

City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



Harrisonburg City Hall

City of Harrisonburg, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



This Report
Prepared by Department of Finance

Report Cover: The front cover is the new City Hall facility located on South Main Street. Completed in September 2015 and dedicated in December 2015, all general city government departments and community development are located within City Hall. City Hall is located next door and is connected by an atrium to the city's old Municipal Building. The Municipal Building contained numerous city departments and had served as the City's main offices since 1967.

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INTRODUCTORY SECTION

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

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City of Harrisonburg, Virginia

Office of the City Manager

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

Kurt D. Hodgen
City Manager

November 29, 2016

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, 2016 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the U. S. Office of Management and Budget's Uniform Guidance to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's *Government Auditing Standards* require the

The City With The Planned Future

independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 54,000.

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

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

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

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

The City provides court 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 five members appointed for three-year terms by the City Council and is a separate legal entity.

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

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

Major Initiatives

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

- Appropriated \$44.2 million from the issuance of bonds for various school projects which included the construction of Bluestone Elementary School, Elon Rhodes Early Learning Center and Thomas Harrison Middle School HVAC replacement project. This bond issue also included funding for shared use paths and improvements to Garbers Church Road in support of the Bluestone Elementary School project.
- Appropriated \$6.3 million from the issuance of bonds and from state funding sources for various projects which included renovations to the Fire Department's Station No. 1, replacement of the Pleasant Valley Road bridge and additional funding for the Reservoir Street improvement project.
- Appropriated \$3.5 million from the issuance of bonds for the Park View area water project which includes a new water tank, pump station and related infrastructure.
- Appropriated \$3.3 million for the purchase of eight replacement transit buses with 94 percent of the funding provided by state and federal sources.
- Appropriated \$587,000, of which \$470,000 was provided by federal sources, for downtown streetscape improvements.
- Implemented a new Stormwater Fund (enterprise fund) to account for the stormwater fee enacted to support the City's stormwater management program.

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 32,600. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 20,500 students. Eastern Mennonite University, a private institution with approximately 1,900 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 planning. Each year the City prepares a comprehensive Capital Improvements Program (CIP). The CIP is prepared in an effort to prioritize capital improvement needs over a five-year period and to plan for the appropriate financing of these projects. Planning for capital improvements is an important process for the City in order to ensure that assets are acquired or constructed in time to meet specific needs and to spread costs over several fiscal years in order to avoid a large peak in capital expenditures during a single year.

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The initial phases of this project include the installation of waterlines from the City's water treatment plant across the City to the eastern City limits which have been completed. The estimated total cost of the project is \$35.3 million of which \$13.3 million has already been expended and there is approximately \$1 million in available cash. It is anticipated that this project will require a future \$21 million bond issue in order to complete. The projected completion date is undetermined at this time.

The City is in the planning stages for the construction of a new transfer station facility for solid waste collection. With the closure of the resource recovery facility, the City has implemented a single stream solid waste collection program in which all solid waste including recycling are collected together. It is estimated that the project will cost \$2.5 million and will be funded from the proceeds of the sale of the resource recovery facility to James Madison University. It is anticipated that the project will be completed by September 2017.

The City is in the planning stages for improvements to northbound Exit 245 on Interstate 81. This project includes removal of the cloverleaf style exit ramp with a realigned exit ramp. It is estimated that the project will cost \$3.9 million and will be funded from state sources. It is anticipated that the project will be completed by the end of 2019.

The City is in the planning stages for improvements to MLK, Jr. Way in support of several projects occurring on the campus of James Madison University. This project includes additional turn lanes in support of a new parking deck constructed by James Madison University and the new Hotel Madison & Shenandoah Valley Conference Center. It is estimated that the project will cost \$2.7 million and will be funded from state sources. It is anticipated that the project will be completed by the end of 2017.

The City is in the planning stages for the construction of shared use paths in the western portion of the City. This project will connect neighborhoods, two parks and the new under construction Bluestone Elementary School, as well as, Harrisonburg High School. It is estimated that the project will cost \$3 million and is funded from the issuance of bonds and state sources. It is anticipated that the project will be completed by the end of 2019.

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, 2015. This was the twenty-first 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

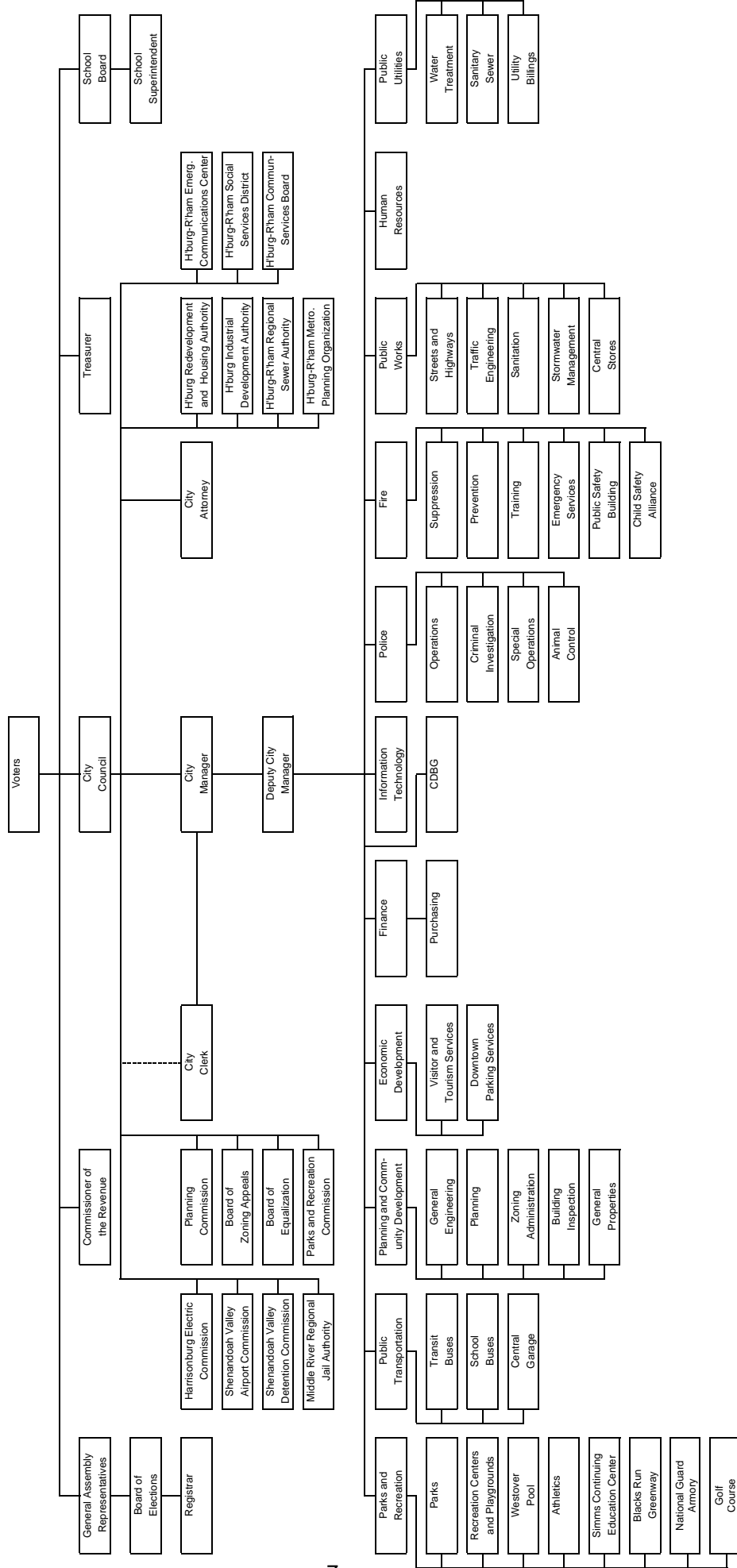
**City of Harrisonburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2016

CITY COUNCIL

Christopher B. Jones	Mayor
Richard A. Baugh	Vice Mayor
J. Ted Byrd	Council Member
Kai E. Degner	Council Member
Abram J. "Abe" Shearer	Council Member

CITY OFFICIALS

Kurt D. Hodgen	City Manager
Alexander "Ande" Banks, IV	Acting Deputy 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
Reginald S. "Reggie" Smith	Director of Public Transportation
James D. Baker	Director of Public Works
A. Michael Collins	Director of Public Utilities
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
Adam L. Fletcher	Director of Planning and Community Development
Deborah Logan	City Registrar

SCHOOL BOARD

Kerri M. Wilson	Chairperson
Dominic D. "Nick" Swayne	Vice Chairperson
Tom Domonoske	Interim Board Member
Dany Fleming	Interim Board Member
Brent Holsinger	Board Member
Andrew Kohen	Board Member

SCHOOL OFFICIALS

Scott R. Kizner, Ph.D.	Superintendent of Schools
Lisa M. Lantz	Clerk
Tracy Shaver	Director of Finance

FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia as of and for the year ended June 30, 2016, 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*, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplementary information (consisting of the combining and individual non-major fund financial statements and budgetary comparison schedules, the discretely presented component unit fund financial statements and budgetary comparison schedules, and the schedules of revenues and expenditures – budget to actual), and the statistical section presented in the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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 29, 2016 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 29, 2016

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CITY OF HARRISONBURG, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. 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 \$237.6 million (net position). Of this amount, \$29.3 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position increased by \$3.75 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$80.4 million, an increase of \$40.8 million in comparison with the previous year. Approximately 35.4 percent of this total amount, \$28.4 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$28.4 million, or 28.7 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt increased by \$42.1 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, sanitation and stormwater operations.

