	(708,583)	34,983,766
Intangibles	130,000	-	-	130,000
Infrastructure	152,296,045	8,042,147	-	160,338,192
Capital assets, being depreciated	<u>309,779,200</u>	<u>11,219,826</u>	<u>(4,229,558)</u>	<u>316,769,468</u>
Less accumulated depreciation:				
Buildings	(27,490,589)	(2,665,607)	759,251	(29,396,945)
Improvements other than buildings	(4,370,403)	(467,320)	-	(4,837,723)
Machinery and equipment	(18,266,087)	(1,947,267)	644,754	(19,568,600)
Intangibles	(52,000)	(26,000)	-	(78,000)
Infrastructure	(66,208,696)	(4,054,246)	-	(70,262,942)
Accumulated depreciation	<u>(116,387,775)</u>	<u>(9,160,440)</u>	<u>1,404,005</u>	<u>(124,144,210)</u>
Capital assets, being depreciated (net)	<u>\$ 193,391,425</u>	<u>\$ 2,059,386</u>	<u>\$ (2,825,553)</u>	<u>\$ 192,625,258</u>

The primary government has included in the preceding schedule land in the amount of \$113,878, buildings in the amount of \$874,603 (\$393,571 in accumulated depreciation) and machinery and equipment in the amount of \$6,474,144 (\$1,662,651 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	\$ 62,084
Jail and judicial administration	296,961
Public safety	1,298,747
Public works	4,672,362
Health and welfare	21,865
Education	1,940,373
Parks, recreation and culture	697,045
Planning and community development	137,403
Internal service funds (allocated to various functions)	<u>33,600</u>
Total governmental activities depreciation expense	<u>\$ 9,160,440</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 2014.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, held for sale				
Steam plant	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000
Capital assets, held for sale	<u>\$ -</u>	<u>\$ 4,200,000</u>	<u>\$ -</u>	<u>\$ 4,200,000</u>
Capital assets, not being depreciated:				
Land	\$ 442,295	\$ -	\$ (9,325)	\$ 432,970
Easements	333,687	-	-	333,687
Construction in progress	<u>15,844,562</u>	<u>6,292,645</u>	<u>(1,254,345)</u>	<u>20,882,862</u>
Capital assets, not being depreciated	<u>\$ 16,620,544</u>	<u>\$ 6,292,645</u>	<u>\$ (1,263,670)</u>	<u>\$ 21,649,519</u>
Capital assets, being depreciated:				
Buildings	\$ 12,575,619	\$ -	\$ (3,923,048)	\$ 8,652,571
Improvements other than buildings	19,792,471	-	(1,889,789)	17,902,682
Machinery and equipment	48,049,445	2,319,453	(29,920,726)	20,448,172
Intangibles:				
JMU land and steam agreement	2,041,898	-	-	2,041,898
Infrastructure	<u>76,568,098</u>	<u>2,060,319</u>	<u>(8,620)</u>	<u>78,619,797</u>
Capital assets, being depreciated	<u>159,027,531</u>	<u>4,379,772</u>	<u>(35,742,183)</u>	<u>127,665,120</u>
Less accumulated depreciation:				
Buildings	(4,524,993)	(290,310)	1,246,363	(3,568,940)
Improvements other than buildings	(7,137,612)	(510,158)	825,809	(6,821,961)
Machinery and equipment	(29,000,709)	(2,897,450)	19,392,214	(12,505,945)
Intangibles:				
JMU land and steam agreement	(1,829,541)	(26,545)	-	(1,856,086)
Infrastructure	<u>(38,456,082)</u>	<u>(2,352,143)</u>	<u>8,620</u>	<u>(40,799,605)</u>
Accumulated depreciation	<u>(80,948,937)</u>	<u>(6,076,606)</u>	<u>21,473,006</u>	<u>(65,552,537)</u>
Capital assets, being depreciated (net)	<u>\$ 78,078,594</u>	<u>\$ (1,696,834)</u>	<u>\$ (14,269,177)</u>	<u>\$ 62,112,583</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 \$23,100. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

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

Water	\$ 1,828,683
Sewer	1,367,387
Public transportation	1,267,427
Steam plant	<u>1,590,009</u>
Total business-type activities depreciation expense	<u>\$ 6,053,506</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 2014.

**Component Unit – School Board:**

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 5,611,429	\$ -	\$ -	\$ 5,611,429
Construction in progress	90,330	159,587	(249,917)	-
Capital assets, not being depreciated	<u>\$ 5,701,759</u>	<u>\$ 159,587</u>	<u>\$ (249,917)</u>	<u>\$ 5,611,429</u>
Capital assets, being depreciated:				
Buildings	\$ 45,145,926	\$ 3,762,773	\$ -	\$ 48,908,699
Improvements other than buildings	95,168	-	-	95,168
Machinery and equipment	5,298,805	109,385	-	5,408,190
Capital assets, being depreciated	<u>50,539,899</u>	<u>3,872,158</u>	<u>-</u>	<u>54,412,057</u>
Less accumulated depreciation:				
Buildings	(18,824,092)	(1,932,904)	-	(20,756,996)
Improvements other than buildings	(32,488)	(4,759)	-	(37,247)
Machinery and equipment	(3,227,660)	(389,824)	-	(3,617,484)
Accumulated depreciation	<u>(22,084,240)</u>	<u>(2,327,487)</u>	<u>-</u>	<u>(24,411,727)</u>
Capital assets, being depreciated (net)	<u>\$ 28,455,659</u>	<u>\$ 1,544,671</u>	<u>\$ -</u>	<u>\$ 30,000,330</u>

**Component Unit – HEC:**

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,094,507	\$ -	\$ -	\$ 3,094,507
Construction in progress	4,053,552	2,978,599	(5,128,527)	1,903,624
Capital assets, not being depreciated	<u>\$ 7,148,059</u>	<u>\$ 2,978,599</u>	<u>\$ (5,128,527)</u>	<u>\$ 4,998,131</u>
Capital assets, being depreciated:				
Buildings	\$ 2,818,580	\$ 202,691	\$ -	\$ 3,021,271
Machinery and equipment	6,328,955	187,564	(29,139)	6,487,380
Infrastructure	109,073,153	4,924,049	(384,757)	113,612,445
Capital assets, being depreciated	<u>118,220,688</u>	<u>5,314,304</u>	<u>(413,896)</u>	<u>123,121,096</u>
Less accumulated depreciation:				
Buildings	(1,854,281)	(76,404)	-	(1,930,685)
Machinery and equipment	(5,993,732)	(210,067)	23,387	(6,180,412)
Infrastructure	(56,625,042)	(3,650,008)	302,423	(59,972,627)
Accumulated depreciation	<u>(64,473,055)</u>	<u>(3,936,479)</u>	<u>325,810</u>	<u>(68,083,724)</u>
Capital assets, being depreciated (net)	<u>\$ 53,747,633</u>	<u>\$ 1,377,825</u>	<u>\$ (88,086)</u>	<u>\$ 55,037,372</u>

**Note 8. Interfund Balances**

The General Fund has due from other funds in the amount \$614,012. This amount is mainly comprised of loans to the Public Transportation Fund, Community Development Block Grant Fund and Central Stores Fund in the amounts of \$230,557, \$96,845 and \$281,705, respectively. The purpose of these loans is to eliminate year-end cash and cash equivalents deficit balances and are anticipated to be repaid within the subsequent fiscal year. The amount due from the Public Transportation Fund is the result of the timing of intergovernmental revenue reimbursements associated with the construction of a new public transportation facility. All other balances are for services provided between funds.

**Note 9. Interfund Transfers**

Interfund transfers are generally used to subsidize the operations, programs and capital activities of other funds. The following is a summary of interfund transfers for fiscal year 2014.

Transfer in	Transfer out			Total
	General Fund	Water Fund	Sewer Fund	
General Fund	\$ -	\$ 1,378,866	\$ 1,176,990	\$ 2,555,856
General Capital Projects Fund	1,890,000	-	-	1,890,000
Public Transportation Fund	550,822	-	-	550,822
Steam Plant Fund	395,705	-	-	395,705
Internal Service Funds	634,461	124,483	11,580	770,524
<b>Total</b>	<b>\$ 3,470,988</b>	<b>\$ 1,503,349</b>	<b>\$ 1,188,570</b>	<b>\$ 6,162,907</b>

**Note 10. Unearned Revenue**

The following is a summary of unearned revenue at June 30, 2014 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities			Total
	General Fund	Other Governmental Funds	Internal Service Funds	
Advance collection of parking leases	\$ 36,690	\$ -	\$ -	\$ 36,690
Golf course season passes	51,935	-	-	51,935
Health insurance premiums	-	-	635,020	635,020
<b>Total unearned revenue</b>	<b>\$ 88,625</b>	<b>\$ -</b>	<b>\$ 635,020</b>	<b>\$ 723,645</b>
Total unearned revenue (governmental funds)	\$ 88,625	\$ -	\$ -	\$ 88,625
Other local taxes	52,055	-	-	52,055
Reimbursement from Housing Authority	71,941	-	-	71,941
Loans receivable	8,384,550	89,051	-	8,473,601
Other unavailable revenue	12,548	28,280	-	40,828
<b>Total unavailable revenue</b>	<b>\$ 8,609,719</b>	<b>\$ 117,331</b>	<b>\$ -</b>	<b>\$ 8,727,050</b>

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

Unearned revenue for business-type activities in the amount of \$884,473 represents water and sewer connection application fees for which the services had not been provided as of year-end and certain prepayments made by James Madison University for steam plant operations. This amount is comprised of \$187,450 in the Water Fund, \$104,900 in the Sewer Fund and \$592,123 in the Steam Plant Fund.

**Note 11. Long-term Liabilities**

**Primary Government**

The following is a summary of the debt service requirements for the long-term liabilities of the governmental activities as of June 30, 2014.

Year Ending June 30,	General Obligation Bonds		Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 7,249,692	\$ 4,257,925	\$ 668,227	\$ 107,068	\$ 7,917,919	\$ 4,364,993
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
2020-2024	40,373,898	15,657,936	489,000	9,193	40,862,898	15,667,129
2025-2029	39,011,095	7,068,209	-	-	39,011,095	7,068,209
2030-2034	19,535,000	1,611,410	-	-	19,535,000	1,611,410
2035	950,000	17,038	-	-	950,000	17,038
<b>Total</b>	<b>\$ 136,652,058</b>	<b>\$ 46,888,643</b>	<b>\$ 3,391,389</b>	<b>\$ 334,867</b>	<b>\$ 140,043,447</b>	<b>\$ 47,223,510</b>

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2014.

Year Ending June 30,	General Obligation Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 2,511,174	\$ 923,518	\$ 2,511,174	\$ 923,518
2016	2,570,565	853,247	2,570,565	853,247
2017	2,159,256	789,615	2,159,256	789,615
2018	2,217,245	725,078	2,217,245	725,078
2019	2,306,028	636,684	2,306,028	636,684
2020-2024	9,697,435	2,099,344	9,697,435	2,099,344
2025-2029	4,596,240	848,961	4,596,240	848,961
2030-2034	3,174,333	296,578	3,174,333	296,578
2035-2039	189,333	-	189,333	-
2040	37,866	-	37,866	-
<b>Total</b>	<b>\$ 29,459,475</b>	<b>\$ 7,173,025</b>	<b>\$ 29,459,475</b>	<b>\$ 7,173,025</b>

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

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2014.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 131,231,286	\$ 56,285,000	\$ (50,864,228)	\$ 136,652,058	\$ 7,249,692
Bond premiums/discounts (net)	1,061,608	5,650,348	56,293	6,768,249	366,217
Total bonds payable	132,292,894	61,935,348	(50,807,935)	143,420,307	7,615,909
Capital leases	3,321,531	540,000	(470,142)	3,391,389	668,227
Moral obligation pledge	365,972	-	(240,978)	124,994	124,994
Compensated absences	3,245,927	1,680,429	(1,602,550)	3,323,806	1,532,684
Postretirement healthcare benefits	2,474,926	654,535	(236,715)	2,892,746	-
City landfill closure costs	1,734,273	-	(159,003)	1,575,270	106,491
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Governmental activities long-term debt	<u>\$ 146,133,488</u>	<u>\$ 64,810,312</u>	<u>\$ (53,517,323)</u>	<u>\$ 157,426,477</u>	<u>\$ 10,048,305</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, 2014, \$98,035 and \$96,106 of compensated absences and postretirement healthcare benefits, respectively, are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2014.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 31,901,958	\$ -	\$ (2,442,483)	\$ 29,459,475	\$ 2,511,174
Bond premiums/discounts (net)	1,125,574	-	(99,266)	1,026,308	99,265
Total bonds payable	33,027,532	-	(2,541,749)	30,485,783	2,610,439
Compensated absences	732,823	373,995	(388,263)	718,555	313,568
Postretirement healthcare benefits	544,460	138,555	(50,110)	632,905	-
Business-type activities long-term debt	<u>\$ 34,304,815</u>	<u>\$ 512,550</u>	<u>\$ (2,980,122)</u>	<u>\$ 31,837,243</u>	<u>\$ 2,924,007</u>

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2014.