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

The government-wide financial statements can be found on pages 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, sanitation and stormwater operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions, as well as to some external organizations. The City uses internal service funds to account for the operations of its central garage, central stores and a self-insured health insurance plan. Because these services mainly benefit governmental rather than business-type functions, they are included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 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 73 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 74 through 81 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 82 through 102 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 \$237.6 million at the close of the most recent fiscal year.

The largest portion of the City's net position (87.5 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 \$29.3 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 146,549,376	\$ 99,656,266	\$ 25,251,647	\$ 21,403,851	\$ 171,801,023	\$ 121,060,117
Capital assets	280,963,583	281,774,397	86,525,513	87,312,980	367,489,096	369,087,377
Total assets	427,512,959	381,430,663	111,777,160	108,716,831	539,290,119	490,147,494
Total deferred outflows of resources	6,030,166	6,086,344	2,403,938	2,619,605	8,434,104	8,705,949
Current and other liabilities	12,700,200	10,602,586	2,032,501	1,876,780	14,732,701	12,479,366
Long-term liabilities	211,078,056	170,251,065	38,874,872	37,584,093	249,952,928	207,835,158
Total liabilities	223,778,256	180,853,651	40,907,373	39,460,873	264,685,629	220,314,524
Total deferred inflows of resources	45,001,231	43,668,223	459,111	1,043,952	45,460,342	44,712,175
Net position:						
Net investment in capital assets	145,194,280	146,765,571	62,658,600	61,417,998	207,852,880	208,183,569
Restricted	461,736	450,639	-	-	461,736	450,639
Unrestricted	19,107,622	15,778,923	10,156,014	9,413,613	29,263,636	25,192,536
Total net position	\$ 164,763,638	\$ 162,995,133	\$ 72,814,614	\$ 70,831,611	\$ 237,578,252	\$ 233,826,744

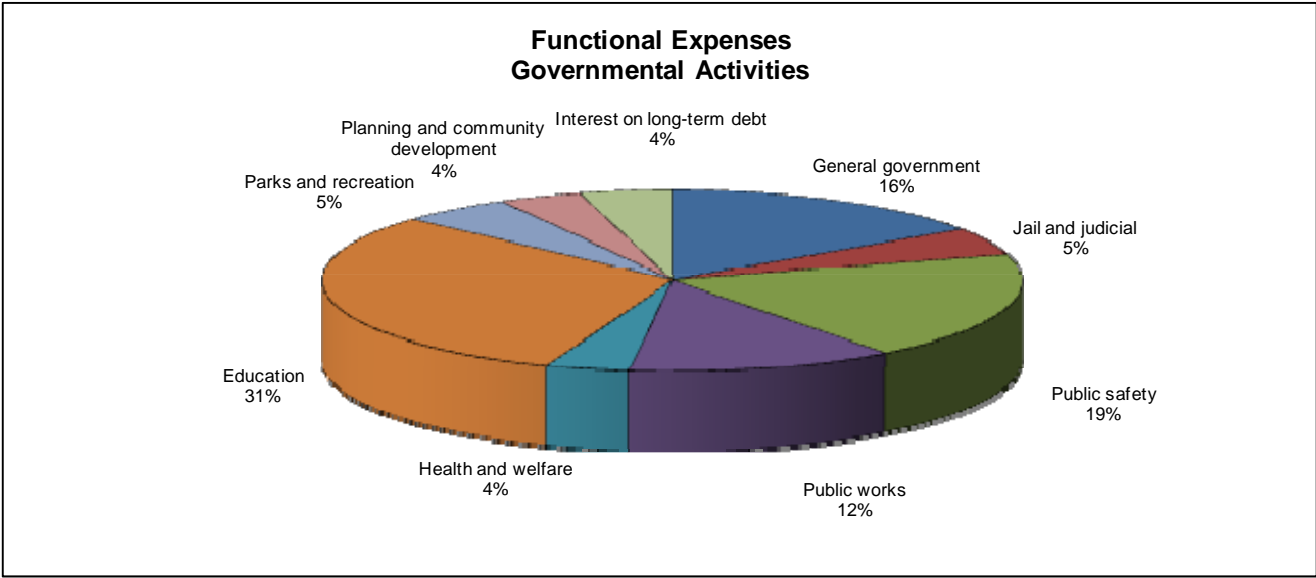
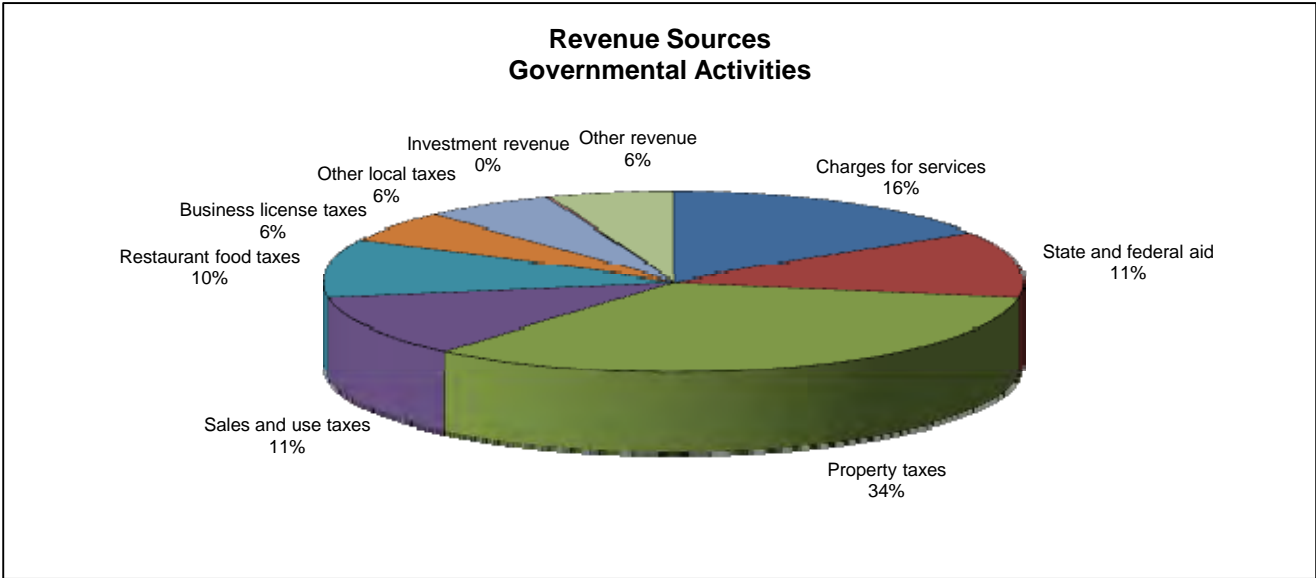
City of Harrisonburg's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 19,008,321	\$ 17,685,293	\$ 26,375,877	\$ 25,384,368	\$ 45,384,198	\$ 43,069,661
Operating grants and contributions	8,071,894	7,733,498	2,281,764	2,229,329	10,353,658	9,962,827
Capital grants and contributions	2,112,546	2,511,563	606,645	2,689,399	2,719,191	5,200,962
General revenues:						
Property taxes	39,574,723	37,522,303	-	-	39,574,723	37,522,303
Sales and use taxes	12,994,784	12,532,757	-	-	12,994,784	12,532,757
Restaurant food taxes	11,914,152	11,026,410	-	-	11,914,152	11,026,410
Business license taxes	6,653,830	6,275,116	-	-	6,653,830	6,275,116
Other local taxes	7,119,400	6,798,376	-	-	7,119,400	6,798,376
Grants and contributions not restricted to specific programs	3,501,028	3,569,638	-	-	3,501,028	3,569,638
Payment from component units	5,000,000	4,900,000	-	-	5,000,000	4,900,000
Investment revenue	206,899	75,041	55,180	15,198	262,079	90,239
Other revenue	1,681,770	1,742,779	1,237,883	1,286,114	2,919,653	3,028,893
Gain on disposal of capital assets	-	-	41,058	2,550	41,058	2,550
Total revenues	117,839,347	112,372,774	30,598,407	31,606,958	148,437,754	143,979,732
Expenses:						
General government administration	18,543,556	16,257,293	-	-	18,543,556	16,257,293
Jail and judicial administration	5,822,848	5,137,399	-	-	5,822,848	5,137,399
Public safety	22,625,158	21,236,076	-	-	22,625,158	21,236,076
Public works	14,709,122	15,158,769	-	-	14,709,122	15,158,769
Health and welfare	4,579,647	4,103,981	-	-	4,579,647	4,103,981
Education	36,565,819	37,481,649	-	-	36,565,819	37,481,649
Parks, recreation and cultural	6,201,994	5,486,051	-	-	6,201,994	5,486,051
Planning and community development	4,579,778	3,555,510	-	-	4,579,778	3,555,510
Interest on long-term debt	5,046,788	5,116,339	-	-	5,046,788	5,116,339
Water	-	-	5,496,737	5,218,201	5,496,737	5,218,201
Sewer	-	-	9,702,160	9,526,208	9,702,160	9,526,208
Public transportation	-	-	6,348,417	6,327,540	6,348,417	6,327,540
Sanitation	-	-	4,208,851	7,185,575	4,208,851	7,185,575
Stormwater	-	-	255,371	-	255,371	-
Total expenses	118,674,710	113,533,067	26,011,536	28,257,524	144,686,246	141,790,591
Excess before special item and transfers	(835,363)	(1,160,293)	4,586,871	3,349,434	3,751,508	2,189,141
Special item	-	-	-	(1,916,812)	-	(1,916,812)
Transfers	2,603,868	2,527,927	(2,603,868)	(2,527,927)	-	-
Change in net position	1,768,505	1,367,634	1,983,003	(1,095,305)	3,751,508	272,329
Net position - beginning	162,995,133	161,627,499	70,831,611	71,926,916	233,826,744	233,554,415
Net position - ending	\$ 164,763,638	\$ 162,995,133	\$ 72,814,614	\$ 70,831,611	\$ 237,578,252	\$ 233,826,744

Governmental activities. Governmental activities increased the City's net position by \$1.8 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$1.3 million (7.5 percent) due an increase in revenue in the City's self-insured health insurance plan that is reported in governmental activities.
- Property tax revenue increased \$2.1 million (5.8 percent) during the current year as a result of a three cent increase in the real estate tax rate.
- Sales and use taxes, business license taxes and restaurant food taxes increased \$1.7 million (5.8 percent), collectively, as a result of general improvements in economic activity.
- Expenses in the general government administration activity increased \$2.3 million (14.1 percent) primarily due to a decrease in claim payments in the City's self-insured health insurance plan and bond issuance costs incurred.
- Expenses in the public safety activity increased \$1.4 million (6.5 percent) primarily from a general increase in operating costs from the addition of law enforcement personnel and increased contributions to the Harrisonburg-Rockingham Emergency Communications Center which a one-time capital contribution of approximately \$550,000.

- Expenses in the education activity decreased \$915,830 (2.4 percent) primarily due to funding provided in the previous fiscal year to the Harrisonburg City School Board for architecture and engineering services related to new school construction projects.
- Expenses in the parks, recreation and cultural activity increased \$715,943 (13.1%) primarily from the transfer of golf course land to the Harrisonburg City School Board for the construction of Bluestone Elementary School.
- Expenses in the planning and community development activity increased \$1 million (28.8%) primarily from the recognition of a loss from the demolition of the old community development building.



Business-type activities. Business-type activities increased the City’s net position by \$2 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$1 million (3.9 percent) due to the enactment of a new stormwater utility fee amounting to \$2.4 million. Water charges for services increased \$330,329 (4.6 percent) from a three percent rate increase and a general increase in usage. These increases were offset by a decrease in sanitation charges for services which decreased \$1.7 million as the result of discontinued operations at the resource recovery facility.
- Capital grants and contributions decreased \$2.1 million primarily from intergovernmental revenue associated with the construction of a new public transportation facility as construction was completed in the previous year.

- Expenses in the sanitation activity decreased \$3 million (41.4 percent) as the result of discontinued operations at the resource recovery facility.

Government-wide Financial Analysis (Component Units)

School Board activities. The net position of the School Board increased \$3.6 million during the year, as compared to a \$3.7 million increase in the previous year. School Board expenses increased \$3.5 million (5.2 percent) due to a general increase in instructional expenses. The School Board's funding for operations from the City increased \$273,968 (1 percent) compared to the previous year. State funding increased \$1.6 million due to increased enrollment, while Federal funding increased \$767,372.

HEC activities. HEC's net position decreased \$803,460 during the year, as compared to a \$609,140 increase in the previous year. Operating revenues decreased \$6.1 million (9.1 percent) during the current year, while expenses decreased \$5.5 million (8.3 percent). The decrease in operating revenue was a result of decreased fuel adjustment factor that was passed through to customers combined with a 1 percent decrease in electricity usage. The decrease in expenses was mostly a result of lower purchased power costs coupled with the aforementioned decrease in the fuel adjustment factor and decreased electricity usage.

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 \$28.4 million, while total fund balance was \$30.4 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 28.7 percent (23.7 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 30.7 percent (26.4 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$3.4 million mainly from positive operating results and the return of \$800,000 from the School Bond Capital Projects Fund as the City issued bonds during the year for school construction projects. The \$800,000 was provided by the General Fund in the previous year as an advance towards architectural and engineering costs prior to the issuance of the bonds. Real property taxes increased \$1.5 million, as the result of an increase in the tax rate, while personal property taxes increased \$386,604 (4.8 percent) compared to the previous fiscal year. Sales and use taxes increased \$462,027 (3.7 percent), business license taxes increased \$378,714 (6 percent), hotel and motel room taxes increased \$301,460 (13.2 percent) and restaurant food taxes increased \$886,801 (8 percent) compared to the previous fiscal year. Total expenditures increased \$2.3 million. Public safety expenditures increased \$758,879 (3.7 percent) from a one-time capital related contribution to the Harrisonburg-Rockingham Emergency Communications Center, health and welfare expenditures increased \$475,667 (11.7 percent) from increased contributions to the Harrisonburg-Rockingham Community Services Board and to the Harrisonburg-Rockingham Social Services District, debt service expenditures increased \$918,178 (7.5 percent) from a full year of debt service payments related a 2014 bond issue and the City's operating funding to the School Board increased \$1.1 million (3.8 percent). 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 \$15.2 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$10.2 million, of which \$7.7 million was proceeds from the issuance of bonds, \$1.9 million was intergovernmental revenue and \$367,335 was transfers from other funds. Intergovernmental revenue included \$1.7 million in funding from the state for street improvement projects, and \$188,223 in federal funding for a Safe Route to Schools grant project. Expenditures totaled \$7.3 million, of which the most significant were for the completion of the new City Hall facility, construction related to the Reservoir Street improvement project and the completion of the Carlton Street roundabout project.

School Bond Capital Projects Fund. The School Bond Capital Projects Fund has a total fund balance of \$34.4 million, of which the entire amount is restricted for various school construction projects. Revenue, including other financing sources, totaled \$40.6 million, of which nearly the entire amount was proceeds from the issuance of bonds. Expenditures totaled \$5.4 million and included construction of Bluestone Elementary School, Elon Rhodes Early Learning Center and HVAC replacement at Thomas Harrison Middle School.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water Fund. The net position of the Water Fund increased \$138,288 compared to an increase of \$286,128 in the previous year. Operating revenues increased \$300,329 (4.6 percent) due to an approximate three percent water rate increase and increased consumption, while total operating expenses increased \$311,873 (6.1 percent) from an increase in maintenance expenses.

Sewer Fund. The net position of the Sewer Fund decreased \$461,026 compared to a decrease of \$170,478 in the previous year. Operating revenues increased \$113,151 (1.1 percent) due to increased usage, while total operating expenses increased \$178,260 (1.9 percent) due to increased contributions to the regional sewer authority.

Public Transportation Fund. The net position of the Public Transportation Fund decreased \$1.2 million. Operating revenues decreased \$87,248 (4.6 percent) while total operating expenses increased \$306,437 (5.2 percent). Expenses increased primarily due to depreciation expense from transit buses and other equipment purchased in the previous fiscal year.

Sanitation Fund. The net position of the Sanitation Fund increased \$1.5 million. Operating revenues decreased \$1.7 million (24.7 percent) from a decrease in revenue related to landfill tipping fees at the Rockingham County landfill and the discontinued operations of the resource recovery facility, while total operating expenses decreased \$2.9 million (44.1 percent) due a decrease in tipping fees paid to Rockingham County and to the discontinued operations of the resource recovery facility.

Stormwater Fund. The net position of the Stormwater Fund increased \$2.2 million. This was a new proprietary fund established to account for the stormwater utility fee and the stormwater program funded by the fee.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$3.8 million, or 3.8 percent of the original budget, and can be briefly summarized as follows:

- \$2.1 million appropriated for prior year encumbrances.
- \$950,000 appropriated for funding received through the Virginia Department of Transportation Revenue Sharing program for street repaving.
- \$229,519 appropriated for various police department purposes including state and federal grants.
- \$219,899 appropriated for various fire department purposes including state and federal grants.
- \$243,245 appropriated for other purposes.