**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 4.725% maturing on July 15, 2014	\$ 100,000
Bonds bearing interest at 5.100% maturing on July 15, 2015	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2016	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2017	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2018	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2019	100,000
Subtotal	<u>\$ 600,000</u>



## Note 11. 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, 2014	\$	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015		255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016		255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017		255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018		255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019		255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020		<u>255,000</u>
Subtotal	\$	<u>1,785,000</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 4.600% maturing on July 15, 2014	\$	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015		1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016		1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017		1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018		1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019		2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020		2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021		2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022		2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023		2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024		2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025		2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026		<u>2,945,000</u>
Subtotal	\$	<u>28,755,000</u>

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

Bonds bearing interest at 5.000% maturing on February 1, 2015	\$	1,495,000
Bonds bearing interest at 5.125% maturing on February 1, 2016		<u>1,570,000</u>
Subtotal	\$	<u>3,065,000</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 4.419% maturing on October 1, 2014	\$	85,000
Bonds bearing interest at 4.792% maturing on October 1, 2015		90,000
Bonds bearing interest at 4.809% maturing on October 1, 2016		95,000
Bonds bearing interest at 5.125% maturing on October 1, 2017		100,000

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

## General Obligation Bonds (continued):

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	115,000
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Subtotal	\$ 805,000

## \$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, 2014	\$ 385,000
Bonds bearing interest at 2.000% maturing on July 15, 2015	395,000
Bonds bearing interest at 2.000% maturing on July 15, 2016	405,000
Bonds bearing interest at 4.000% maturing on July 15, 2017	415,000
Bonds bearing interest at 4.000% maturing on July 15, 2018	430,000
Bonds bearing interest at 2.500% maturing on July 15, 2019	445,000
Bonds bearing interest at 3.000% maturing on July 15, 2020	460,000
Bonds bearing interest at 3.000% maturing on July 15, 2021	470,000
Bonds bearing interest at 3.000% maturing on July 15, 2022	485,000
Bonds bearing interest at 3.000% maturing on July 15, 2023	500,000
Bonds bearing interest at 3.125% maturing on July 15, 2024	515,000
Bonds bearing interest at 3.250% maturing on July 15, 2025	535,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	550,000
Bonds bearing interest at 3.500% maturing on July 15, 2027	570,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	590,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	615,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	635,000
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Subtotal	\$ 8,400,000

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

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

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

### General Obligation Bonds (continued):

Bonds bearing interest at 4.000% maturing on July 15, 2031	145,000
Bonds bearing interest at 4.000% maturing on July 15, 2032	155,000
Bonds bearing interest at 4.000% maturing on July 15, 2033	160,000
Bonds bearing interest at 4.000% maturing on July 15, 2034	165,000
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Subtotal	\$ 5,205,058

\$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, 2014	\$ 1,605,000
Bonds bearing interest at 2.000% maturing on August 1, 2015	1,645,000
Bonds bearing interest at 2.000% maturing on August 1, 2016	1,680,000
Bonds bearing interest at 2.000% maturing on August 1, 2017	1,120,000
Bonds bearing interest at 4.000% maturing on August 1, 2018	1,165,000
Bonds bearing interest at 3.000% maturing on August 1, 2019	1,215,000
Bonds bearing interest at 4.000% maturing on August 1, 2020	1,265,000
Bonds bearing interest at 4.000% maturing on August 1, 2021	1,315,000
Bonds bearing interest at 3.000% maturing on August 1, 2022	1,370,000
Bonds bearing interest at 3.000% maturing on August 1, 2023	1,415,000
Bonds bearing interest at 3.000% maturing on August 1, 2024	1,475,000
Bonds bearing interest at 3.000% maturing on August 1, 2025	1,525,000
Bonds bearing interest at 3.125% maturing on August 1, 2026	1,575,000
Bonds bearing interest at 3.250% maturing on August 1, 2027	1,640,000
Bonds bearing interest at 3.375% maturing on August 1, 2028	1,705,000
Bonds bearing interest at 3.500% maturing on August 1, 2029	1,670,000
Bonds bearing interest at 3.625% maturing on August 1, 2030	380,000
Bonds bearing interest at 3.625% maturing on August 1, 2031	395,000
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Subtotal	\$ 24,160,000

\$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, 2014	\$ 468,000
Bonds bearing interest at 2.2% maturing on August 1, 2015	479,000
Bonds bearing interest at 2.2% maturing on August 1, 2016	489,000
Bonds bearing interest at 2.2% maturing on August 1, 2017	500,000
Bonds bearing interest at 2.2% maturing on August 1, 2018	511,000
Bonds bearing interest at 2.2% maturing on August 1, 2019	523,000
Bonds bearing interest at 2.2% maturing on August 1, 2020	534,000
Bonds bearing interest at 2.2% maturing on August 1, 2021	546,000
Bonds bearing interest at 2.2% maturing on August 1, 2022	558,000
Bonds bearing interest at 2.2% maturing on August 1, 2023	571,000
Bonds bearing interest at 2.2% maturing on August 1, 2024	584,000
Bonds bearing interest at 2.2% maturing on August 1, 2025	596,000
Bonds bearing interest at 2.2% maturing on August 1, 2026	610,000
Bonds bearing interest at 2.2% maturing on August 1, 2027	623,000
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Subtotal	\$ 7,592,000

## Note 11. 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, 2014	\$ 905,000
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	\$ 42,675,000
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Total General Obligation Bonds	\$ 136,652,058

## Note 11. 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, 2014 and February 26, 2015	\$ 84,060
Lease bearing interest at 6.08% maturing August 24, 2015 and February 26, 2016	<u>89,329</u>
Subtotal	<u>\$ 173,389</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, 2014	\$ 406,000
Lease bearing interest at 3.76% maturing on December 1, 2015	421,000
Lease bearing interest at 3.76% maturing on December 1, 2016	437,000
Lease bearing interest at 3.76% maturing on December 1, 2017	454,000
Lease bearing interest at 3.76% maturing on December 1, 2018	471,000
Lease bearing interest at 3.76% maturing on December 1, 2019	<u>489,000</u>
Subtotal	<u>\$ 2,678,000</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, 2014	\$ 178,167
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>\$ 540,000</u>
Total Capital Leases	<u><u>\$ 3,391,389</u></u>

The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2014.

### General Obligation Bonds:

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

Bonds bearing interest at 3.6250% maturing on October 1, 2014	\$ 435,000
Bonds bearing interest at 4.4766% maturing on October 1, 2015	<u>455,000</u>
Subtotal	<u>\$ 890,000</u>

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

## General Obligation Bonds (continued):

\$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, 2014	\$ 100,000
Bonds bearing interest at 3.65% maturing on August 21, 2015	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2016	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2017	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2018	<u>100,000</u>
Subtotal	<u>\$ 500,000</u>

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

Bonds bearing interest at 0% maturing on August 1, 2014 and February 1, 2015	\$ 37,866
Bonds bearing interest at 0% maturing on August 1, 2015 and February 1, 2016	37,866
Bonds bearing interest at 0% maturing on August 1, 2016 and February 1, 2017	37,867
Bonds bearing interest at 0% maturing on August 1, 2017 and February 1, 2018	37,867
Bonds bearing interest at 0% maturing on August 1, 2018 and February 1, 2019	37,867
Bonds bearing interest at 0% maturing on August 1, 2019 and February 1, 2020	37,866
Bonds bearing interest at 0% maturing on August 1, 2020 and February 1, 2021	37,866
Bonds bearing interest at 0% maturing on August 1, 2021 and February 1, 2022	37,867
Bonds bearing interest at 0% maturing on August 1, 2022 and February 1, 2023	37,867
Bonds bearing interest at 0% maturing on August 1, 2023 and February 1, 2024	37,867
Bonds bearing interest at 0% maturing on August 1, 2024 and February 1, 2025	37,867
Bonds bearing interest at 0% maturing on August 1, 2025 and February 1, 2026	37,867
Bonds bearing interest at 0% maturing on August 1, 2026 and February 1, 2027	37,867
Bonds bearing interest at 0% maturing on August 1, 2027 and February 1, 2028	37,867
Bonds bearing interest at 0% maturing on August 1, 2028 and February 1, 2029	37,867
Bonds bearing interest at 0% maturing on August 1, 2029 and February 1, 2030	37,866
Bonds bearing interest at 0% maturing on August 1, 2030 and February 1, 2031	37,866
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2032	37,867
Bonds bearing interest at 0% maturing on August 1, 2032 and February 1, 2033	37,867
Bonds bearing interest at 0% maturing on August 1, 2033 and February 1, 2034	37,867
Bonds bearing interest at 0% maturing on August 1, 2034 and February 1, 2035	37,866
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>\$ 984,533</u>

## Note 11. 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 3.000% maturing on July 15, 2014	\$	1,878,308
Bonds bearing interest at 2.000% maturing on July 15, 2015		1,917,699
Bonds bearing interest at 3.000% maturing on July 15, 2016		1,961,389
Bonds bearing interest at 3.000% maturing on July 15, 2017		2,014,378
Bonds bearing interest at 5.000% maturing on July 15, 2018		2,103,161
Bonds bearing interest at 3.000% maturing on July 15, 2019		1,704,764
Bonds bearing interest at 4.000% maturing on July 15, 2020		1,762,753
Bonds bearing interest at 4.000% maturing on July 15, 2021		1,829,340
Bonds bearing interest at 3.000% maturing on July 15, 2022		1,891,628
Bonds bearing interest at 3.000% maturing on July 15, 2023		1,949,617
Bonds bearing interest at 3.125% maturing on July 15, 2024		2,006,905
Bonds bearing interest at 3.250% maturing on July 15, 2025		470,000
Bonds bearing interest at 3.375% maturing on July 15, 2026		480,000
Bonds bearing interest at 3.375% maturing on July 15, 2027		500,000
Bonds bearing interest at 3.500% maturing on July 15, 2028		520,000
Bonds bearing interest at 3.625% maturing on July 15, 2029		535,000
Bonds bearing interest at 3.750% maturing on July 15, 2030		555,000
Bonds bearing interest at 4.000% maturing on July 15, 2031		575,000
Bonds bearing interest at 4.000% maturing on July 15, 2032		600,000
Bonds bearing interest at 4.000% maturing on July 15, 2033		625,000
		<hr/>
Subtotal	\$	<u>25,879,942</u>

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

Bonds bearing interest at 2.000% maturing on August 1, 2014	\$	60,000
Bonds bearing interest at 2.000% maturing on August 1, 2015		60,000
Bonds bearing interest at 2.000% maturing on August 1, 2016		60,000
Bonds bearing interest at 2.000% maturing on August 1, 2017		65,000
Bonds bearing interest at 4.000% maturing on August 1, 2018		65,000
Bonds bearing interest at 3.000% maturing on August 1, 2019		70,000
Bonds bearing interest at 4.000% maturing on August 1, 2020		70,000
Bonds bearing interest at 4.000% maturing on August 1, 2021		75,000
Bonds bearing interest at 3.000% maturing on August 1, 2022		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	\$	<u>1,205,000</u>
Total General Obligation Bonds	\$	<u><u>29,459,475</u></u>

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

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Series 2004 Solid Waste Disposal System Refunding Bonds and on the City's \$1,000,000 Series 2008 General Obligation Bonds. JMU prepaid its fiscal year 2014 reimbursements totaling \$583,825 in the previous fiscal year. The total outstanding balance of the two bond issues at June 30, 2014 was \$1,390,000.

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 \$228,946. In June 2014, \$2,746,100 was removed through a partial advance refunding bond issue completed by the City. As of June 30, 2014, the outstanding balance of the loan is \$214,550.

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 \$441,225. As of June 30, 2014, the outstanding balance of the loan is \$5,500,000.

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. As of June 30, 2014, the outstanding balance of the loan is \$2,670,000.

### **Component Unit – School Board**

At June 30, 2014, the School Board had \$4,123,586 in long-term liabilities outstanding. This long-term liability is comprised of \$973,812 in compensated absences, of which \$302,855 is due within one year and \$3,149,774 in postretirement healthcare benefits, of which the entire amount is due in more than one year.

### **Component Unit – HEC**

At June 30, 2014, HEC had \$1,169,969 in long-term liabilities outstanding. This long-term liability is comprised of \$397,797 in compensated absences, of which the entire amount is due within one year and \$772,172 in postretirement health care benefits, of which the entire amount is due in more than one year.



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

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

## **Note 13. Series 2005 and 2006 Bonds Current and Advance Refunded and Defeased**

In June 2014, the City issued \$42,675,000 in General Obligation Public Improvement Refunding Bonds with an average interest rate of 2.83 percent to current and advance refund certain outstanding debt. A portion of the net proceeds of \$42,327,820 (after payment of \$257,393 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Series 2006 obligations described below. The remaining amount of \$5,146,875 from the bond issue was used to current refund the Series 2005 obligations described below.

**Series 2005 General Obligation Bonds.** The City refunded \$4,944,751 of outstanding Series 2005 Bonds with an average interest rate of 3.55 percent. The refunding bonds were issued to current refund the Series 2005 Bonds, and as a result, these bonds were removed from the City's outstanding debt.

**Series 2006 Public Improvement General Obligation Bonds.** The City refunded \$39,230,000 of outstanding Series 2006 Bonds (a partial refunding) with an average interest rate of 4.18 percent. The refunding bonds were issued to provide for future debt service payments on obligations due on February 1, 2017 through February 1, 2033. As a result, the Series 2006 Bonds due after February 1, 2017 are considered defeased and have been removed from the City's outstanding debt.

The advance refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by \$2,687,702. This difference, reported in the accompanying financial statements as deferred outflows of resources, is being amortized through fiscal year 2033. The City advance refunded the Series 2005 and 2006 Bonds to reduce its total debt service payments over the next 18 years by \$3,823,795 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,580,159.

## **Note 14. 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, 2014, there were three series of Industrial Development Authority Revenue Bonds and 12 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$225.9 million and \$97.5 million respectively.

**Note 15. Fund Balance**

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2014.

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$ 96,152	\$ -	\$ -	\$ 96,152
Prepaid expenditures	181,536	-	4,705	186,241
Loans receivable	375,000	-	-	375,000
<b>Total nonspendable fund balance</b>	<b>\$ 652,688</b>	<b>\$ -</b>	<b>\$ 4,705</b>	<b>\$ 657,393</b>
<b>Restricted for:</b>				
Law enforcement	\$ 322,201	\$ -	\$ -	\$ 322,201
City hall construction	-	9,385,562	-	9,385,562
Energy efficiency improvements	-	1,491,896	-	1,491,896
Other purposes	110,651	333,286	-	443,937
<b>Total restricted fund balance</b>	<b>\$ 432,852</b>	<b>\$ 11,210,744</b>	<b>\$ -</b>	<b>\$ 11,643,596</b>
<b>Committed to:</b>				
Rockingham County landfill obligation	\$ 2,697,965	\$ -	\$ -	\$ 2,697,965
Road projects	-	6,694,872	-	6,694,872
Ramblewood athletic facility	-	1,734,162	-	1,734,162
Trail projects	-	969,993	-	969,993
Sidewalk projects	-	769,418	-	769,418
Public transportation facility	-	585,445	-	585,445
City hall construction	-	380,888	-	380,888
Information technology strategic plan	-	250,000	-	250,000
School transportation	-	-	388,647	388,647
Other purposes	63,402	1,072,972	81,766	1,218,140
<b>Total committed fund balance</b>	<b>\$ 2,761,367</b>	<b>\$ 12,457,750</b>	<b>\$ 470,413</b>	<b>\$ 15,689,530</b>
<b>Assigned to:</b>				
Tax and cashiering software	\$ 332,880	\$ -	\$ -	\$ 332,880
Traffic light installations	290,652	-	-	290,652
Refuse collection trucks	157,888	-	-	157,888
Police vehicles	114,723	-	-	114,723
Subsequent years' expenditures	177,477	-	-	177,477
Other purposes	538,531	-	-	538,531
<b>Total assigned fund balance</b>	<b>\$ 1,612,151</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,612,151</b>

**Note 16. Harrisonburg Redevelopment and Housing Authority Agreements**

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

## **Note 16. Harrisonburg Redevelopment and Housing Authority Agreements (continued)**

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 revenues from any leases are insufficient to pay these expenses. Due to the change in use of the building, the City has recorded an asset for the land and building, as well as, a corresponding liability for the remainder of the pledge in governmental activities on the statement of net position.