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

- Other local tax revenues were over the final amended budget by \$1.1 million. The variance was primarily the result of higher than anticipated restaurant food tax, hotel and motel tax and bank stock tax collections from improving economic activity.
- Public works expenditures were under the final amended budget by \$2.1 million. The variance was the result of the timing of the City's paving program expenditures. These funds were encumbered and reappropriated into the subsequent fiscal year.

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 \$367.5 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), intangible assets and construction in progress. The City's total investment in capital assets for the current fiscal year decreased \$1.6 million.

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

- Construction was completed on a new City Hall increasing governmental activities' buildings and other capital assets while decreasing construction in progress by \$10.3 million.
- Construction began on three new school projects that include Bluestone Elementary School, Elon Rhodes Early Learning Center and the Thomas Harrison Middle School HVAC replacement projects increasing governmental activities' construction in progress by \$4.9 million.
- Construction began on the Reservoir Street improvement project increasing governmental activities' construction in progress by \$2.4 million.
- Purchased land for the new water tank in the Park View area of the city increasing business-type activities land by \$300,000.
- Improvements and upgrades continued on the North River pump station project increasing business-type activities' construction in progress by \$374,188.
- Decommissioning of the resource recovery facility commenced during the year which will be sold to James Madison University. The costs incurred during the year for the decommissioning increased the resource recovery facility asset (held for sale) in the business-type activities by \$1.6 million.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Held for sale	\$ -	\$ -	\$ 4,041,217	\$ 2,469,000	\$ 4,041,217	\$ 2,469,000
Land	51,154,882	51,149,999	1,235,770	935,770	52,390,652	52,085,769
Easements	1,659,265	1,655,956	342,737	342,737	2,002,002	1,998,693
Construction in progress	17,993,331	19,138,211	15,839,153	14,987,433	33,832,484	34,125,644
Buildings	87,785,298	84,043,883	11,667,417	12,041,830	99,452,715	96,085,713
Improvements other than buildings	13,301,670	13,578,417	10,653,550	11,015,331	23,955,220	24,593,748
Machinery and equipment	14,210,376	14,407,514	8,321,157	9,175,799	22,531,533	23,583,313
Intangibles	11,223,407	10,840,158	-	-	11,223,407	10,840,158
Infrastructure	83,635,354	86,960,259	34,424,512	36,345,080	118,059,866	123,305,339
Total capital assets	\$ 280,963,583	\$ 281,774,397	\$ 86,525,513	\$ 87,312,980	\$ 367,489,096	\$ 369,087,377

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$249.9 million. Of this amount, \$205.1 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$42.1 million during the current fiscal year.

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

- The issuance of \$4.1 million in general obligation bonds to fund the renovations to Fire Station No. 1, replacement of the Pleasant Valley Road bridge and additional funding for the Reservoir Street improvement project in governmental activities.
- The issuance of \$40.2 million in general obligation bonds to fund the construction of a new elementary school and related street improvements, new pre-kindergarten facility, HVAC replacement at Thomas Harrison Middle School and shared use paths in governmental activities.
- The issuance of \$3.5 million in general obligation bonds to fund the construction of a new water tank, pump station and related infrastructure in business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 176,312,408	\$ 135,804,398	\$ 28,742,532	\$ 27,875,343	\$ 205,054,940	\$ 163,679,741
Capital leases	2,032,839	2,723,162	-	-	2,032,839	2,723,162
Regional jail agreement	8,714,153	9,694,615	-	-	8,714,153	9,694,615
Compensated absences	3,517,623	3,400,458	840,433	880,606	4,358,056	4,281,064
Postretirement healthcare benefits	3,424,363	3,097,884	967,150	888,412	4,391,513	3,986,296
Net pension liability	17,076,670	15,530,548	4,013,503	3,642,868	21,090,173	19,173,416
City landfill closure costs	-	-	1,613,289	1,598,899	1,613,289	1,598,899
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
Total long-term debt	\$ 211,078,056	\$ 170,251,065	\$ 38,874,872	\$ 37,584,093	\$ 249,952,928	\$ 207,835,158

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 \$398.3 million of which \$204.1 million is available for use.

Additional information on the City's long-term debt can be found in Note 8 on pages 48 through 51 of this report.

Economic Factors and Next Year's Budgets and Rates

The approved \$104.9 million fiscal year 2017 General Fund budget did not include the use of unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2017 General Fund budget.

- The unemployment rate for the City in December 2015 was 4.6 percent, which was a decrease from a rate of 5 percent in December 2014. This rate was higher than the 3.9 percent state rate but still compares favorably to the 4.8 percent national rate in December 2015.
- Flat real estate assessed values.
- Increased the real estate tax rate from \$0.72 to \$0.78. This tax rate increase is anticipated to provide an additional \$2.3 million in revenue compared to fiscal year 2016.
- Growth in other local tax revenue which includes sales tax, business license tax and restaurant food tax revenue of just over \$2.3 million.
- An increase of \$1 million in debt service expenditures related to the City's issuance of bonds for school construction and other various projects.

- An increase of \$1.3 million in expenditures related to the City's shared services with Rockingham County. \$1.1 million of this increase was related to major capital replacements at the regional jail operated by Rockingham County.
- An increase of \$250,000 for various information technology upgrades and replacements for hardware and software capital outlays.
- \$500,000 transferred to the General Capital Projects Fund for a public safety software project that includes the Harrisonburg-Rockingham Emergency Communications Center computer aided dispatch software replacement and a replacement data management system for the police department.
- Salary increases for both City and School Board employees.

A water rate increase of \$0.15 per one thousand gallons (approximately 6 percent) was approved to provide funding for the debt service on a \$3.5 million bond issue for the new water tank in the Park View area of the City and for general operations of the Water Fund.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET POSITION
At June 30, 2016

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	HEC
	Activities	Activities		Board	
Assets					
Cash and cash equivalents	\$ 42,479,059	\$ 21,243,242	\$ 63,722,301	\$ 8,038,207	\$ 10,853,218
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	50,347,506	2,821,737	53,169,243	2,345,103	5,527,744
Due from primary government	-	-	-	-	109,343
Due from component units	54,637	-	54,637	-	88,431
Internal balances	1,899,044	(1,899,044)	-	-	-
Inventory	1,293,682	-	1,293,682	100,617	1,887,777
Prepaid expenses	338,200	8,122	346,322	723,171	152,651
Loans receivable	8,043,923	-	8,043,923	-	-
Restricted assets	42,093,325	3,077,590	45,170,915	-	-
Capital assets:					
Capital assets, held for sale	-	4,041,217	4,041,217	-	-
Capital assets, not being depreciated	70,807,478	17,417,660	88,225,138	7,094,184	7,679,869
Capital assets (net of accumulated depreciation)	210,156,105	65,066,636	275,222,741	33,105,056	50,424,244
Net pension asset	-	-	-	279,169	-
Total assets	427,512,959	111,777,160	539,290,119	51,685,507	88,723,277
Deferred outflows of resources					
Deferred bond refunding charges	3,452,139	1,798,029	5,250,168	-	-
Deferred pension outflows	2,578,027	605,909	3,183,936	5,043,354	384,133
Total deferred outflows of resources	6,030,166	2,403,938	8,434,104	5,043,354	384,133
Liabilities					
Accounts payable	4,772,762	690,993	5,463,755	72,524	4,272,712
Accrued payroll	1,013,987	198,447	1,212,434	6,852,314	54,988
Accrued interest	2,411,660	416,988	2,828,648	-	-
Due to primary government	-	-	-	50,494	4,143
Due to component units	96,461	12,882	109,343	88,431	-
Customer deposits	-	345,268	345,268	-	1,115,222
Unearned revenue	1,105,649	288,600	1,394,249	-	-
Other liabilities	1,362,777	45,919	1,408,696	635,369	271,255
Liabilities payable from restricted assets	1,936,904	33,404	1,970,308	-	-
Long-term liabilities:					
Due within one year	11,437,986	2,933,791	14,371,777	301,653	403,753
Due in more than one year	199,640,070	35,941,081	235,581,151	60,615,105	3,316,640
Total liabilities	223,778,256	40,907,373	264,685,629	68,615,890	9,438,713
Deferred inflows of resources					
Property tax revenue	43,047,803	-	43,047,803	-	-
Deferred pension inflows	1,953,428	459,111	2,412,539	4,566,957	291,066
Total deferred inflows of resources	45,001,231	459,111	45,460,342	4,566,957	291,066
Net position					
Net investment in capital assets	145,194,280	62,658,600	207,852,880	40,199,240	58,104,113
Restricted for:					
Public safety	461,736	-	461,736	-	-
Unrestricted	19,107,622	10,156,014	29,263,636	(56,653,226)	21,273,518
Total net position	\$ 164,763,638	\$ 72,814,614	\$ 237,578,252	\$ (16,453,986)	\$ 79,377,631

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 18,543,556	\$ 13,413,592	\$ 330,928	\$ -
Jail and judicial administration	5,822,848	515,404	-	-
Public safety	22,625,158	261,725	1,808,666	-
Public works	14,709,122	-	5,458,966	2,112,546
Health and welfare	4,579,647	-	-	-
Education	36,565,819	3,099,596	-	-
Parks, recreation and cultural	6,201,994	1,130,856	-	-
Planning and community development	4,579,778	587,148	473,334	-
Interest on long-term debt	5,046,788	-	-	-
Total governmental activities	118,674,710	19,008,321	8,071,894	2,112,546
Business-type activities:				
Water	5,496,737	6,866,608	-	66,750
Sewer	9,702,160	10,249,003	-	37,800
Public transportation	6,348,417	1,810,732	2,281,764	502,095
Sanitation	4,208,851	5,104,242	-	-
Stormwater	255,371	2,345,292	-	-
Total business-type activities	26,011,536	26,375,877	2,281,764	606,645
Total primary government	\$ 144,686,246	\$ 45,384,198	\$ 10,353,658	\$ 2,719,191
Component units:				
School Board	\$ 71,140,738	\$ 2,137,472	\$ 19,349,662	\$ -
Harrisonburg Electric Commission (HEC)	61,658,027	60,602,147	-	172,311
Total component units	\$ 132,798,765	\$ 62,739,619	\$ 19,349,662	\$ 172,311

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

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (4,799,036)	\$ -	\$ (4,799,036)	\$ -	\$ -
(5,307,444)	-	(5,307,444)	-	-
(20,554,767)	-	(20,554,767)	-	-
(7,137,610)	-	(7,137,610)	-	-
(4,579,647)	-	(4,579,647)	-	-
(33,466,223)	-	(33,466,223)	-	-
(5,071,138)	-	(5,071,138)	-	-
(3,519,296)	-	(3,519,296)	-	-
(5,046,788)	-	(5,046,788)	-	-
(89,481,949)	-	(89,481,949)	-	-
-	1,436,621	1,436,621	-	-
-	584,643	584,643	-	-
-	(1,753,826)	(1,753,826)	-	-
-	895,391	895,391	-	-
-	2,089,921	2,089,921	-	-
-	3,252,750	3,252,750	-	-
(89,481,949)	3,252,750	(86,229,199)	-	-
-	-	-	(49,653,604)	-
-	-	-	-	(883,569)
-	-	-	(49,653,604)	(883,569)
39,574,723	-	39,574,723	-	-
12,994,784	-	12,994,784	-	-
11,914,152	-	11,914,152	-	-
6,653,830	-	6,653,830	-	-
7,119,400	-	7,119,400	-	-
3,501,028	-	3,501,028	23,372,240	-
-	-	-	29,390,214	-
5,000,000	-	5,000,000	-	-
206,899	55,180	262,079	4,107	80,109
1,681,770	1,237,883	2,919,653	437,578	-
-	41,058	41,058	-	-
2,603,868	(2,603,868)	-	-	-
91,250,454	(1,269,747)	89,980,707	53,204,139	80,109
1,768,505	1,983,003	3,751,508	3,550,535	(803,460)
162,995,133	70,831,611	233,826,744	(20,004,521)	80,181,091
\$ 164,763,638	\$ 72,814,614	\$ 237,578,252	\$ (16,453,986)	\$ 79,377,631

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2016

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 29,165,291	\$ 9,506,662	\$ -	\$ 604,949	\$ 39,276,902
Receivables (net of allowance for uncollectibles)	49,130,046	1,104,057	-	109,911	50,344,014
Due from other funds	87,131	-	-	-	87,131
Due from component units	-	-	-	46,092	46,092
Inventory	95,207	-	-	-	95,207
Prepaid expenditures	306,069	-	-	16,652	322,721
Loans receivable	7,924,601	-	-	119,322	8,043,923
Restricted assets	-	5,797,026	36,296,299	-	42,093,325
Total assets	\$ 86,708,345	\$ 16,407,745	\$ 36,296,299	\$ 896,926	\$ 140,309,315
Liabilities					
Accounts payable	\$ 2,212,482	\$ 909,966	\$ -	\$ 102,469	\$ 3,224,917
Accrued payroll	820,800	-	-	166,355	987,155
Due to other funds	-	-	-	19,440	19,440
Due to component units	89,444	37	-	1,271	90,752
Unearned revenue	92,425	305,275	-	-	397,700
Other liabilities	1,362,777	-	-	-	1,362,777
Liabilities payable from restricted assets	-	6,000	1,930,904	-	1,936,904
Total liabilities	4,577,928	1,221,278	1,930,904	289,535	8,019,645
Deferred Inflows of Resources					
Unavailable revenue	51,774,708	-	-	123,008	51,897,716
Total deferred inflows of resources	51,774,708	-	-	123,008	51,897,716
Fund Balances					
Nonspendable	745,877	-	-	16,652	762,529
Restricted	461,736	5,791,026	34,365,395	-	40,618,157
Committed	63,402	9,395,441	-	333,731	9,792,574
Assigned	649,393	-	-	134,000	783,393
Unassigned	28,435,301	-	-	-	28,435,301
Total fund balances	30,355,709	15,186,467	34,365,395	484,383	80,391,954
Total liabilities, deferred inflows of resources and fund balances	\$ 86,708,345	\$ 16,407,745	\$ 36,296,299	\$ 896,926	\$ 140,309,315

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, 2016

Exhibit 4

Total fund balances of governmental funds (Exhibit 3)	\$ 80,391,954
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.	8,849,913
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	274,196,174
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(209,228,133)
Deferred pension outflows and deferred pension inflows are not current financial resources and are not payable from current financial resources and therefore are not reported in the funds.	603,083
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>9,950,647</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 164,763,638</u>

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

Exhibit 5

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 39,444,384	\$ -	\$ -	\$ -	\$ 39,444,384
Other local taxes	38,722,176	-	-	-	38,722,176
Permits, privilege fees and regulatory licenses	443,489	-	-	-	443,489
Fines and forfeitures	623,390	-	-	-	623,390
Use of money and property	222,843	14,022	24,656	807	262,328
Charges for services	1,428,254	-	-	3,128,420	4,556,674
Miscellaneous	1,833,221	-	-	38,491	1,871,712
Recovered costs	-	59,225	-	-	59,225
Payments from component units	5,000,000	-	-	-	5,000,000
Intergovernmental	11,187,145	1,990,121	-	385,777	13,563,043
Total revenues	<u>98,904,902</u>	<u>2,063,368</u>	<u>24,656</u>	<u>3,553,495</u>	<u>104,546,421</u>
Expenditures:					
Current:					
General government administration	4,974,666	-	-	-	4,974,666
Jail and judicial administration	6,147,289	-	-	-	6,147,289
Public safety	21,409,396	-	-	-	21,409,396
Public works	10,243,873	-	-	-	10,243,873
Health and welfare	4,557,782	-	-	-	4,557,782
Education	29,390,214	-	-	2,989,072	32,379,286
Parks, recreation and cultural	5,058,486	-	-	-	5,058,486
Planning and community development	3,375,019	-	-	395,844	3,770,863
Debt service:					
Principal retirement	8,101,624	-	-	-	8,101,624
Interest and fiscal charges	5,105,619	-	-	-	5,105,619
Capital projects	-	7,266,080	5,427,524	-	12,693,604
Total expenditures	<u>98,363,968</u>	<u>7,266,080</u>	<u>5,427,524</u>	<u>3,384,916</u>	<u>114,442,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>540,934</u>	<u>(5,202,712)</u>	<u>(5,402,868)</u>	<u>168,579</u>	<u>(9,896,067)</u>
Other financing sources (uses):					
Long-term debt issued	-	7,425,000	36,880,000	-	44,305,000
Premium on long-term debt issued	-	307,154	3,688,263	-	3,995,417
Transfers in	3,460,748	367,335	-	-	3,828,083
Transfers out	(627,109)	-	(800,000)	-	(1,427,109)
Total other financing sources (uses)	<u>2,833,639</u>	<u>8,099,489</u>	<u>39,768,263</u>	<u>-</u>	<u>50,701,391</u>
Net change in fund balances	3,374,573	2,896,777	34,365,395	168,579	40,805,324
Fund balances at beginning of year	<u>26,981,136</u>	<u>12,289,690</u>	<u>-</u>	<u>315,804</u>	<u>39,586,630</u>
Fund balances at end of year	<u>\$ 30,355,709</u>	<u>\$ 15,186,467</u>	<u>\$ 34,365,395</u>	<u>\$ 484,383</u>	<u>\$ 80,391,954</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, 2016