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

The City 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 2014, the City made payments totaling \$67,668 to the Authority for this project.

## **Note 17. Pension Plan**

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

**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.

## Note 17. Pension Plan (continued)

**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 employees 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 City, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC) have decided to provide an employer paid comparable program to its employees.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

**Funding Policy.** Members are required to contribute five percent of their annual reported compensation to the VRS. In addition, the City, the School Board and HEC, are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The City and HEC's contribution rate for the fiscal year ended 2014 was 12.56 percent of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2014 was 8.06 percent of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2014 was 11.66 percent of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2014, 2013, and 2012 were \$3,810,965, \$3,238,381, and \$1,889,912, respectively, and were equal to the required contributions for each year.

**Note 17. Pension Plan (continued)**

**Annual Pension Cost.** For fiscal year 2014, the City of Harrisonburg and HEC’s annual pension cost of \$3,241,942 was equal to the required and actual contributions. The School Board’s non-professional employees annual pension cost of \$156,480 was equal to the required and actual contributions. The required contribution for fiscal year 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees, 3.75 percent to 6.2 percent per year for teachers and 3.50 percent to 4.75 percent per year for local law enforcement officers and firefighters, (c) a COLA adjustment of 2.5 percent per year for Plan 1 members and 2.25 percent for Plan 2 members. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the City’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City, HEC and the School Board’s non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 30 years. The following is the annual pension cost, the percentage of annual pension cost contributed to VRS and the net pension obligation for fiscal year 2014 and the preceding two fiscal years.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b>City of Harrisonburg and HEC Employees:</b>			
2014	\$ 3,241,942	100%	\$ -
2013	3,110,185	100%	-
2012	2,344,226	100%	-
<b>School Board Non-Professional Employees:</b>			
2014	\$ 156,480	100%	\$ -
2013	145,528	100%	-
2012	85,458	100%	-

**Funded Status and Funding Progress.** As of June 30, 2013, the most recent actuarial valuation date, the plan for City and HEC employees was 71.34 percent funded. The actuarial accrued liability for benefits was \$122,866,152, and the actuarial value of assets was \$87,653,305, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,212,847. The covered payroll (annual payroll of the active employees covered by the plan) was \$26,417,100 and the ratio of UAAL to the covered payroll was 133.30 percent.

As of June 30, 2013, the most recent actuarial valuation date, the plan for the School Board non-professional employees was 92.60 percent funded. The actuarial accrued liability for benefits was \$6,298,876, and the actuarial value of assets was \$5,832,971, resulting in an unfunded actuarial accrued liability (UAAL) of \$465,905. The covered payroll (annual payroll of the active employees covered by the plan) was \$1,885,137 and the ratio of UAAL to the covered payroll was 24.71 percent.

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

**Note 18. 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

**Note 18. Postretirement Healthcare Benefit Plan (continued)**

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.

**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 2014, 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	\$ 800,771	\$ 943,773
Interest on the net OPEB obligation	120,775	117,663
Adjustment to the annual required contribution	<u>(128,456)</u>	<u>(125,109)</u>
Annual OPEB cost (expense)	793,090	936,327
Contributions made	<u>(286,825)</u>	<u>(728,118)</u>
Increase in the net OPEB obligation	506,265	208,209
Net OPEB obligation at beginning of year	<u>3,019,386</u>	<u>2,941,565</u>
Net OPEB obligation at end of year	<u>\$ 3,525,651</u>	<u>\$ 3,149,774</u>

## Note 18. Postretirement Healthcare Benefit Plan (continued)

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2014 and the preceding two fiscal years for the City and School Board.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>City of Harrisonburg:</b>			
2014	\$ 793,090	36.2%	\$ 3,525,651
2013	1,043,794	40.7%	3,019,386
2012	997,133	39.8%	2,400,928
<b>School Board:</b>			
2014	\$ 936,327	77.8%	\$ 3,149,774
2013	1,355,114	53.2%	2,941,565
2012	1,301,334	56.8%	2,307,051

### Funded Status and Funding Progress

**City of Harrisonburg.** As of July 1, 2013, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$8,397,248. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$8,397,248. The covered payroll (annual payroll of the active employees covered by the plan) was \$22,015,601 and the ratio of UAAL to the covered payroll was 38.14 percent.

**School Board.** As of July 1, 2013, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,572,262. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,572,262. The covered payroll (annual payroll of the active employees covered by the plan) was \$34,053,658, and the ratio of UAAL to the covered payroll was 31.04 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, 2013 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 unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over an initial 30 year period. The projected payroll growth rate is assumed to be 2.5 percent per year.

**School Board.** In the July 1, 2013 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 unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over an initial 30 year period. The projected payroll growth rate is assumed to be 2.5 percent per year.

## **Note 18. Postretirement Healthcare Benefit Plan (continued)**

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

### **Component Unit – HEC**

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

## **Note 19. 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. 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/2013-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 2014 was 1.11 percent of annual covered payroll. Total contributions made by the School Board to the program for the fiscal years ending June 30, 2014, 2013, and 2012 were \$362,507, \$308,569, and \$179,324, respectively, and were equal to the required contributions for each year.

## **Note 20. 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. \$1,575,270 of the amount reported as landfill closure and postclosure care liability at June 30, 2014 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 \$567,202 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the General Fund and General Capital Projects Fund.

## **Note 21. Rockingham County Landfill Liability Agreement**

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



**Note 22. Intangible Assets**

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

**Note 23. Transactions with Component Units**

In fiscal year 2014, the City’s General Fund made contributions to the School Board, a component unit, totaling \$27,344,636. These contributions are made in equal monthly installments for the purpose of funding the School Board’s operating budget.

In fiscal year 2014, 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 24. Joint Ventures**

**Harrisonburg-Rockingham Regional Sewer Authority.** The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2014, the City’s contributions totaled \$6,073,718 of which \$2,877,765 was for operations, \$2,814,570 was for debt service and \$381,383 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 \$63.9 million of total debt outstanding at June 30, 2014. 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
2015	\$ 1,762,654	\$ 1,048,180	\$ 2,810,834
2016	1,829,654	982,171	2,811,825
2017	1,897,902	912,141	2,810,043
2018	1,971,136	839,125	2,810,261
2019	2,045,703	766,370	2,812,073
2020-2024	9,582,354	2,678,281	12,260,635
2025-2029	8,370,267	1,235,993	9,606,260
2030-2031	2,788,720	92,374	2,881,094
Total	<u>\$ 30,248,390</u>	<u>\$ 8,554,635</u>	<u>\$ 38,803,025</u>

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,789,042	\$ 3,362,684	\$ 426,358
Restricted assets	3,187,027	3,155,786	31,241
Capital assets	91,740,489	95,620,300	(3,879,811)
Other assets	<u>758,709</u>	<u>755,656</u>	<u>3,053</u>
Total assets	<u>99,475,267</u>	<u>102,894,426</u>	<u>(3,419,159)</u>
Deferred outflows of resources	<u>640,544</u>	<u>720,612</u>	<u>(80,068)</u>
Current liabilities	2,367,741	2,190,157	177,584
Liabilities payable from restricted assets	2,362,279	2,355,426	6,853
Long-term liabilities	<u>60,693,569</u>	<u>64,215,159</u>	<u>(3,521,590)</u>
Total liabilities	<u>65,423,589</u>	<u>68,760,742</u>	<u>(3,337,153)</u>
Net position	<u>\$ 34,692,222</u>	<u>\$ 34,854,296</u>	<u>\$ (162,074)</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 2014, the City's contributions totaled \$1,453,812. 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, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,133,619	\$ 3,486,301	\$ (352,682)
Capital assets	<u>2,488,633</u>	<u>2,406,249</u>	<u>82,384</u>
Total assets	<u>5,622,252</u>	<u>5,892,550</u>	<u>(270,298)</u>
Current liabilities	67,356	69,826	(2,470)
Long-term liabilities	<u>455,616</u>	<u>407,548</u>	<u>48,068</u>
Total liabilities	<u>522,972</u>	<u>477,374</u>	<u>45,598</u>
Net position	<u>\$ 5,099,280</u>	<u>\$ 5,415,176</u>	<u>\$ (315,896)</u>

**Note 25. Jointly Governed Organizations**

**Harrisonburg-Rockingham Social Services District (District).** The District was established by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$3,038,232 to the District in fiscal year 2014.

**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 \$204,432 to the Commission in fiscal year 2014.

**Note 26. Related Organization**

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

**Note 27. Restatement of Beginning Net Position**

The beginning net position of the governmental activities and the business-type activities on the statement of activities and for the Water Fund and Steam Plant Fund in the fund financial statements have been restated due to the implementation of GASB Statement No. 65. The following is a summary of the restatement made to the beginning net position of the government-wide activities and proprietary funds at June 30, 2014.

	Government-wide		Proprietary Funds	
	Governmental Activities	Business-type Activities	Water Fund	Steam Plant Fund
Net position at the beginning of year, as previously reported	\$ 179,047,233	\$ 83,021,439	\$ 42,509,620	\$ 5,333,304
Restatement for:				
Bond issuance costs	<u>(1,110,540)</u>	<u>(349,927)</u>	<u>(135,226)</u>	<u>(214,701)</u>
Net position at the beginning of year as restated	<u>\$ 177,936,693</u>	<u>\$ 82,671,512</u>	<u>\$ 42,374,394</u>	<u>\$ 5,118,603</u>

**Note 28. Capital Asset Impairment and Special Item**

The City owns and operates a steam plant facility that burns municipal solid waste and converts the waste to steam which is purchased by James Madison University (JMU) to be used for its heating and cooling needs for certain areas of its campus. Prior to year-end, the City indefinitely ceased operations for the portion of the steam plant that burns solid waste with the portion of the plant that provides heating and cooling needs to JMU still in operation using natural gas. The City is currently 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 steam plant facility to James Madison University for \$4.2 million. The City has determined that as of year-end there was a permanent capital asset impairment to the facility. A \$10.1 million impairment loss has been recognized at year-end to reflect the expected \$4.2 million sales price and is shown as a special item in the Steam Plant Fund, a proprietary fund, and in business-type activities in the government-wide financial statements.

**Note 29. Commitments**

The City has a contract outstanding for the construction of a new Public Transportation department facility. The contract totals \$16.3 million, of which \$14.1 had been expended as of June 30, 2014. This contract is a commitment of the General Capital Projects Fund and Public Transportation Fund, and is being financed through transfers from the General Fund, federal and state intergovernmental revenue and previously issued bonds.

The City has a construction contract outstanding for remediation of the City's closed landfill and subsequent rebuild of the Ramblewood Road athletic facilities. The contract totals \$5.1 million, of which \$4.3 had been expended as of June 30, 2014. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and the issuance of bonds.

The City has a construction contract outstanding for energy efficiency improvements to several facilities. The contract totals \$2 million, of which \$482,328 had been expended as of June 30, 2014. This contract is a commitment of the General Capital Projects Fund and is being financed through the issuance of bonds.

The City has a construction contract outstanding for the construction of a new city hall facility. The contract totals \$9.2 million, of which \$257,277 had been expended as of June 30, 2014. This contract is a commitment of the General Capital Projects Fund and is being financed through the issuance of bonds.

The City has two construction contracts outstanding for Phase I of the Bluestone Trail. The contracts total \$1.4 million, of which \$418,782 had been expended as of June 30, 2014. 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, Federal Government and James Madison University.

The following is a summary of significant encumbrances at June 30, 2014.

	General Fund	General Capital Projects Fund	Total
Tax and cashiering software	\$ 332,880	\$ -	\$ 332,880
Traffic light installations	290,652	-	290,652
Police vehicles	114,723	-	114,723
Refuse collection trucks	157,888	-	157,888
Energy efficiency improvements to several facilities	-	1,467,672	1,467,672
Engineering/architecture and construction for a new City Hall	-	9,005,926	9,005,926
Engineering and construction for Bluestone Trail	-	1,019,989	1,019,989
Engineering and utility relocations for Reservoir Street	-	930,715	930,715
Engineering design for future street improvement projects	-	581,379	581,379
Other purposes	538,531	349,441	887,972
Total encumbrances	<u>\$ 1,434,674</u>	<u>\$ 13,355,122</u>	<u>\$ 14,789,796</u>

**Note 30. 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.

**Note 30. Contingencies (continued)**

The City is currently subject to a potential legal proceeding concerning the fatality of a pedestrian struck by a City transit bus and a refiled suit is in the process of being served on the City. The City has insurance coverage for this matter through the Virginia Transit Liability Pool.

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 31. 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 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, 2012 to June 30, 2014:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2014	\$ 1,140,874	\$ 14,879,231	\$ 14,452,134	\$ 1,567,971
2013	936,349	12,518,765	12,314,240	1,140,874

### **Note 32. New Governmental Accounting Standards Board (GASB) Standards**

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

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. This Statement establishes financial reporting standards for contributions made to a defined benefit pension plan, if any, after the measurement date of the government's beginning net pension liability. In general, contributions made to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period will be recognized as a deferred outflow of resources. The provisions of the statement are effective for fiscal year 2015 and management has not yet determined the effect, if any, it will have on the City's financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

Exhibit 12

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>City of Harrisonburg and Harrisonburg Electric Commission Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2013	\$ 87,653,305	\$ 122,866,152	\$ 35,212,847	71.34%	\$ 26,417,100	133.30%
June 30, 2012	84,052,127	119,989,785	35,937,658	70.05%	25,068,095	143.36%
June 30, 2011	84,286,282	115,022,557	30,736,275	73.28%	25,093,369	122.49%
<b>City of Harrisonburg School Board Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2013	\$ 5,832,971	\$ 6,298,876	\$ 465,905	92.60%	\$ 1,885,137	24.71%
June 30, 2012	5,586,431	6,241,837	655,406	89.50%	1,782,621	36.77%
June 30, 2011	5,555,694	6,050,297	494,603	91.83%	1,735,294	28.50%
<b>City of Harrisonburg Postretirement Healthcare Benefit Plan</b>						
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%
July 1, 2011	-	10,164,551	10,164,551	0.00%	21,212,679	47.92%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
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%
July 1, 2011	-	12,150,967	12,150,967	0.00%	30,114,574	40.35%
<b>Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan</b>						
July 1, 2012	\$ -	\$ 1,304,300	\$ 1,304,300	0.00%	\$ 2,775,500	46.99%
July 1, 2010	-	772,172	772,172	0.00%	2,798,787	27.59%
July 1, 2009	-	755,941	755,941	0.00%	2,688,337	28.12%

**Note 1. Defined Benefit Pension Plans**

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

- The Average Final Compensation for active non-vested members of Plan 1 was increased from the highest 36 consecutive months of service to the highest 60 consecutive months of service.
- The benefit multiplier for active non-vested members of Plan 1 and all Plan 2 members was lowered from 1.7 percent to 1.65 percent. This benefit provision does not pertain to hazardous duty position members.
- The eligibility for unreduced retirement benefits for active non-vested members in Plan 1 will begin at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. This benefit provision does not pertain to hazardous duty position members.
- The maximum COLA increase for active non-vested members in Plan 1 and all Plan 2 members will be 3 percent.