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 40,805,324
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.	(205,669)
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.	3,024,968
The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(3,074,747)
The loss on the disposal of a capital asset affects only the statement of activities. The loss does not have an effect on current financial resources and, therefore, is not reported in governmental funds.	(777,467)
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.	181,650
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.	(39,057,389)
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.	(536,695)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned, net of employee contributions, are reported as pension expense. This is the amount by which employer pension contributions exceeded pension expense.	1,171,284
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>237,246</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 1,768,505</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 39,719,900	\$ 39,141,900	\$ 39,444,384	\$ 302,484
Other local taxes	37,604,500	37,662,500	38,722,176	1,059,676
Permits, privilege fees and regulatory licenses	455,270	455,270	443,489	(11,781)
Fines and forfeitures	565,000	565,000	623,390	58,390
Use of money and property	175,000	175,000	222,843	47,843
Charges for services	1,412,900	1,412,900	1,428,254	15,354
Miscellaneous	1,894,836	1,913,081	1,833,221	(79,860)
Payments from component units	5,000,000	5,000,000	5,000,000	-
Intergovernmental	9,686,301	11,438,287	11,187,145	(251,142)
Total revenues	<u>96,513,707</u>	<u>97,763,938</u>	<u>98,904,902</u>	<u>1,140,964</u>
Expenditures:				
Current:				
General government administration	5,157,137	5,277,820	4,974,666	303,154
Jail and judicial administration	5,900,166	6,334,302	6,147,289	187,013
Public safety	22,114,681	22,491,714	21,409,396	1,082,318
Public works	9,929,657	12,365,527	10,243,873	2,121,654
Health and welfare	4,564,364	4,574,698	4,557,782	16,916
Education	29,895,539	29,895,539	29,390,214	505,325
Parks, recreation and cultural	5,101,181	5,183,133	5,058,486	124,647
Planning and community development	3,424,396	3,749,396	3,375,019	374,377
Debt service:				
Principal retirement	8,101,626	8,101,624	8,101,624	-
Interest and fiscal charges	5,106,971	5,106,973	5,105,619	1,354
Total expenditures	<u>99,295,718</u>	<u>103,080,726</u>	<u>98,363,968</u>	<u>4,716,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,782,011)</u>	<u>(5,316,788)</u>	<u>540,934</u>	<u>5,857,722</u>
Other financing sources (uses):				
Transfers in	2,660,748	3,460,748	3,460,748	-
Transfers out	(627,109)	(627,109)	(627,109)	-
Total other financing sources (uses)	<u>2,033,639</u>	<u>2,833,639</u>	<u>2,833,639</u>	<u>-</u>
Net change in fund balance	<u>\$ (748,372)</u>	<u>\$ (2,483,149)</u>	<u>3,374,573</u>	<u>\$ 5,857,722</u>
Fund balance at beginning of year			<u>26,981,136</u>	
Fund balance at end of year			<u>\$ 30,355,709</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, 2016

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 6,803,891	\$ 6,129,623	\$ 414,310	\$ 6,201,907	\$ 1,693,511	\$ 21,243,242	\$ 3,202,157
Receivables (net of allowance for uncollectibles)	836,224	1,239,633	20,919	288,870	83,744	2,469,390	3,492
Due from component units	-	-	-	-	-	-	8,545
Due from other governments	-	-	352,347	-	-	352,347	-
Inventory	-	-	-	-	-	-	1,198,475
Prepaid expenses	8,122	-	-	-	-	8,122	15,479
Restricted assets	3,077,590	-	-	-	-	3,077,590	-
Total current assets	10,725,827	7,369,256	787,576	6,490,777	1,777,255	27,150,691	4,428,148
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	47,264,218	20,799,781	12,310,570	5,681,387	469,557	86,525,513	6,767,409
Total noncurrent assets	47,264,218	20,799,781	12,310,570	5,681,387	469,557	86,525,513	6,767,409
Total assets	57,990,045	28,169,037	13,098,146	12,172,164	2,246,812	113,676,204	11,195,557
Deferred outflows of resources							
Deferred bond refunding charges	742,880	-	-	1,055,149	-	1,798,029	-
Deferred pension outflows	200,061	130,594	143,246	127,670	4,338	605,909	88,808
Total deferred outflows of resources	942,941	130,594	143,246	1,182,819	4,338	2,403,938	88,808
Liabilities							
Current liabilities:							
Accounts payable	70,041	23,904	57,244	530,039	9,765	690,993	1,547,845
Accrued payroll	65,602	39,266	58,020	32,010	3,549	198,447	26,832
Accrued interest	196,345	-	-	220,643	-	416,988	-
Due to other funds	-	-	-	-	-	-	67,691
Due to component units	6,535	3,107	2,198	825	217	12,882	5,709
Customer deposits	345,268	-	-	-	-	345,268	-
Unearned revenue	183,700	104,900	-	-	-	288,600	707,949
Other liabilities	45,919	-	-	-	-	45,919	-
Liabilities payable from restricted assets	33,404	-	-	-	-	33,404	-
Compensated absences	129,727	81,457	76,566	93,971	2,751	384,472	55,714
Landfill closure	-	-	-	106,491	-	106,491	-
Current portion of bonds payable	644,705	-	-	1,798,123	-	2,442,828	-
Total current liabilities	1,721,246	252,634	194,028	2,782,102	16,282	4,966,292	2,411,740
Noncurrent liabilities:							
Compensated absences	163,675	124,381	87,525	80,380	-	455,961	47,352
Postretirement healthcare benefits	242,103	209,925	130,195	384,616	311	967,150	118,119
Net pension liability	1,325,191	865,048	948,850	845,677	28,737	4,013,503	588,259
Landfill closure	-	-	-	4,204,763	-	4,204,763	-
Bonds payable	13,521,613	-	-	12,778,091	-	26,299,704	-
Total noncurrent liabilities	15,252,582	1,199,354	1,166,570	18,293,527	29,048	35,941,081	753,730
Total liabilities	16,973,828	1,451,988	1,360,598	21,075,629	45,330	40,907,373	3,165,470
Deferred inflows of resources							
Deferred pension inflows	151,591	98,954	108,541	96,738	3,287	459,111	67,292
Total deferred inflows of resources	151,591	98,954	108,541	96,738	3,287	459,111	67,292
Net position							
Net investment in capital assets	36,918,370	20,799,781	12,310,570	(7,839,678)	469,557	62,658,600	6,767,409
Unrestricted	4,889,197	5,948,908	(538,317)	22,294	1,732,976	12,055,058	1,284,194
Total net position	\$ 41,807,567	\$ 26,748,689	\$ 11,772,253	\$ (7,817,384)	\$ 2,202,533	74,713,658	\$ 8,051,603
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,899,044)	
Net position of business-type activities (Exhibit 1)						\$ 72,814,614	

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

CITY OF HARRISONBURG, VIRGINIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2016

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Operating revenues:							
Charges for services	\$ 6,815,947	\$ 10,245,773	\$ 1,810,732	\$ 5,081,283	\$ 2,345,292	\$ 26,299,027	\$ 21,462,470
Connection fees	50,661	3,230	-	-	-	53,891	-
Total operating revenues	<u>6,866,608</u>	<u>10,249,003</u>	<u>1,810,732</u>	<u>5,081,283</u>	<u>2,345,292</u>	<u>26,352,918</u>	<u>21,462,470</u>
Operating expenses:							
Personal services	1,682,728	1,120,078	2,129,108	1,037,548	54,977	6,024,439	767,242
Fringe benefits	537,585	389,262	542,840	442,066	17,006	1,928,759	267,617
Purchased services	196,587	86,774	122,908	1,348,886	127,105	1,882,260	590,133
Internal services	262,002	248,747	1,170,016	158,894	5,263	1,844,922	6,711
Other charges	615,149	117,252	379,582	322,976	33,198	1,468,157	1,582,106
Materials and supplies	268,805	105,772	115,429	97,817	6,374	594,197	67,615
Contributions to regional sewer authority	-	6,204,677	-	-	-	6,204,677	-
Depreciation and amortization	1,848,677	1,407,189	1,760,319	216,159	10,982	5,243,326	204,153
Cost of inventory issued	-	-	-	-	-	-	3,033,513
Claims related charges	-	-	-	-	-	-	15,160,547
Total operating expenses	<u>5,411,533</u>	<u>9,679,751</u>	<u>6,220,202</u>	<u>3,624,346</u>	<u>254,905</u>	<u>25,190,737</u>	<u>21,679,637</u>
Operating income (loss)	<u>1,455,075</u>	<u>569,252</u>	<u>(4,409,470)</u>	<u>1,456,937</u>	<u>2,090,387</u>	<u>1,162,181</u>	<u>(217,167)</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	2,281,764	-	-	2,281,764	-
Connection application fees	135,239	272,270	-	-	-	407,509	-
Miscellaneous revenue	83,549	110	186,811	11,304	-	281,774	16,602
Reimbursement of bond payment	-	-	-	571,559	-	571,559	-
Investment revenue	26,789	15,360	554	10,331	2,146	55,180	5,201
Interest expense	(62,724)	-	-	(545,731)	-	(608,455)	-
Gain (loss) on disposal of capital assets	-	1,660	39,398	(21,563)	-	19,495	-
Total nonoperating revenues (expenses)	<u>182,853</u>	<u>289,400</u>	<u>2,508,527</u>	<u>25,900</u>	<u>2,146</u>	<u>3,008,826</u>	<u>21,803</u>
Income (loss) before contributions and transfers	<u>1,637,928</u>	<u>858,652</u>	<u>(1,900,943)</u>	<u>1,482,837</u>	<u>2,092,533</u>	<u>4,171,007</u>	<u>(195,364)</u>
Capital contributions	66,750	37,800	502,095	-	-	606,645	38,935
Transfers in	-	-	210,000	-	110,000	320,000	202,894
Transfers out	<u>(1,566,390)</u>	<u>(1,357,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,923,868)</u>	<u>-</u>
Change in net position	<u>138,288</u>	<u>(461,026)</u>	<u>(1,188,848)</u>	<u>1,482,837</u>	<u>2,202,533</u>	<u>2,173,784</u>	<u>46,465</u>
Net position at beginning of year	<u>41,669,279</u>	<u>27,209,715</u>	<u>12,961,101</u>	<u>(9,300,221)</u>	<u>-</u>	<u>-</u>	<u>8,005,138</u>
Net position at end of year	<u>\$ 41,807,567</u>	<u>\$ 26,748,689</u>	<u>\$ 11,772,253</u>	<u>\$ (7,817,384)</u>	<u>\$ 2,202,533</u>	<u>\$ -</u>	<u>\$ 8,051,603</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(190,781)	
Change in net position of business-type activities (Exhibit 2)						\$ 1,983,003	

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

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 6,794,907	\$ 10,265,364	\$ 1,798,092	\$ 5,094,987	\$ 2,261,632	\$ 26,214,982	\$ 4,285,998
Receipts from premiums	-	-	-	-	-	-	17,175,360
Receipts from other sources	84,799	110	180,342	11,304	-	276,555	15,520
Receipts from customer deposits	179,330	-	-	-	-	179,330	-
Payments to employees	(1,659,160)	(1,085,078)	(2,096,943)	(1,229,960)	(49,118)	(6,120,259)	(757,327)
Payments for fringe benefits	(585,604)	(429,038)	(559,112)	(460,713)	(14,729)	(2,049,196)	(280,084)
Payments to vendors	(1,011,473)	(318,592)	(450,766)	(2,026,587)	(130,618)	(3,938,036)	(5,051,040)
Payments for internal services	(262,002)	(248,747)	(1,170,016)	(158,894)	(5,263)	(1,844,922)	(6,711)
Payments to other governmental units	-	(6,204,677)	-	-	-	(6,204,677)	-
Payments to refund customer deposits	(176,815)	-	-	-	-	(176,815)	-
Payments for claims related charges	-	-	-	-	-	-	(14,650,622)
Net cash provided by (used for) operating activities	<u>3,363,982</u>	<u>1,979,342</u>	<u>(2,298,403)</u>	<u>1,230,137</u>	<u>2,061,904</u>	<u>6,336,962</u>	<u>731,094</u>
Cash flows from noncapital financing activities:							
Operating grants	-	-	2,298,658	-	-	2,298,658	-
Transfers in	-	-	210,000	-	110,000	320,000	202,894
Transfers out	(1,566,390)	(1,357,478)	-	-	-	(2,923,868)	-
Interfund loan	-	-	-	-	-	-	(278,419)
Net cash provided by (used for) noncapital financing activities	<u>(1,566,390)</u>	<u>(1,357,478)</u>	<u>2,508,658</u>	<u>-</u>	<u>110,000</u>	<u>(305,210)</u>	<u>(75,525)</u>
Cash flows from capital and related financing activities:							
Capital grants and contributions	-	-	516,329	-	-	516,329	-
Connection application fees	184,900	275,000	-	-	-	459,900	-
Payment from JMU for long-term debt	-	-	-	577,959	-	577,959	-
Proceeds from sale of capital assets	-	1,660	39,398	-	-	41,058	-
Proceeds from long-term debt	3,532,000	-	-	-	-	3,532,000	-
Principal paid on long-term debt	(437,866)	-	-	(2,132,699)	-	(2,570,565)	-
Interest paid on long-term debt	(341,669)	-	-	(511,578)	-	(853,247)	-
Purchase and construction of capital assets	(1,127,151)	(284,743)	(588,095)	(1,303,509)	(480,539)	(3,784,037)	-
Net cash provided by (used for) capital and related financing activities	<u>1,810,214</u>	<u>(8,083)</u>	<u>(32,368)</u>	<u>(3,369,827)</u>	<u>(480,539)</u>	<u>(2,080,603)</u>	<u>-</u>
Cash flows from investing activities:							
Interest received	26,789	15,360	554	10,331	2,146	55,180	5,201
Net cash provided by investing activities	<u>26,789</u>	<u>15,360</u>	<u>554</u>	<u>10,331</u>	<u>2,146</u>	<u>55,180</u>	<u>5,201</u>
Net increase (decrease) in cash and cash equivalents	<u>3,634,595</u>	<u>629,141</u>	<u>178,441</u>	<u>(2,129,359)</u>	<u>1,693,511</u>	<u>4,006,329</u>	<u>660,770</u>
Cash and cash equivalents:							
Beginning	<u>6,246,886</u>	<u>5,500,482</u>	<u>235,869</u>	<u>8,331,266</u>	<u>-</u>	<u>20,314,503</u>	<u>2,541,387</u>
Ending	<u>\$ 9,881,481</u>	<u>\$ 6,129,623</u>	<u>\$ 414,310</u>	<u>\$ 6,201,907</u>	<u>\$ 1,693,511</u>	<u>\$ 24,320,832</u>	<u>\$ 3,202,157</u>
Reconciliation of cash and cash equivalents to the balance sheet:							
Cash and cash equivalents - Current assets	\$ 6,803,891	\$ 6,129,623	\$ 414,310	\$ 6,201,907	\$ 1,693,511	\$ 21,243,242	\$ 3,202,157
Cash and cash equivalents - Restricted assets	<u>3,077,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,077,590</u>	<u>-</u>
	<u>\$ 9,881,481</u>	<u>\$ 6,129,623</u>	<u>\$ 414,310</u>	<u>\$ 6,201,907</u>	<u>\$ 1,693,511</u>	<u>\$ 24,320,832</u>	<u>\$ 3,202,157</u>

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 1,455,075	\$ 569,252	\$ (4,409,470)	\$ 1,456,937	\$ 2,090,387	\$ 1,162,181	\$ (217,167)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,848,677	1,407,189	1,760,319	216,159	10,982	5,243,326	204,153
Pension expense net of employer contributions	24,617	(72,034)	108,714	(269,854)	27,686	(180,871)	56,195
Connection fees	(50,661)	(3,230)	-	-	-	(53,891)	-
Miscellaneous revenue	84,799	110	185,655	11,304	-	281,868	15,520
Change in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	(19,759)	19,591	(12,639)	13,703	(83,744)	(82,848)	(1,422)
Due from component units	-	-	-	-	-	-	(225)
Inventory	-	-	-	-	-	-	181,397
Prepaid expenses	(4,946)	1,058	-	18,117	-	14,229	(1,855)
Increase (decrease) in:							
Accounts payable	(19,049)	1,795	26,587	(1,249)	9,765	17,849	459,920
Accrued payroll	18,440	7,892	17,590	(116,002)	3,549	(68,531)	6,886
Due to component units	(2,302)	(590)	(489)	(47,376)	216	(50,541)	1,694
Customer deposits	2,515	-	-	-	-	2,515	-
Unearned revenue	-	-	-	-	-	-	12,851
Other liabilities	(1,280)	-	-	-	-	(1,280)	-
Compensated absences	6,857	29,693	11,576	(91,050)	2,752	(40,172)	3,178
Landfill closure	-	-	-	14,390	-	14,390	-
Postretirement healthcare benefits	20,999	18,616	13,754	25,058	311	78,738	9,969
Net cash provided by (used for) operating activities	\$ 3,363,982	\$ 1,979,342	\$ (2,298,403)	\$ 1,230,137	\$ 2,061,904	\$ 6,336,962	\$ 731,094
Non - cash capital and related financing activities:							
Additions to capital assets:							
Contributed by developers	\$ 66,750	\$ 37,800	\$ -	\$ -	\$ -	\$ 104,550	\$ -
Contributed by other funds	-	-	-	-	-	-	38,935
Purchase and construction on account	38,795	4,390	-	376,043	-	419,228	-
Capitalized interest	351,202	-	-	216	-	351,418	-

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, 2016

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,191,673
Receivables	<u>182,083</u>
Total assets	\$ <u><u>2,373,756</u></u>
Liabilities	
Accounts payable	\$ 88,106
Accrued payroll	75,056
Amounts held for others	<u>2,210,594</u>
Total liabilities	\$ <u><u>2,373,756</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. Taxes not collected within 60 days after June 30 are reflected as a deferred inflow of resources.