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

**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.

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

**OTHER  
SUPPLEMENTARY INFORMATION**

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## Nonmajor Governmental Funds

### Special Revenue Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
At June 30, 2014

Exhibit A-1

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 510,533	\$ 81,559	\$ 592,092
Receivables	148,320	15,356	207	163,883
Due from component units	-	28,200	-	28,200
Prepaid expenditures	-	4,705	-	4,705
Loans receivable	-	-	89,051	89,051
<b>Total assets</b>	<u>\$ 148,320</u>	<u>\$ 558,794</u>	<u>\$ 170,817</u>	<u>\$ 877,931</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 49,937	\$ 5,468	\$ -	\$ 55,405
Accrued payroll	1,538	130,357	-	131,895
Due to other funds	96,845	-	-	96,845
Due to component units	-	1,337	-	1,337
Unearned revenue	-	28,280	89,051	117,331
<b>Total liabilities</b>	<u>148,320</u>	<u>165,442</u>	<u>89,051</u>	<u>402,813</u>
Fund Balances:				
Nonspendable:				
Prepaid expenditures	-	4,705	-	4,705
Committed	-	388,647	81,766	470,413
<b>Total fund balances</b>	<u>-</u>	<u>393,352</u>	<u>81,766</u>	<u>475,118</u>
<b>Total liabilities and fund balances</b>	<u>\$ 148,320</u>	<u>\$ 558,794</u>	<u>\$ 170,817</u>	<u>\$ 877,931</u>

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

Exhibit A-2

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
<b>Revenues:</b>				
Use of money and property	\$ -	\$ 181	\$ 49	\$ 230
Charges for services	-	2,686,087	-	2,686,087
Miscellaneous	-	3,513	63,514	67,027
Intergovernmental	533,528	-	31,800	565,328
Total revenues	<u>533,528</u>	<u>2,689,781</u>	<u>95,363</u>	<u>3,318,672</u>
<b>Expenditures:</b>				
Current:				
Education	-	2,568,003	-	2,568,003
Planning and community development	533,528	-	50,000	583,528
Total expenditures	<u>533,528</u>	<u>2,568,003</u>	<u>50,000</u>	<u>3,151,531</u>
<b>Excess of revenues over expenditures</b>	-	121,778	45,363	167,141
Fund balances at beginning of year	-	271,574	36,403	307,977
Fund balances at end of year	<u>\$ -</u>	<u>\$ 393,352</u>	<u>\$ 81,766</u>	<u>\$ 475,118</u>

CITY OF HARRISONBURG, VIRGINIA  
 SCHOOL TRANSPORTATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2014

Exhibit A-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 181	\$ 181
Charges for services	2,748,752	2,748,752	2,686,087	(62,665)
Miscellaneous	-	-	3,513	3,513
Total revenues	<u>2,748,752</u>	<u>2,748,752</u>	<u>2,689,781</u>	<u>(58,971)</u>
<b>Expenditures:</b>				
Current:				
Education	<u>2,748,752</u>	<u>2,748,752</u>	<u>2,568,003</u>	<u>180,749</u>
Total expenditures	<u>2,748,752</u>	<u>2,748,752</u>	<u>2,568,003</u>	<u>180,749</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	121,778	<u>\$ 121,778</u>
Fund balance at beginning of year			<u>271,574</u>	
Fund balance at end of year			<u>\$ 393,352</u>	



BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 49	\$ 49
Miscellaneous	23,230	58,230	63,514	5,284
Intergovernmental	31,000	31,000	31,800	800
Total revenues	<u>54,230</u>	<u>89,230</u>	<u>95,363</u>	<u>6,133</u>
<b>Expenditures:</b>				
Current:				
Planning and community development	62,875	97,875	50,000	47,875
Total expenditures	<u>62,875</u>	<u>97,875</u>	<u>50,000</u>	<u>47,875</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (8,645)</u>	<u>\$ (8,645)</u>	45,363	<u>\$ 54,008</u>
Fund balance at beginning of year			<u>36,403</u>	
Fund balance at end of year			<u>\$ 81,766</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, 2014

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 557,181	\$ -	\$ 2,337,488	\$ 2,894,669
Receivables	4,133	-	109,054	113,187
Due from component units	6,176	-	40,974	47,150
Inventory	170,897	1,231,753	-	1,402,650
Prepaid expenses	14,789	-	-	14,789
<b>Total current assets</b>	<u>753,176</u>	<u>1,231,753</u>	<u>2,487,516</u>	<u>4,472,445</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	105,441	594,433	-	699,874
<b>Total noncurrent assets</b>	<u>105,441</u>	<u>594,433</u>	<u>-</u>	<u>699,874</u>
<b>Total assets</b>	<u>858,617</u>	<u>1,826,186</u>	<u>2,487,516</u>	<u>5,172,319</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	212,532	6,453	1,567,971	1,786,956
Accrued payroll	12,869	2,039	-	14,908
Due to other funds	-	281,705	-	281,705
Due to component units	402	394	-	796
Unearned revenue	-	-	635,020	635,020
Compensated absences	43,100	7,558	-	50,658
<b>Total current liabilities</b>	<u>268,903</u>	<u>298,149</u>	<u>2,202,991</u>	<u>2,770,043</u>
Noncurrent liabilities:				
Compensated absences	39,997	7,380	-	47,377
Postretirement healthcare benefits	85,350	10,756	-	96,106
<b>Total noncurrent liabilities</b>	<u>125,347</u>	<u>18,136</u>	<u>-</u>	<u>143,483</u>
<b>Total liabilities</b>	<u>394,250</u>	<u>316,285</u>	<u>2,202,991</u>	<u>2,913,526</u>
<b>Net position</b>				
Net investment in capital assets	105,441	594,433	-	699,874
Unrestricted	358,926	915,468	284,525	1,558,919
<b>Total net position</b>	<u>\$ 464,367</u>	<u>\$ 1,509,901</u>	<u>\$ 284,525</u>	<u>\$ 2,258,793</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2014**

**Exhibit B-2**

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 3,714,803	\$ 817,782	\$ 14,366,632	\$ 18,899,217
Total operating revenues	<u>3,714,803</u>	<u>817,782</u>	<u>14,366,632</u>	<u>18,899,217</u>
<b>Operating expenses:</b>				
Personal services	541,488	87,657	-	629,145
Fringe benefits	197,681	28,878	-	226,559
Purchased services	161,346	9,658	593,261	764,265
Internal services	3,302	2,173	-	5,475
Other charges	42,629	16,628	858,673	917,930
Materials and supplies	59,622	2,439	-	62,061
Depreciation	12,071	21,529	-	33,600
Cost of inventory issued	2,712,860	887,098	-	3,599,958
Claims related charges	-	-	14,879,231	14,879,231
Total operating expenses	<u>3,730,999</u>	<u>1,056,060</u>	<u>16,331,165</u>	<u>21,118,224</u>
<b>Operating loss</b>	<u>(16,196)</u>	<u>(238,278)</u>	<u>(1,964,533)</u>	<u>(2,219,007)</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	26,392	-	-	26,392
Participant assessments	-	-	681,432	681,432
Investment revenue	527	-	1,250	1,777
Loss on disposal of capital assets	(5,881)	-	-	(5,881)
Total nonoperating revenues	<u>21,038</u>	<u>-</u>	<u>682,682</u>	<u>703,720</u>
<b>Income (loss) before contributions and transfers</b>	4,842	(238,278)	(1,281,851)	(1,515,287)
Capital contributions	70,459	-	-	70,459
Transfers in	26,730	143,794	600,000	770,524
Transfers out	-	-	-	-
<b>Change in net position</b>	102,031	(94,484)	(681,851)	(674,304)
Net position at beginning of year	<u>362,336</u>	<u>1,604,385</u>	<u>966,376</u>	<u>2,933,097</u>
Net position at end of year	<u>\$ 464,367</u>	<u>\$ 1,509,901</u>	<u>\$ 284,525</u>	<u>\$ 2,258,793</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,715,263	\$ 817,782	\$ -	\$ 4,533,045
Receipts from premiums	-	-	14,425,222	14,425,222
Receipts other sources	26,557	-	531,404	557,961
Payments to employees	(544,884)	(81,805)	-	(626,689)
Payments for fringe benefits	(185,407)	(27,037)	-	(212,444)
Payments to vendors	(3,001,778)	(905,753)	(1,451,933)	(5,359,464)
Payments for internal services	(3,302)	(2,173)	-	(5,475)
Payments for claims related charges	-	-	(14,452,134)	(14,452,134)
Net cash provided by (used for) operating activities	<u>6,449</u>	<u>(198,986)</u>	<u>(947,441)</u>	<u>(1,139,978)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	26,730	143,794	600,000	770,524
Transfers out	-	-	-	-
Interfund loan	-	55,192	-	55,192
Net cash provided by noncapital financing activities	<u>26,730</u>	<u>198,986</u>	<u>600,000</u>	<u>825,716</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>527</u>	<u>-</u>	<u>1,250</u>	<u>1,777</u>
Net cash provided by investing activities	<u>527</u>	<u>-</u>	<u>1,250</u>	<u>1,777</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	33,706	-	(346,191)	(312,485)
<b>Cash and cash equivalents:</b>				
Beginning	<u>523,475</u>	<u>-</u>	<u>2,683,679</u>	<u>3,207,154</u>
Ending	<u>\$ 557,181</u>	<u>\$ -</u>	<u>\$ 2,337,488</u>	<u>\$ 2,894,669</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>				
Operating loss	\$ (16,196)	\$ (238,278)	\$ (1,964,533)	\$ (2,219,007)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	12,071	21,529	-	33,600
Miscellaneous revenue	26,557	-	-	26,557
Participant assessments	-	-	531,404	531,404
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	153	-	-	153
Due from component units	307	-	-	307
Inventory	(70,399)	6,032	-	(64,367)
Prepaid expenses	(6,425)	-	-	(6,425)
Increase (decrease) in:				
Accounts payable	51,414	3,966	427,097	482,477
Accrued payroll	2,332	371	-	2,703
Due to component units	88	72	-	160
Unearned revenue	-	-	58,591	58,591
Compensated absences	(6,002)	5,925	-	(77)
Postretirement healthcare benefits	12,549	1,397	-	13,946
Net cash provided by (used for) operating activities	<u>\$ 6,449</u>	<u>\$ (198,986)</u>	<u>\$ (947,441)</u>	<u>\$ (1,139,978)</u>
<b>Non - cash capital and related financing activities:</b>				
Additions to capital assets:				
Contributed by other funds	70,459	-	-	70,459

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## Agency Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 At June 30, 2014

Exhibit C-1

	<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	\$ 36,323	\$ 92,681	\$ 2,954,639	\$ 3,083,643
Receivables	<u>-</u>	<u>-</u>	<u>89,810</u>	<u>89,810</u>
<b>Total assets</b>	<u>\$ 36,323</u>	<u>\$ 92,681</u>	<u>\$ 3,044,449</u>	<u>\$ 3,173,453</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,481	\$ -	\$ 24,302	\$ 27,783
Accrued payroll	2,294	-	43,054	45,348
Amounts held for others	<u>30,548</u>	<u>92,681</u>	<u>2,977,093</u>	<u>3,100,322</u>
<b>Total liabilities</b>	<u>\$ 36,323</u>	<u>\$ 92,681</u>	<u>\$ 3,044,449</u>	<u>\$ 3,173,453</u>

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Juvenile Crime Control Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 39,013	\$ 69,536	\$ 72,226	\$ 36,323
<b>Total assets</b>	<b>\$ 39,013</b>	<b>\$ 69,536</b>	<b>\$ 72,226</b>	<b>\$ 36,323</b>
Liabilities:				
Accounts payable	\$ 2,633	\$ 3,481	\$ 2,633	\$ 3,481
Accrued payroll	722	2,294	722	2,294
Amounts held for others	35,658	69,535	74,645	30,548
<b>Total liabilities</b>	<b>\$ 39,013</b>	<b>\$ 75,310</b>	<b>\$ 78,000</b>	<b>\$ 36,323</b>
<b><u>Industrial Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 111,654	\$ 16,952	\$ 35,925	\$ 92,681
<b>Total assets</b>	<b>\$ 111,654</b>	<b>\$ 16,952</b>	<b>\$ 35,925</b>	<b>\$ 92,681</b>
Liabilities:				
Amounts held for others	\$ 111,654	\$ 16,952	\$ 35,925	\$ 92,681
<b>Total liabilities</b>	<b>\$ 111,654</b>	<b>\$ 16,952</b>	<b>\$ 35,925</b>	<b>\$ 92,681</b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 3,241,944	\$ 3,867,726	\$ 4,155,031	\$ 2,954,639
Receivables	154,889	79,168	144,247	89,810
Prepaid items	89,468	-	89,468	-
<b>Total assets</b>	<b>\$ 3,486,301</b>	<b>\$ 3,946,894</b>	<b>\$ 4,388,746</b>	<b>\$ 3,044,449</b>
Liabilities:				
Accounts payable	\$ 37,861	\$ 24,302	\$ 37,861	\$ 24,302
Accrued payroll	31,965	43,054	31,965	43,054
Amounts held for others	3,416,475	3,802,647	4,242,029	2,977,093
<b>Total liabilities</b>	<b>\$ 3,486,301</b>	<b>\$ 3,870,003</b>	<b>\$ 4,311,855</b>	<b>\$ 3,044,449</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2014

	<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	\$ 3,392,611	\$ 3,954,214	\$ 4,263,182	\$ 3,083,643
Receivables	154,889	79,168	144,247	89,810
Prepaid items	89,468	-	89,468	-
<b>Total assets</b>	<b>\$ <u>3,636,968</u></b>	<b>\$ <u>4,033,382</u></b>	<b>\$ <u>4,496,897</u></b>	<b>\$ <u>3,173,453</u></b>
Liabilities:				
Accounts payable	\$ 40,494	\$ 27,783	\$ 40,494	\$ 27,783
Accrued payroll	32,687	45,348	32,687	45,348
Amounts held for others	3,563,787	3,889,134	4,352,599	3,100,322
<b>Total liabilities</b>	<b>\$ <u>3,636,968</u></b>	<b>\$ <u>3,962,265</u></b>	<b>\$ <u>4,425,780</u></b>	<b>\$ <u>3,173,453</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, 2014

Exhibit D-1

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 5,694,923	\$ 1,601,623	\$ 83	\$ 7,296,629
Receivables	1,810,015	65,714	-	1,875,729
Due from component units	55,776	-	-	55,776
Inventory	-	99,517	-	99,517
Prepaid expenditures	388,318	8,500	-	396,818
<b>Total assets</b>	<b>\$ 7,949,032</b>	<b>\$ 1,775,354</b>	<b>\$ 83</b>	<b>\$ 9,724,469</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 44,695	\$ -	\$ -	\$ 44,695
Accrued payroll	6,184,256	173,883	-	6,358,139
Due to primary government	28,200	-	-	28,200
Due to component units	115,868	-	-	115,868
Other liabilities	541,856	-	-	541,856
<b>Total liabilities</b>	<b>6,914,875</b>	<b>173,883</b>	<b>-</b>	<b>7,088,758</b>
Fund Balances:				
Nonspendable:				
Inventory	-	99,517	-	99,517
Prepaid expenditures	388,318	8,500	-	396,818
Committed to:				
Food services	-	1,493,454	-	1,493,454
Assigned to:				
Instruction	51,760	-	-	51,760
Administration, attendance and health	225	-	-	225
Operations and maintenance	12,294	-	-	12,294
Facilities	4,226	-	-	4,226
Subsequent years' expenditures	-	-	83	83
Unassigned	577,334	-	-	577,334
<b>Total fund balances</b>	<b>1,034,157</b>	<b>1,601,471</b>	<b>83</b>	<b>2,635,711</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,949,032</b>	<b>\$ 1,775,354</b>	<b>\$ 83</b>	<b>\$ 9,724,469</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, 2014**

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**Exhibit D-2**

Total fund balances of governmental funds (Exhibit D-1)	\$ 2,635,711
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.	35,611,759
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(4,123,586)</u>
Net position of governmental activities (Exhibit 1)	\$ <u><u>34,123,884</u></u>

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Use of money and property	\$ 45,007	\$ 1,364	\$ -	\$ 46,371
Charges for services	1,554,026	531,658	-	2,085,684
Miscellaneous	220,684	14,512	-	235,196
Payment from primary government	27,344,636	-	-	27,344,636
Intergovernmental	31,612,061	2,683,512	-	34,295,573
Total revenues	<u>60,776,414</u>	<u>3,231,046</u>	<u>-</u>	<u>64,007,460</u>
<b>Expenditures:</b>				
Current:				
Instruction	46,847,949	-	-	46,847,949
Administration, attendance and health	3,608,039	-	-	3,608,039
Pupil transportation	2,789,335	-	-	2,789,335
Operations and maintenance	4,716,594	-	-	4,716,594
Food services	-	3,098,808	-	3,098,808
Facilities	38,774	-	-	38,774
Technology	2,434,614	14,782	-	2,449,396
Payment to primary government	531,404	-	-	531,404
Capital projects	-	-	159,587	159,587
Total expenditures	<u>60,966,709</u>	<u>3,113,590</u>	<u>159,587</u>	<u>64,239,886</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(190,295)	117,456	(159,587)	(232,426)
Fund balances at beginning of year	<u>1,224,452</u>	<u>\$ 1,484,015</u>	<u>159,670</u>	<u>2,868,137</u>
Fund balances at end of year	<u>\$ 1,034,157</u>	<u>\$ 1,601,471</u>	<u>\$ 83</u>	<u>\$ 2,635,711</u>



**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

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**Exhibit D-4**

Total net change in fund balances of governmental funds (Exhibit D-3)	\$	(232,426)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>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.</p>		
		(96,871)
<p>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.</p>		
Capital outlay expenditures	\$ 268,972	
Depreciation expense	<u>(1,576,355)</u>	
Net adjustment	<u>\$ (1,307,383)</u>	(1,307,383)
<p>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.</p>		
		(302,836)
<p>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.</p>		
		<u>2,761,724</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>822,208</u></u>

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, 2014

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 20,000	\$ 20,000	\$ 45,007	\$ 25,007
Charges for services	1,502,175	1,502,175	1,554,026	51,851
Miscellaneous	158,042	176,042	220,684	44,642
Payment from primary government	27,301,636	27,344,636	27,344,636	-
Intergovernmental	30,671,858	31,187,024	31,612,061	425,037
Total revenues	<u>59,653,711</u>	<u>60,229,877</u>	<u>60,776,414</u>	<u>546,537</u>
<b>Expenditures:</b>				
Current:				
Instruction	46,111,334	46,929,603	46,847,949	81,654
Administration, attendance and health	3,541,008	3,523,122	3,608,039	(84,917)
Pupil transportation	2,873,124	2,793,097	2,789,335	3,762
Operations and maintenance	4,802,217	4,615,166	4,716,594	(101,428)
Facilities	-	43,000	38,774	4,226
Technology	2,326,028	2,432,118	2,434,614	(2,496)
Payment to primary government	-	531,404	531,404	-
Total expenditures	<u>59,653,711</u>	<u>60,867,510</u>	<u>60,966,709</u>	<u>(99,199)</u>
<b>Deficiency of revenues under expenditures</b>	\$ <u>-</u>	\$ <u>(637,633)</u>	(190,295)	\$ <u>447,338</u>
Fund balance at beginning of year			<u>1,224,452</u>	
Fund balance at end of year			\$ <u>1,034,157</u>	

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHOOL NUTRITION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,364	\$ (636)
Charges for services	517,511	517,511	531,658	14,147
Miscellaneous	22,000	22,000	14,512	(7,488)
Payment from primary government	-	-	-	-
Intergovernmental	2,463,836	2,463,836	2,683,512	219,676
Total revenues	<u>3,005,347</u>	<u>3,005,347</u>	<u>3,231,046</u>	<u>225,699</u>
<b>Expenditures:</b>				
Current:				
Food services	2,990,347	2,990,347	3,098,808	(108,461)
Technology	15,000	15,000	14,782	218
Total expenditures	<u>3,005,347</u>	<u>3,005,347</u>	<u>3,113,590</u>	<u>(108,243)</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	117,456	<u>\$ 117,456</u>
Fund balance at beginning of year			<u>1,484,015</u>	
Fund balance at end of year			<u>\$ 1,601,471</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, 2014**

<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	\$ 24,250,600	\$ 24,246,195	\$ (4,405)
Real and personal public service corporation property taxes	337,700	294,775	(42,925)
Personal property taxes	7,023,200	6,926,126	(97,074)
Mobile home taxes	6,400	6,485	85
Machinery and tools taxes	1,800,000	1,869,428	69,428
Penalties and interest	215,000	216,744	1,744
Total general property taxes	<u>33,632,900</u>	<u>33,559,753</u>	<u>(73,147)</u>
Other local taxes:			
Local sales and use taxes	11,596,300	11,956,912	360,612
Consumer utility taxes	1,099,400	1,099,063	(337)
Business license taxes	6,020,000	6,246,573	226,573
Motor vehicle license taxes	815,000	888,410	73,410
Bank stock taxes	525,000	562,403	37,403
Taxes on recordation and wills	315,000	443,901	128,901
Tobacco taxes	676,900	634,796	(42,104)
Admission and amusement taxes	177,300	144,475	(32,825)
Hotel and motel room taxes	2,032,800	2,110,603	77,803
Restaurant food taxes	10,066,200	10,436,529	370,329
Short-term rental taxes	84,100	103,840	19,740
Public right-of-way use fee	115,000	113,176	(1,824)
Total other local taxes	<u>33,523,000</u>	<u>34,740,681</u>	<u>1,217,681</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	8,000	4,615	(3,385)
Permits and other licenses	520,250	451,266	(68,984)
Total permits, privilege fees and regulatory licenses	<u>528,250</u>	<u>455,881</u>	<u>(72,369)</u>
Fines and forfeitures:			
Court fines	465,000	651,517	186,517
Parking fines	50,000	47,995	(2,005)
Drug forfeiture	-	428,094	428,094
Total fines and forfeitures	<u>515,000</u>	<u>1,127,606</u>	<u>612,606</u>
Use of money and property:			
Use of money	50,000	41,518	(8,482)
Use of property	115,000	113,752	(1,248)
Total use of money and property	<u>165,000</u>	<u>155,270</u>	<u>(9,730)</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, 2014

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for sanitation and waste removal	\$ 5,620,000	\$ 5,886,792	\$ 266,792
Charges for law enforcement and traffic control	78,549	69,085	(9,464)
Charges for parking	130,200	126,543	(3,657)
Charges for rescue services	100,000	108,744	8,744
Charges for parks and recreation	466,500	430,485	(36,015)
Charges for golf course	669,100	712,913	43,813
Total charges for services	<u>7,064,349</u>	<u>7,334,562</u>	<u>270,213</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	374,544	374,544	-
Service charge on tax exempt property	55,000	62,418	7,418
Debt service reimbursement from HRHA	670,171	670,171	-
Donations - JMU & EMU	130,000	265,000	135,000
Donations	79,894	67,437	(12,457)
Other miscellaneous	462,915	958,411	495,496
Total miscellaneous	<u>1,772,524</u>	<u>2,397,981</u>	<u>625,457</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	4,900,000	4,900,000	-
Total payments from component units	<u>4,900,000</u>	<u>4,900,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	16,000	18,924	2,924
Mobile home titling taxes	3,000	4,526	1,526
Tax on deeds (grantor tax)	125,000	150,184	25,184
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,700,000	1,627,670	(72,330)
Auto rental taxes	186,000	196,851	10,851
Animal friendly license plate	500	610	110
Total non-categorical aid	<u>3,553,083</u>	<u>3,521,348</u>	<u>(31,735)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	133,900	133,100	(800)
Treasurer	116,390	121,214	4,824
Medical examiner fees	-	-	-
Registrar	44,290	46,540	2,250
Total shared expenses	<u>294,580</u>	<u>300,854</u>	<u>6,274</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, 2014

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 137,000	\$ 146,904	\$ 9,904
Other fire department	150,474	152,443	1,969
Internet crimes against children grant	17,623	26,397	8,774
Litter control grant	8,000	9,818	1,818
State aid to localities, police	1,308,768	1,308,768	-
Street and highway maintenance	3,975,000	4,122,486	147,486
VDOT revenue sharing	278,571	278,571	-
Other categorical aid	50	37,358	37,308
Total other categorical aid	<u>5,875,486</u>	<u>6,082,745</u>	<u>207,259</u>
Total categorical aid	<u>6,170,066</u>	<u>6,383,599</u>	<u>213,533</u>
Total revenue from the Commonwealth	<u>9,723,149</u>	<u>9,904,947</u>	<u>181,798</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	179,673	222,040	42,367
Police grants	154,649	82,307	(72,342)
Other categorical aid	-	53,812	53,812
Total revenue from the Federal Government	<u>334,322</u>	<u>358,159</u>	<u>23,837</u>
Total intergovernmental	<u>10,057,471</u>	<u>10,263,106</u>	<u>205,635</u>
<b>Total General Fund</b>	<u>\$ 92,158,494</u>	<u>\$ 94,934,840</u>	<u>\$ 2,776,346</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	\$ 998,810	\$ 533,528	\$ (465,282)
Total revenue from the Federal Government	<u>998,810</u>	<u>533,528</u>	<u>(465,282)</u>
Total intergovernmental	<u>998,810</u>	<u>533,528</u>	<u>(465,282)</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 998,810</u>	<u>\$ 533,528</u>	<u>\$ (465,282)</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, 2014

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	\$ -	\$ 181	\$ 181
Charges for services	2,748,752	2,686,087	(62,665)
Miscellaneous	-	3,513	3,513
<b>Total School Transportation Fund</b>	<b>\$ 2,748,752</b>	<b>\$ 2,689,781</b>	<b>\$ (58,971)</b>
<b>Business Loan Program Fund:</b>			
Use of money and property	\$ -	\$ 49	\$ 49
Miscellaneous	58,230	63,514	5,284
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
DHCD building entrepreneurial economics grant	-	800	800
Total categorical aid	-	800	800
Total revenue from the Commonwealth	-	800	800
Revenue from the Federal Government:			
Categorical aid:			
USDA rural business enterprise grant	31,000	31,000	-
Total revenue from the Federal Government	31,000	31,000	-
Total intergovernmental	31,000	31,800	800
<b>Total Business Loan Program Fund</b>	<b>\$ 89,230</b>	<b>\$ 95,363</b>	<b>\$ 6,133</b>
<b>Total Special Revenue Funds</b>	<b>\$ 3,836,792</b>	<b>\$ 3,318,672</b>	<b>\$ (518,120)</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ -	\$ 6,514	\$ 6,514
Recovered costs	350,687	291,795	(58,892)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT revenue sharing	7,556,845	3,099,264	(4,457,581)
VDOT capital projects revenue bonds	2,095,378	1,698,912	(396,466)
Total revenue from the Commonwealth	9,652,223	4,798,176	(4,854,047)

(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, 2014

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Capital Projects Fund: (continued)</b>			
<b>General Capital Projects Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
Safe route to schools grant	\$ 470,929	\$ 418,644	\$ (52,285)
Transportation enhancement grant	183,619	304,813	121,194
LWC fund grant	<u>200,000</u>	<u>64,003</u>	<u>(135,997)</u>
Total revenue from the Federal Government	<u>854,548</u>	<u>787,460</u>	<u>(67,088)</u>
Total intergovernmental	<u>10,506,771</u>	<u>5,585,636</u>	<u>(4,921,135)</u>
<b>Total General Capital Projects Fund</b>	<u>\$ 10,857,458</u>	<u>\$ 5,883,945</u>	<u>\$ (4,973,513)</u>
<b>Total Capital Projects Fund</b>	<u>\$ 10,857,458</u>	<u>\$ 5,883,945</u>	<u>\$ (4,973,513)</u>
<b>Grand Total Revenues (Primary Government)</b>	<u>\$ 106,852,744</u>	<u>\$ 104,137,457</u>	<u>\$ (2,715,287)</u>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 20,000	\$ 45,007	\$ 25,007
Charges for services	1,502,175	1,554,026	51,851
Miscellaneous	176,042	220,684	44,642
Payment from primary government	27,344,636	27,344,636	-
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	4,591,889	4,547,366	(44,523)
Basic school aid	12,793,067	13,033,909	240,842
State standard of quality funds	2,813,624	2,773,231	(40,393)
Fringe benefits	2,029,487	2,054,606	25,119
At risk	1,512,716	1,523,638	10,922
Primary class size	1,163,090	1,134,911	(28,179)
Technology initiative	258,000	258,000	-
English as second language	983,952	991,804	7,852
Regional tuition programs (special education)	1,200,386	1,061,062	(139,324)
Additional state assistance	318,329	305,065	(13,264)
Strategic compensation	432,011	355,918	(76,093)
Other state funds	<u>243,076</u>	<u>634,458</u>	<u>391,382</u>
Total categorical aid	<u>28,339,627</u>	<u>28,673,968</u>	<u>334,341</u>
Total revenue from the Commonwealth	<u>28,339,627</u>	<u>28,673,968</u>	<u>334,341</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, 2014

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board: (continued)</b>			
<b>School Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 1,139,579	\$ 1,165,707	\$ 26,128
Special education	1,095,713	1,086,827	(8,886)
Title III	281,921	305,462	23,541
ESEA - Title II Part A	181,090	185,015	3,925
Other federal funds	<u>149,094</u>	<u>195,082</u>	<u>45,988</u>
Total revenue from the Federal Government	<u>2,847,397</u>	<u>2,938,093</u>	<u>90,696</u>
Total intergovernmental	<u>31,187,024</u>	<u>31,612,061</u>	<u>425,037</u>
<b>Total School Fund</b>	<b><u>\$ 60,229,877</u></b>	<b><u>\$ 60,776,414</u></b>	<b><u>\$ 546,537</u></b>
<b>School Nutrition Fund:</b>			
Use of money and property	\$ 2,000	\$ 1,364	\$ (636)
Charges for services	517,511	531,658	14,147
Miscellaneous	22,000	14,512	(7,488)
Payment from primary government	-	-	-
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	<u>82,078</u>	<u>76,118</u>	<u>(5,960)</u>
Total categorical aid	<u>82,078</u>	<u>76,118</u>	<u>(5,960)</u>
Total revenue from the Commonwealth	<u>82,078</u>	<u>76,118</u>	<u>(5,960)</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	2,381,758	2,433,844	52,086
USDA donated food	<u>-</u>	<u>173,550</u>	<u>173,550</u>
Total revenue from the Federal Government	<u>2,381,758</u>	<u>2,607,394</u>	<u>225,636</u>
Total intergovernmental	<u>2,463,836</u>	<u>2,683,512</u>	<u>219,676</u>
<b>Total School Nutrition Fund</b>	<b><u>\$ 3,005,347</u></b>	<b><u>\$ 3,231,046</u></b>	<b><u>\$ 225,699</u></b>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<b><u>\$ 63,235,224</u></b>	<b><u>\$ 64,007,460</u></b>	<b><u>\$ 772,236</u></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, 2014**

<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	\$ 187,049	\$ 175,394	\$ 11,655
Total legislative	<u>187,049</u>	<u>175,394</u>	<u>11,655</u>
General and financial administration:			
City manager	505,944	474,503	31,441
City attorney	168,794	148,114	20,680
Human resources	367,846	323,567	44,279
Independent auditor	20,700	20,700	-
Commissioner of the revenue	409,113	381,079	28,034
Assessors	310,428	290,579	19,849
Equalization	2,875	2,826	49
Treasurer	523,969	465,887	58,082
Finance	432,209	418,070	14,139
Information technology	2,035,830	1,580,288	455,542
Purchasing agent	129,546	127,868	1,678
Reserve for contingencies	-	-	-
Total general and financial administration	<u>4,907,254</u>	<u>4,233,481</u>	<u>673,773</u>
Board of elections:			
Registrar	<u>199,227</u>	<u>174,260</u>	<u>24,967</u>
Total board of elections	<u>199,227</u>	<u>174,260</u>	<u>24,967</u>
Total general government administration	<u>5,293,530</u>	<u>4,583,135</u>	<u>710,395</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	<u>3,878,939</u>	<u>3,878,939</u>	<u>-</u>
Total jail and judicial administration	<u>3,878,939</u>	<u>3,878,939</u>	<u>-</u>
Public safety:			
Law enforcement and traffic control:			
Administration	3,274,034	2,883,363	390,671
Operations	3,439,121	3,268,662	170,459
Criminal investigations	1,585,899	1,494,147	91,752
Special operations	<u>1,545,518</u>	<u>1,373,719</u>	<u>171,799</u>
Total law enforcement and traffic control	<u>9,844,572</u>	<u>9,019,891</u>	<u>824,681</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, 2014

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 523,371	\$ 509,736	\$ 13,635
Suppression	6,863,479	6,723,742	139,737
Prevention	396,438	395,876	562
Training	274,073	271,905	2,168
Total fire and rescue services	<u>8,057,361</u>	<u>7,901,259</u>	<u>156,102</u>
Correction and detention:			
City operated institutions	87,500	86,321	1,179
Total correction and detention	<u>87,500</u>	<u>86,321</u>	<u>1,179</u>
Inspections:			
Building	775,889	707,038	68,851
Total inspections	<u>775,889</u>	<u>707,038</u>	<u>68,851</u>
Other protection:			
Public safety building	373,662	322,174	51,488
Child safety alliance	46,196	42,215	3,981
Animal control	350,446	346,268	4,178
Coroner	1,000	-	1,000
Emergency services	254,381	252,283	2,098
Harrisonburg-Rockingham ECC	1,453,812	1,453,812	-
Total other protection	<u>2,479,497</u>	<u>2,416,752</u>	<u>62,745</u>
Total public safety	<u>21,244,819</u>	<u>20,131,261</u>	<u>1,113,558</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	1,009,602	898,168	111,434
Highway and street maintenance	6,118,585	5,788,029	330,556
Street lights	590,778	554,873	35,905
Snow and ice removal	537,437	536,684	753
Traffic engineering	1,679,463	1,320,394	359,069
Highway and street beautification	314,517	243,547	70,970
Total maintenance of highways, streets, bridges and sidewalks	<u>10,250,382</u>	<u>9,341,695</u>	<u>908,687</u>
Sanitation and waste removal:			
Street and road cleaning	469,780	415,887	53,893
Refuse collection	1,533,781	1,342,600	191,181
City landfill	116,843	100,453	16,390
Recycling	1,136,171	744,182	391,989
Insect and rodent control	30,916	2,942	27,974
County landfill	1,253,700	1,253,345	355
Total sanitation and waste removal	<u>4,541,191</u>	<u>3,859,409</u>	<u>681,782</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, 2014

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 393,008	\$ 283,400	\$ 109,608
Total maintenance of general buildings and grounds	<u>393,008</u>	<u>283,400</u>	<u>109,608</u>
Total public works	<u>15,184,581</u>	<u>13,484,504</u>	<u>1,700,077</u>
Health and welfare:			
Health:			
Local health department	394,234	394,234	-
Total health	<u>394,234</u>	<u>394,234</u>	<u>-</u>
Mental health and mental retardation:			
Community services board	396,507	396,507	-
Total mental health and mental retardation	<u>396,507</u>	<u>396,507</u>	<u>-</u>
Welfare/social services:			
Tax relief for the elderly and disabled veterans	100,000	90,250	9,750
Joint expenditures with Rockingham County	3,038,232	3,038,232	-
Total welfare/social services	<u>3,138,232</u>	<u>3,128,482</u>	<u>9,750</u>
Total health and welfare	<u>3,928,973</u>	<u>3,919,223</u>	<u>9,750</u>
Education:			
Payment to Harrisonburg City School Board	27,344,636	27,344,636	-
Total education	<u>27,344,636</u>	<u>27,344,636</u>	<u>-</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	1,093,575	993,587	99,988
Parks	934,727	920,505	14,222
Recreation centers and playgrounds	562,327	545,121	17,206
National guard armory	102,596	102,082	514
Simms continuing education center	324,686	301,427	23,259
Westover pool	402,219	393,972	8,247
Athletics	418,255	363,286	54,969
Blacks run greenway	54,726	44,883	9,843
Golf course grounds management	653,050	649,086	3,964
Golf course clubhouse management	436,824	433,331	3,493
Total parks and recreation	<u>4,982,985</u>	<u>4,747,280</u>	<u>235,705</u>
Total parks, recreation and culture	<u>4,982,985</u>	<u>4,747,280</u>	<u>235,705</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, 2014

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	\$ 191,841	\$ 184,208	\$ 7,633
Zoning administrator	151,288	149,053	2,235
Board of zoning appeals	7,139	3,008	4,131
Economic development	699,050	659,056	39,994
Downtown renaissance	208,963	199,954	9,009
Tourism and visitors services	421,331	358,726	62,605
Downtown parking services	216,794	166,852	49,942
Total planning	<u>1,896,406</u>	<u>1,720,857</u>	<u>175,549</u>
Community development:			
Massanutten Regional Library	450,890	450,890	-
Regional Juvenile Detention Home	204,432	204,432	-
Shenandoah Valley Airport	67,923	67,923	-
Harrisonburg First Tee	70,000	70,000	-
Court Square Theater	60,000	60,000	-
Boys and Girls Club	51,500	51,500	-
Blue Ridge Community College	46,484	46,484	-
Other contributions	660,521	658,169	2,352
Total community development	<u>1,611,750</u>	<u>1,609,398</u>	<u>2,352</u>
Total planning and community development	<u>3,508,156</u>	<u>3,330,255</u>	<u>177,901</u>
Debt service:			
Principal retirement	7,159,619	7,159,619	-
Interest and fiscal charges	5,181,232	5,179,111	2,121
Bond issue costs	271,076	257,393	13,683
Total debt service	<u>12,611,927</u>	<u>12,596,123</u>	<u>15,804</u>
<b>Total General Fund</b>	<u>\$ 97,978,546</u>	<u>\$ 94,015,356</u>	<u>\$ 3,963,190</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 998,810	\$ 533,528	\$ 465,282
Total community development	<u>998,810</u>	<u>533,528</u>	<u>465,282</u>
Total planning and community development	<u>998,810</u>	<u>533,528</u>	<u>465,282</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 998,810</u>	<u>\$ 533,528</u>	<u>\$ 465,282</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, 2014

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Education:			
School bus services	\$ 2,540,673	\$ 2,364,728	\$ 175,945
Field trips and charters	<u>208,079</u>	<u>203,275</u>	<u>4,804</u>
Total education	<u>2,748,752</u>	<u>2,568,003</u>	<u>180,749</u>
<b>Total School Transportation Fund</b>	<b><u>\$ 2,748,752</u></b>	<b><u>\$ 2,568,003</u></b>	<b><u>\$ 180,749</u></b>
<b>Business Loan Program Fund:</b>			
Planning and community development:			
Community development:			
Revolving loan program	\$ 97,875	\$ 50,000	\$ 47,875
Total community development	<u>97,875</u>	<u>50,000</u>	<u>47,875</u>
Total planning and community development	<u>97,875</u>	<u>50,000</u>	<u>47,875</u>
<b>Total Business Loan Program Fund</b>	<b><u>\$ 97,875</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 47,875</u></b>
<b>Total Special Revenue Funds</b>	<b><u>\$ 3,845,437</u></b>	<b><u>\$ 3,151,531</u></b>	<b><u>\$ 693,906</u></b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 48,406,815	\$ 18,893,701	\$ 29,513,114
<b>Total General Capital Projects Fund</b>	<b><u>\$ 48,406,815</u></b>	<b><u>\$ 18,893,701</u></b>	<b><u>\$ 29,513,114</u></b>
<b>Total Capital Projects Fund</b>	<b><u>\$ 48,406,815</u></b>	<b><u>\$ 18,893,701</u></b>	<b><u>\$ 29,513,114</u></b>
<b>Grand Total Expenditures (Primary Government)</b>	<b><u>\$ 150,230,798</u></b>	<b><u>\$ 116,060,588</u></b>	<b><u>\$ 34,170,210</u></b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 46,929,603	\$ 46,847,949	\$ 81,654
Administration, attendance and health	3,523,122	3,608,039	(84,917)
Pupil transportation	2,793,097	2,789,335	3,762
Operations and maintenance	4,615,166	4,716,594	(101,428)
Facilities	43,000	38,774	4,226
Technology	2,432,118	2,434,614	(2,496)
Payment to primary government	<u>531,404</u>	<u>531,404</u>	<u>-</u>
Total education	<u>60,867,510</u>	<u>60,966,709</u>	<u>(99,199)</u>
<b>Total School Fund</b>	<b><u>\$ 60,867,510</u></b>	<b><u>\$ 60,966,709</u></b>	<b><u>\$ (99,199)</u></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, 2014

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 2,990,347	\$ 3,098,808	\$ (108,461)
Technology	<u>15,000</u>	<u>14,782</u>	<u>218</u>
Total education	<u>3,005,347</u>	<u>3,113,590</u>	<u>(108,243)</u>
<b>Total School Nutrition Fund</b>	<b><u>\$ 3,005,347</u></b>	<b><u>\$ 3,113,590</u></b>	<b><u>\$ (108,243)</u></b>
<b>School Capital Projects Fund:</b>			
Capital projects	<u>\$ 207,128</u>	<u>\$ 159,587</u>	<u>\$ 47,541</u>
<b>Total School Capital Projects Fund</b>	<b><u>\$ 207,128</u></b>	<b><u>\$ 159,587</u></b>	<b><u>\$ 47,541</u></b>
<b>Grand Total Expenditures (Component Unit - School Board)</b>	<b><u>\$ 64,079,985</u></b>	<b><u>\$ 64,239,886</u></b>	<b><u>\$ (159,901)</u></b>

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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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 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	\$ 120,370,317
Restricted	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024
Unrestricted <sup>a</sup>	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	24,597,079
Total governmental activities net position	\$ 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	\$ 146,086,420
Business-type activities										
Net investment in capital assets	\$ 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	\$ 49,759,377
Unrestricted	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	21,189,878
Total business-type activities net position	\$ 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	\$ 70,949,255
Primary government										
Net investment in capital assets	\$ 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	\$ 170,129,694
Restricted	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024
Unrestricted	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	45,786,957
Total primary government net position	\$ 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	\$ 217,035,675

<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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government administration	\$ 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	\$ 8,659,789
Jail and judicial administration	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	1,720,208
Public safety	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	13,385,735
Public works <sup>a</sup>	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	8,932,355
Health and welfare	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	2,318,720
Education	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	21,784,772
Parks, recreation and cultural <sup>b</sup>	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	2,781,327
Planning and community development <sup>c</sup>	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	2,426,890
Interest on long-term debt	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	3,869,356
<b>Business-type activities:</b>										
Water	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	3,805,703
Sewer	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	4,872,836
Public transportation	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	4,635,925
Steam plant/sanitation <sup>a</sup>	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	8,764,331
Public parking	-	-	-	-	-	-	-	-	175,050	209,084
Golf course <sup>b</sup>	-	-	-	-	-	-	-	-	-	1,416,361
<b>Total expenses</b>	<b>\$ 142,344,400</b>	<b>\$ 132,978,350</b>	<b>\$ 127,935,248</b>	<b>\$ 122,245,944</b>	<b>\$ 121,143,571</b>	<b>\$ 126,858,487</b>	<b>\$ 114,921,147</b>	<b>\$ 111,027,259</b>	<b>\$ 100,421,434</b>	<b>\$ 89,583,392</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government administration	\$ 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	\$ 6,591,292
Jail and judicial administration	651,517	526,549	417,063	553,923	504,223	493,611	432,767	380,856	517,689	604,029
Public works <sup>a</sup>	5,891,879	5,714,587	4,223,763	-	-	-	-	-	-	-
Education <sup>d</sup>	2,712,725	2,402,874	2,163,748	-	-	-	-	-	-	-
Parks, recreation and cultural	1,143,398	1,078,285	1,156,262	1,103,317	1,042,513	1,063,064	1,003,942	775,673	787,786	278,415
Other activities	1,201,568	988,430	868,216	845,073	686,775	1,055,627	1,278,101	768,070	548,215	441,843
Operating grants and contributions	7,242,059	6,468,579	6,420,728	6,779,026	6,537,125	6,931,438	6,620,432	7,163,982	6,566,639	6,204,915
Capital grants and contributions <sup>e,1</sup>	6,052,309	4,057,173	3,020,379	1,394,887	1,105,400	4,827,882	5,540,980	3,996,228	71,267	622,947
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	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	4,802,169
Sewer	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	4,916,716
Public transportation <sup>d</sup>	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	2,236,842
Steam plant/sanitation <sup>a</sup>	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	6,544,948
Other activities	-	-	-	-	-	-	-	-	178,530	752,842
Operating grants and contributions	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	966,231
Capital grants and contributions <sup>g</sup>	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	1,824,444
<b>Total program revenues</b>	<b>\$ 67,575,696</b>	<b>\$ 58,926,299</b>	<b>\$ 53,267,647</b>	<b>\$ 49,410,495</b>	<b>\$ 48,211,427</b>	<b>\$ 58,450,362</b>	<b>\$ 49,751,250</b>	<b>\$ 45,166,031</b>	<b>\$ 39,650,153</b>	<b>\$ 36,787,633</b>
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (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)	\$ (51,135,711)
Business-type activities	3,978,121	431,425	(697,330)	(629,598)	(299,800)	5,698,796	(1,607,537)	(1,406,718)	(489,797)	(1,660,048)
<b>Total net (expense) revenue</b>	<b>\$ (74,768,704)</b>	<b>\$ (74,052,051)</b>	<b>\$ (74,667,601)</b>	<b>\$ (72,835,449)</b>	<b>\$ (72,932,144)</b>	<b>\$ (68,408,125)</b>	<b>\$ (65,169,897)</b>	<b>\$ (65,861,228)</b>	<b>\$ (60,771,281)</b>	<b>\$ (52,795,759)</b>

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

Table 2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 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	\$ 18,235,771
Sales and use taxes	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	10,739,589
Restaurant food taxes	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	6,723,886
Business license taxes	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	5,306,290
Other local taxes	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	6,503,792
Unrestricted grants and contributions	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	1,729,433
Unrestricted payment from component units	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	4,100,000
Investment revenue <sup>a</sup>	50,039	84,162	68,365	87,557	151,425	658,303	2,644,259	3,534,382	1,363,309	752,552
Other revenue <sup>c</sup>	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	879,680
Gain on sale of capital asset	-	-	-	-	-	238,903	-	-	-	535,732
Special item <sup>d,k,l,m</sup>	-	-	(1,446,706)	-	-	-	4,109,942	2,183,062	11,005,846	-
Transfers	1,574,046	1,361,276	6,335,894	484,233	378,256	(875,910)	(1,386,572)	(1,130,257)	197,160	(258,180)
Business-type activities:										
General revenues:										
Investment revenue	19,563	31,340	32,121	52,446	79,908	505,917	1,101,241	1,403,613	1,082,397	609,291
Other revenue	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	1,167,979
Gain on disposal of capital assets	28,554	15,055	10,863	4,525	1,855	8,100	-	-	-	-
Special item	(10,078,503)	-	-	-	-	-	-	-	-	-
Transfers	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)	(378,256)	875,910	1,386,572	1,130,257	(197,160)	258,180
Total general revenues and other changes in net position	\$ 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	\$ 57,283,995
Change in net position:										
Governmental activities	\$ 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	\$ 4,112,834
Business-type activities	(6,508,923)	922,277	(5,681,291)	158,168	571,052	9,016,469	2,724,471	2,161,828	1,544,719	375,402
Total change in net position	\$ (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	\$ 4,488,236

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

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

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

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

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

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

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

<sup>l</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.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 652,688	613,043	780,708	1,055,286	838,087	772,046	609,960	611,347	873,061	375,000
Restricted <sup>a</sup>	432,852	253,898	436,546	464,466	459,667	345,524	959,650	1,037,225	1,059,596	5,248,969
Committed <sup>b,c</sup>	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	31,700
Assigned <sup>d,e</sup>	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	2,641,228
Unassigned	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	11,157,528
Total general fund	\$ 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	\$ 19,454,425
All other governmental funds										
Nonspendable	\$ 4,705	4,546	-	-	-	-	-	-	7,534	-
Restricted <sup>f</sup>	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	6,110,398
Committed	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	7,082,034
Unassigned, reported in:										
Special revenue funds	-	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)	-	-	-
Total all other governmental funds	\$ 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	\$ 13,192,432

**Notes:** Any significant increases or decreases for 2014 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2005-2010).

<sup>a</sup>For 2006, the decrease in general fund restricted fund balance was the result of unspent bond proceeds in the previous fiscal year.  
<sup>b</sup>For 2007, the increase in general fund committed fund balance was the result of the proceeds from the sale of the old Harrisonburg High School complex to James Madison University being committed for debt service on the old high school's existing outstanding debt.  
<sup>c</sup>For 2012, the increase in general fund committed fund balance was the result of fund balance being committed to fund a landfill contractual obligation to Rockingham County.  
<sup>d</sup>For 2009, the decrease in general fund assigned fund balance was the result of fund balance not being used to balance the subsequent year's budget and less encumbrances being reappropriated in fiscal year 2010.  
<sup>e</sup>For 2011, the increase in general fund assigned fund balance was the result of approximately \$2.9 million of fund balance being used to balance the subsequent year's budget.  
<sup>f</sup>The increases and decreases in other governmental funds' restricted fund balance are the result of bond proceeds that are used for various capital project purposes.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
General property taxes	\$ 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	\$ 18,083,460
Other local taxes	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	29,240,984
Permits, privilege fees and regulatory licenses	455,881	536,965	498,465	561,431	354,076	848,149	1,099,610	552,074	503,149	403,621
Fines and forfeitures	1,127,606	662,961	526,260	626,169	598,904	570,997	518,259	504,628	517,689	604,029
Use of money and property <sup>b</sup>	162,014	194,763	171,599	188,084	197,844	662,621	2,523,091	3,675,662	2,227,982	785,874
Charges for services <sup>c</sup>	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	292,843
Miscellaneous <sup>d</sup>	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	955,799
Recovered costs	291,795	165,551	606,506	-	-	-	217,422	1,198,496	1,266,205	1,670,896
Payments from component units	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	4,100,000
Intergovernmental <sup>e</sup>	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	7,760,161
<b>Total revenues</b>	<b>\$ 104,137,457</b>	<b>\$ 99,651,924</b>	<b>95,132,088</b>	<b>90,033,162</b>	<b>\$ 82,489,273</b>	<b>\$ 82,840,778</b>	<b>\$ 83,764,938</b>	<b>\$ 81,033,501</b>	<b>\$ 69,956,707</b>	<b>\$ 63,897,667</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 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	\$ 2,689,218
Jail and judicial administration	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	1,929,277
Public safety	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	13,202,723
Public works <sup>e,f</sup>	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	6,096,761
Health and welfare	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	2,296,855
Education	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	19,193,377
Parks, recreation and cultural <sup>g</sup>	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	2,686,375
Planning and community development <sup>h</sup>	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	3,014,724
<b>Debt service:</b>										
Principal retirement	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	4,156,753
Interest and fiscal charges <sup>i</sup>	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	3,863,973
Bond issuance costs	257,393	-	381,755	77,341	-	58,379	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	520,040	-	-	-	-
Capital projects <sup>j</sup>	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	21,094,715
<b>Total expenditures</b>	<b>\$ 116,060,588</b>	<b>\$ 105,345,498</b>	<b>97,804,571</b>	<b>91,291,015</b>	<b>\$ 89,808,346</b>	<b>\$ 99,247,485</b>	<b>\$ 114,279,874</b>	<b>\$ 104,658,168</b>	<b>\$ 77,382,133</b>	<b>\$ 80,224,751</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (11,923,131)</b>	<b>\$ (5,693,574)</b>	<b>(2,672,483)</b>	<b>(1,257,853)</b>	<b>\$ (7,319,073)</b>	<b>\$ (16,406,707)</b>	<b>\$ (30,514,936)</b>	<b>\$ (23,624,667)</b>	<b>\$ (7,425,426)</b>	<b>\$ (16,327,084)</b>

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	\$ -	\$ 13,390,000
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	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	4,782,750
Transfers out	(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)	(5,844,039)
Total other financing sources (uses)	\$ 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)	12,328,711
Special item:										
Sale of capital asset <sup>k1</sup>	\$ -	\$ -	-	-	-	-	7,000,000	15,697,400	-	-
Net change in fund balances	\$ 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)	(3,998,373)
Debt service as a percentage of noncapital expenditures	12.74%	14.70%	14.15%	14.81%	14.75%	13.86%	14.33%	12.54%	12.92%	13.62%

**Notes:** Any significant increases or decreases for 2014 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

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

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

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

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

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

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

<sup>g</sup>For 2008, the increase in parks and recreation expenditures reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as an enterprise fund.

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

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

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

<sup>k</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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General property taxes	\$ 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	\$ 12,159,177
Real estate taxes <sup>a,b</sup>	294,775	344,311	305,419	311,567	315,297	290,145	296,523	257,361	288,174	314,038
Real and personal public service corporation property taxes	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	3,663,731
Personal property taxes <sup>c</sup>	6,485	8,069	7,613	7,568	6,976	6,779	6,642	7,958	7,036	9,397
Mobile home taxes	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	1,730,900
Machinery and tools taxes	216,744	271,353	266,423	256,925	293,075	195,629	244,143	219,863	171,764	206,217
Penalties and interest	\$ 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	\$ 18,083,460
Total general property taxes	\$ 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	\$ 10,739,589
Other local taxes	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	1,849,330
Local sales and use taxes	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	5,274,648
Consumer utility taxes <sup>d</sup>	-	-	-	-	-	-	-	167,399	304,159	285,736
Business license taxes	888,410	861,119	759,588	667,392	698,446	708,619	723,115	736,579	502,226	504,105
Franchise license taxes <sup>d</sup>	562,403	514,445	543,099	577,159	556,236	487,649	362,690	481,402	501,430	389,143
Motor vehicle license taxes	443,901	359,086	273,405	381,220	311,749	380,766	598,229	595,283	746,064	521,520
Bank stock taxes	634,796	703,979	768,267	700,232	759,637	794,917	868,029	878,952	882,623	967,983
Taxes on recordation and wills	144,475	175,395	178,371	182,473	198,641	195,222	195,197	172,964	169,701	164,417
Tobacco taxes	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	1,262,314
Admission and amusement taxes	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	6,711,580
Hotel and motel room taxes <sup>e</sup>	-	-	-	-	-	-	-	401,181	669,166	431,884
Restaurant food taxes <sup>e</sup>	103,840	93,218	61,237	59,244	17,778	-	-	-	-	-
Emergency telephone service taxes <sup>f</sup>	113,176	113,012	111,110	135,196	123,100	113,315	125,372	107,545	143,804	138,735
Short-term rental taxes	\$ 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	\$ 29,240,984
Public right-of-way use fee										
Total other local taxes										

**Notes:** Any significant increases or decreases for 2014 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 2007, the increase in personal property taxes was the result of an increase in the personal property tax rate.

<sup>d</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>e</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

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
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
2005	1,306,273,698	666,253,010	50,610,910	253,980,570	94,040,800	1,255,800	294,118	2,372,708,906	0.82

**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>		
2014	\$ 0.63	\$ 0.63	\$ 0.63	\$ 2.00	\$ 2.00	\$ 0.63	\$ 3.00	3.00	3.00	\$ 0.81
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00	0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.76
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.76
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.76
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.78
2008	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.79
2007	0.62	0.62	0.62	3.00	2.00	0.62	3.00	3.00	3.00	0.91
2006	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00	0.80
2005	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00	0.82

**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 2014			Fiscal Year 2005		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 590,342	1	1.76%	\$ 376,815	2	1.92%
American Campus Communities, Inc.	421,218	2	1.26%	-	-	-
Copper Beech Townhome Communities, LLC	352,139	3	1.05%	-	-	-
George's Foods, LLC	344,329	4	1.03%	-	-	-
Packaging Corporation of America	309,407	5	0.92%	204,411	5	1.04%
Graham Packaging Company, LP	299,758	6	0.90%	134,590	10	0.69%
R.R. Donnelley & Sons Company	260,398	7	0.78%	326,585	3	1.67%
Simon Property Group, Inc.	255,600	8	0.76%	167,917	7	0.86%
Virginia Mennonite Retirement Community	216,495	9	0.65%	164,177	8	0.84%
Ariake USA, Inc	183,657	10	0.55%	-	-	-
IntraPac Corporation	-	-	-	426,624	1	2.18%
LB&J Limited	-	-	-	250,943	4	1.28%
Verizon Communications Inc.	-	-	-	178,216	6	0.91%
Reddy Ice Corporation	-	-	-	158,495	9	0.81%
<b>Total</b>	<b>\$ 3,233,343</b>		<b>9.66%</b>	<b>\$ 2,388,773</b>		<b>12.20%</b>

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

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

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 33,472,734	\$ -	\$ -	33,472,734	\$ 32,671,163	97.61%	-	\$ 32,671,163	97.61%
2013	33,518,148	(3,664)		33,514,484	32,841,981	97.98%	399,166	33,241,147	99.17%
2012	31,917,343	(16,148)		31,901,195	31,164,825	97.64%	555,601	31,720,426	99.38%
2011	31,326,231	(6,223)		31,320,008	30,500,885	97.37%	645,478	31,146,363	99.45%
2010	30,809,804	(18,559)		30,791,245	29,834,014	96.83%	758,033	30,592,047	99.35%
2009	29,095,900	1,400		29,097,300	28,136,769	96.70%	757,583	28,894,352	99.30%
2008	27,221,485	(23,708)		27,197,777	26,384,561	96.93%	646,350	27,030,911	99.39%
2007	23,722,324	(22,247)		23,700,077	22,950,373	96.75%	581,001	23,531,374	99.29%
2006	21,683,449	68,924		21,752,373	21,076,071	97.20%	508,844	21,584,915	99.23%
2005	19,595,631	13,467		19,609,098	18,925,288	96.58%	419,061	19,344,349	98.65%

**Notes:** From 2005-2006, 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
General obligation bonds <sup>a,b,c</sup>	\$ 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	\$ 77,390,308
General obligation revenue bonds <sup>b</sup>	-	-	-	-	-	-	6,186,488	6,258,756	6,321,024	6,343,292
Notes payable	-	-	-	-	-	-	-	-	400,000	400,000
Capital leases	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	10,575,685
State literary fund loans	-	-	-	-	-	-	-	-	11,825	23,650
Business-type activities:										
General obligation bonds <sup>d</sup>	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	29,597,249
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	10,356,284
Notes payable	-	-	-	-	-	-	-	-	-	-
<b>Total primary government</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>\$ 175,407,944</b>	<b>\$ 166,628,204</b>	<b>\$ 172,667,638</b>	<b>\$ 129,131,942</b>	<b>\$ 134,686,468</b>
Percentage of personal income <sup>1</sup>	9.86%	10.05%	10.73%	11.50%	11.68%	11.75%	11.95%	13.28%	10.55%	11.65%
Per capita <sup>1</sup>	\$ 3,344	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448	\$ 3,644	\$ 3,571	\$ 3,774	\$ 2,863	\$ 3,039

**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 (2005-2013).<sup>1</sup> See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2005-2009 and 2011-2013.

<sup>a</sup>For 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.  
<sup>b</sup>For 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.  
<sup>c</sup>For 2007, the City issued \$50 million in general obligation bonds, of which \$46.5 million was issued for the construction of an elementary/middle school complex and related infrastructure.  
<sup>d</sup>For 2011, the City issued \$28.1 million in general obligation bonds to advance refund \$17.7 million in general obligation bonds and \$8.78 million in general obligation revenue bonds.

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

Table 11

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General obligation bonds <sup>a,b,c,d</sup>	\$ 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	\$ 106,987,557
Total	\$ 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	\$ 106,987,557
Percentage of assessed real property value <sup>1</sup>	4.45%	4.23%	4.16%	4.26%	3.98%	4.53%	4.38%	6.15%	4.40%	5.29%
Per capita <sup>2</sup>	\$ 3,280	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120	\$ 3,289	\$ 3,051	\$ 3,221	\$ 2,271	\$ 2,414

**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 (2005-2013).<sup>3</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 2005-2009 and 2011-2013.

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

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

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

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

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

Table 12

	Fiscal Year										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
Debt limit	\$ 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	\$ 202,313,762	
Total debt applicable to limit	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	124,081,150	
Legal debt margin	\$ 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	\$ 78,232,612	
Total debt applicable to the limit as percentage of debt limit <sup>a</sup>	42.50%	41.72%	41.12%	42.26%	42.21%	48.03%	48.72%	68.30%	51.27%	61.33%	
<b>Legal Debt Margin Calculation for Fiscal Year 2014</b>											
Total assessed value of taxed real property	\$ 3,908,554,902										
Debt limit (10% of total assessed value)	\$ 390,855,490										
Debt applicable to limit:											
General obligation bonds	166,111,533										
Legal debt margin	\$ 224,743,957										

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

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

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

Table 13

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate Percentage <sup>4</sup>
2014	53,013	\$ 1,798,329	\$ 33,922	5,158	5.9
2013	52,127	1,678,594	32,202	4,956	6.5
2012	50,862	1,593,201	31,324	4,709	7.1
2011	50,057	1,507,867	30,123	4,513	7.4
2010	48,914	1,443,843	29,518	4,323	7.7
2009	48,134	1,492,635	31,010	4,241	5.7
2008	46,660	1,394,667	29,890	4,363	3.4
2007	45,752	1,299,723	28,408	4,356	2.8
2006	45,104	1,224,528	27,149	4,347	3.4
2005	44,326	1,155,845	26,076	4,088	4.0

**Notes:** Population estimates have been adjusted for 2005-2009 and 2011-2013 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 2014. University of Virginia Weldon Cooper Center for Public Service for 2005-2009 and 2011-2013. United States Census Bureau for 2010.

<sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2011-2013 have been adjusted based upon the latest available data. Data for 2014 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, 2011-2012 have been adjusted based upon the latest available data.

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

**Table 14**

Employers	Fiscal Year 2014			Fiscal Year 2005		
	Approximate Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
James Madison University	>1,000	1	> 3.35%	>1,000	1	n/a
Harrisonburg City Public Schools	500 - 999	2	1.67% - 3.34%	500 - 999	5	n/a
Aramark Campus LLC	500 - 999	3	1.67% - 3.34%	-	-	n/a
City of Harrisonburg	500 - 999	4	1.67% - 3.34%	500 - 999	6	n/a
Tenneco Inc.	500 - 999	5	1.67% - 3.34%	500 - 999	7	n/a
Rosetta Stone Inc.	500 - 999	6	1.67% - 3.34%	-	-	n/a
George's Chicken, LLC	500 - 999	7	1.67% - 3.34%	250 - 499	-	n/a
Eastern Mennonite University	250 - 499	8	0.84% - 1.67%	-	-	n/a
Virginia Mennonite Retirement Community	250 - 499	9	0.84% - 1.67%	250 - 499	9	n/a
Wal-Mart Stores, Inc.	250 - 499	10	0.84% - 1.67%	500 - 999	4	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
Valley Blox Inc.	-	-	-	250 - 499	10	n/a
Total City Employment	29,879			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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government administration	48.6	45.7	45.5	45.4	45.7	46.1	43.9	41.8	39.0	37.9
Public safety:										
Police <sup>a</sup>	114.2	107.6	107.4	108.5	108.8	110.8	107.8	101.6	101.8	97.7
Fire <sup>a</sup>	80.7	80.7	80.7	80.8	80.5	79.8	76.8	72.3	71.5	68.5
Other	14.0	14.0	13.0	13.0	13.0	13.0	12.0	12.0	11.5	10.2
Public works <sup>b</sup>	99.7	98.0	102.2	72.6	73.1	76.2	74.3	74.2	66.7	66.0
Education <sup>b</sup>	42.5	40.2	38.8	-	-	-	-	-	-	-
Parks, recreation and cultural	72.2	73.8	75.9	75.6	70.7	71.2	70.6	69.4	66.8	65.6
Planning and community development <sup>c</sup>	17.0	16.4	17.8	18.8	19.1	19.4	17.2	18.8	11.9	11.7
Water	33.9	32.6	32.6	33.1	33.2	33.2	31.4	30.1	29.7	29.7
Sewer	24.4	24.1	22.2	23.8	23.7	23.7	22.6	23.3	22.9	22.9
Public transportation <sup>b,c</sup>	50.9	47.1	49.8	87.8	87.1	86.4	78.6	79.8	79.2	76.4
Steam plant/sanitation <sup>b</sup>	31.0	31.0	31.0	56.9	60.9	61.5	60.9	56.9	56.9	55.0
Central garage	15.1	15.8	15.8	14.7	14.7	15.4	15.8	13.0	13.0	13.0
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
<b>Total</b>	<b>646.2</b>	<b>629.0</b>	<b>634.7</b>	<b>633.0</b>	<b>632.5</b>	<b>638.7</b>	<b>613.9</b>	<b>595.2</b>	<b>571.9</b>	<b>555.6</b>

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

<sup>d</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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Calls answered	39,132	34,935	33,021	41,070	43,634	40,321	26,658	28,232	30,901	34,059
Traffic citations	10,683	7,900	6,268	9,359	8,437	8,177	5,326	6,295	7,144	9,796
Fire										
Calls answered	4,708	4,923	4,789	4,514	4,473	4,381	4,314	3,991	4,088	3,994
Inspections	1,568	1,893	2,135	1,868	1,927	1,983	1,218	1,387	1,472	1,623
Public works										
Streets repaved (total miles)	9.98	5.10	5.58	5.47	6.90	9.47	10.42	7.47	4.88	4.17
Materials recycled (tons)	709.5	754.4	757.8	827.8	722.6	1,048.3	942.3	1,234.2	1,847.3	1,353.9
Parks and recreation										
Pool admissions	49,553	50,388	52,489	47,417	48,304	43,872	41,229	30,736	42,633	42,710
Rounds of golf played	28,995	27,275	27,068	21,906	20,812	21,896	21,024	19,235	20,311	20,636
Planning and community development										
Building permits issued	651	1,035	810	739	748	961	1,747	829	1,039	958
Water										
Daily consumption (millions of gallons)	5.38	5.37	5.36	5.44	5.17	5.38	5.50	5.40	5.35	5.15
New customer connections	59	67	40	151	110	528	509	347	435	262
Sewer										
Daily consumption (millions of gallons)	4.40	4.27	4.29	4.33	4.20	4.12	3.95	4.26	4.36	4.16
New customer connections	12	14	8	132	8	13	36	52	46	42
Public transportation										
Transit bus passengers	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	1,150,587
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	117.5

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

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

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

Table 17

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	48	48	48	46	47	43	43	42	40	n/a
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	12	13	13	13	13	12	12	13	12
Public works:										
Streets (centerline miles)	138.99	137.92	137.92	137.92	137.92	135.34	134.07	134.07	132.62	132.62
Refuse collection trucks	7	7	7	7	7	7	6	6	6	6
Recycling collection trucks	3	3	3	3	3	3	3	4	4	4
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	11	11	10	10	10
Parks acreage	877	877	877	877	877	869	869	869	869	869
Golf course acreage	215	215	215	215	215	215	215	215	201	201
Water:										
Water lines (linear feet)	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	1,332,055
Storage capacity (millions of gallons) <sup>a</sup>	25.25	25.25	25.25	25.25	25.25	23.25	38.25	33.25	33.25	27.95
Sewer:										
Sewer lines (linear feet)	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	1,042,286
Public transportation:										
Transit buses	44	42	42	36	36	36	36	31	33	n/a
Steam plant										
Steam plant capacity (tons per day)	200	200	200	200	200	200	200	200	200	200

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

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

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

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

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

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



# COMPLIANCE SECTION

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2014.

**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 25, 2014

**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, 2014. 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, 2014.**

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 14-01 and 14-02. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 25, 2014

**CITY OF HARRISONBURG, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2014**

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, 2014

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 **two audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Title I – Grants to Local Educational Agencies	84.010
Federal Transit Cluster – Formula Grants	20.507
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$390,511**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.



**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

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

**14-01. 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.

*Management Response:*

We believe adequate procedures currently exist. The Transit department implemented appropriate follow-up procedures to request the reports.

**14-02. Title I – CFDA 84.010**

*Condition:*

Reimbursement requests for June 2014 included salaries that were accrued as of June 30, but not paid until July and August 2014.

*Recommendation:*

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

*Management Response:*

We agree with this finding and will correct the practice for next year.

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

None.

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**Year Ended June 30, 2014**

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

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

***Condition:***

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

***Recommendation:***

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

***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, 2014**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture:</b>		
Direct payments:		
Rural Business Enterprise Grants	10.769	\$ 31,000
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	646,353
National School Lunch Program	10.555	1,694,697
Fresh Fruit and Vegetable Program	10.582	91,057
Department of Health:		
Summer Food Service Program for Children (part of Child Nutrition Cluster)	10.559	1,737
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	184,731
<b>Department of Housing and Urban Development:</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	533,528
<b>National Park Service</b>		
Pass-through payments:		
Department of Conservation and Recreation:		
Outdoor Recreation_Acquisition, Development and Planning	15.916	64,003
<b>Department of Justice:</b>		
Direct payments:		
Bulletproof Vest Partnership Program	16.607	2,934
Edward Byrne Memorial Justice Assistance Grant Program	16.738	24,869
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	10,084
Equitable Sharing Program	16.922	56,376
<b>Department of Transportation:</b>		
Direct payments:		
Federal Transit - Formula Grants	20.507	5,647,452
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction	20.205	700,974
Department of Motor Vehicles:		
State and Community Highway Safety	20.600	8,354
Alcohol Open Container Requirements	20.607	18,095
<b>Department of the Treasury:</b>		
Direct payments:		
Equitable Sharing Program	21.000	112,950

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2014

<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	1,068,836
Career and Technical Education - Basic Grants to States	84.048	81,647
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	4,815
English Language Acquisition Grants	84.365	305,462
Improving Teacher Quality State Grants	84.367	185,015
Grants for State Assessments and Related Activities	84.369	75
Special Education Cluster:		
Special Education_Grants to States	84.027	1,061,011
Special Education_Preschool Grants	84.173	25,816
<b>Department of Homeland Security:</b>		
Pass-through payments:		
Department of Emergency Management:		
Emergency Management Performance Grants	97.042	7,500
Assistance to Firefighters Grant	97.044	65,214
Homeland Security Grant Program	97.067	48,484
State Homeland Security Program (SHSP)	97.073	247,057
<b>Department of Defense:</b>		
Direct payments:		
JROTC Funds	12.VA 170853	<u>86,909</u>
<b>Total expenditures of federal awards</b>		<b>\$ <u>13,017,035</u></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, 2014**

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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, 2014, the School Board, a component unit, had food commodities totaling \$50,775 in inventory.

**Note 3. Subrecipients**

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 231,397
Homeland Security Grant Program	97.067	9,211
State Homeland Security Program (SHSP)	97.073	145,701

**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, 2014.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 984,533

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