The City reports the following major governmental funds:

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

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

School Bond Capital Projects Fund – This fund accounts for the financial resources obtained through bond issuances on behalf of the School Board to be used for the acquisition and construction of major capital school facilities.

The City reports the following major proprietary funds:

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

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

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

Sanitation Fund – This fund accounts for the activities of the City's refuse collection, recycling and closed landfill operations.

Stormwater Fund – This fund accounts for the activities of the City's stormwater program.

Note 1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

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

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

Agency funds account for assets held by the City in 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, 2016.

The appropriated budget places legal restrictions on expenditures at the fund level. The City Manager is authorized to transfer budgeted amounts within funds as may best meet the needs and interests of the City. The City may increase total appropriations at the fund level through approval of City Council. Supplemental appropriations were

Note 1. Summary of Significant Accounting Policies (continued)

made during the year in the General Fund totaling \$3,785,008. Supplemental appropriations that exceed one percent of the budget require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds and the Community Development Block Grant Fund.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to encumber that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General and General Capital Projects Funds. Encumbrances outstanding at the end of the fiscal year are reported as either commitments or assignments of fund balance since they do not constitute expenditures or liabilities but rather the City's intent to expend funds. Encumbered amounts are generally reappropriated by City Council in the next fiscal year.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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

2. Investments. The City's investments are reported at fair value, which is obtained by using readily determinable quoted market valuations. 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. The LGIP and SNAP use amortized cost to value their portfolios. There are no withdrawal limitations or restrictions in the LGIP or SNAP.

3. Interfund Receivables/Payables. Activity between funds, including amounts that are anticipated to be repaid within one fiscal year, are reported as "due to/from other funds." All other activity between funds that are representative of long-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property taxes. Property taxes are levied as of January 1 on property values assessed annually. The last effective general real property reassessment was January 1, 2016. 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, 2016 amounted to \$516,573.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

7. Capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In general, the City defines capital assets as assets with an initial, individual cost of more than \$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 \$413,926 in interest expense of which \$351,202 was capitalized and the Sanitation Fund incurred \$545,947 in interest expense of which \$216 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
Intangibles	5-30 years
Infrastructure	20-40 years

8. School Board Capital Assets. Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$2,582,092 in net capital assets to the School Board during the current fiscal year on the government-wide statement of activities.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

13. Deferred outflows/inflows of resources. In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. One item is the deferred charge on debt refundings reported in the government-wide and proprietary funds statement of net position. A deferred charge on a debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for pensions. This will be recognized as a reduction to the net pension liability in fiscal year 2017. The third item consists of certain items related to the measurement of the net pension liability such as differences between expected and actual experience. This difference will be recognized in pension expense over a closed five year period. The fourth item consists of the School Board's participation in a cost-sharing pension plan, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. These amounts will be recognized in pension expense over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

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

Bonds payable	\$ (166,296,065)
Bond issue premiums/discounts (net)	(10,016,343)
Deferred charge for bond refunding	3,452,139
Capital leases	(2,032,839)
Compensated absences (not including internal service funds)	(3,414,557)
Postretirement healthcare benefits (not including internal service funds)	(3,306,244)
Net pension liability (not including internal service funds)	(16,488,411)
Middle River Regional Jail agreement	(8,714,153)
Accrued interest	<u>(2,411,660)</u>
Net adjustment	\$ <u><u>(209,228,133)</u></u>

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

Deferred pension outflows	\$ 2,489,219
Deferred pension inflows	<u>(1,886,136)</u>
Net adjustment	\$ <u><u>603,083</u></u>

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

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

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

Capital outlay	\$ 12,962,558
Depreciation expense (not including internal service funds)	<u>(9,937,590)</u>
Net adjustment	<u>\$ 3,024,968</u>

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

Long-term debt issued	\$ (44,305,000)
Premium on long-term debt issued	(3,995,417)
Principal payments	8,101,624
Payment on Middle River Regional Jail agreement	980,462
Amortization of bond premiums/discounts (net)	381,106
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	<u>\$ (39,057,389)</u>

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

Compensated absences (not including internal service funds)	\$ (111,975)
Postretirement healthcare benefits (not including internal service funds)	(315,957)
Accrued interest	<u>(108,763)</u>
Net adjustment	<u>\$ (536,695)</u>

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

Employer pension contributions (not including internal service funds)	\$ 2,394,307
Pension expense (not including internal service funds)	<u>(1,223,023)</u>
Net adjustment	<u>\$ 1,171,284</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, 2016, 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, 2016, 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, 2016.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 58,695,224	\$ 7,308,269	\$ -	\$ 66,003,493
State Non-Arbitrage Pool (SNAP)	45,170,915	-	-	45,170,915
Certificates of Deposit	-	-	8,000,000	8,000,000
Money Market Account	-	-	4,000,000	4,000,000
Deposits	<u>7,209,632</u>	<u>729,238</u>	<u>10,853,218</u>	<u>18,792,088</u>
Total deposits and investments	<u>\$ 111,075,771</u>	<u>\$ 8,037,507</u>	<u>\$ 22,853,218</u>	<u>\$ 141,966,496</u>

Note 4. Restricted Assets

The City has certain assets presented on the government-wide statement of net position, the governmental funds balance sheet and the proprietary funds statement of net position as restricted for specific purposes. Restricted assets for governmental and business-type activities in the amounts of \$42,093,325 and \$3,077,590, respectively, represent unspent bond proceeds.

Note 5. Receivables

The following is a summary of receivables at June 30, 2016.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 44,718,592	\$ -	\$ 44,718,592	\$ -	\$ -
Other taxes receivable	1,507,164	-	1,507,164	-	-
Accounts receivable	3,492	2,556,826	2,560,318	-	5,527,744
Interest receivable	1,186	-	1,186	-	-
Other receivables	392,947	9,763	402,710	637,476	-
Due from other governments:					
Commonwealth of Virginia	3,937,244	2,792	3,940,036	1,265,755	-
Federal Government	303,454	349,555	653,009	441,872	-
Allowance for uncollectibles	<u>(516,573)</u>	<u>(97,199)</u>	<u>(613,772)</u>	<u>-</u>	<u>-</u>
Total	\$ 50,347,506	\$ 2,821,737	\$ 53,169,243	\$ 2,345,103	\$ 5,527,744

Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2016.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 2,635,000	\$ 105,000
HRHA*	December 6, 2011	17.5	3.19%	4,945,000	285,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>344,601</u>	<u>26,844</u>
Total General Fund				<u>7,924,601</u>	<u>416,844</u>
2016-01	June 29, 2016	3	4.5%	10,000	2,914
2015-04	April 30, 2015	5	4.5%	16,039	3,831
2015-03	April 22, 2015	5	4.5%	16,971	3,788
2015-02	January 23, 2015	5	4.5%	18,477	4,861
2015-01	July 18, 2014	5	4.5%	16,074	4,971
2014-02	February 28, 2014	5	4.5%	14,441	5,046
2014-01	July 31, 2013	5	4.5%	11,525	5,180
2013-03	January 31, 2013	4	4.5%	9,892	3,349
2013-01	July 3, 2012	5	4.5%	<u>5,903</u>	<u>5,439</u>
Total Business Loan Program Fund				<u>119,322</u>	<u>39,379</u>
Total Governmental Activities				<u>\$ 8,043,923</u>	<u>\$ 456,223</u>

*Harrisonburg Redevelopment and Housing Authority

Note 7. Capital Assets

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2016.

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 51,149,999	\$ 497,538	\$ (492,655)	\$ 51,154,882
Easements	1,655,956	3,309	-	1,659,265
Construction in progress	19,138,211	11,513,366	(12,658,246)	17,993,331
Capital assets, not being depreciated	<u>\$ 71,944,166</u>	<u>\$ 12,014,213</u>	<u>\$ (13,150,901)</u>	<u>\$ 70,807,478</u>
Capital assets, being depreciated:				
Buildings	\$ 115,093,483	\$ 10,040,430	\$ (4,667,347)	\$ 120,466,566
Improvements other than buildings	19,039,754	486,824	-	19,526,578
Machinery and equipment	34,046,898	1,800,640	(636,064)	35,211,474
Intangibles	10,951,634	786,402	-	11,738,036
Infrastructure	161,337,288	832,944	-	162,170,232
Capital assets, being depreciated	<u>340,469,057</u>	<u>13,947,240</u>	<u>(5,303,411)</u>	<u>349,112,886</u>
Less accumulated depreciation:				
Buildings	(31,049,600)	(2,939,456)	1,307,788	(32,681,268)
Improvements other than buildings	(5,461,337)	(763,571)	-	(6,224,908)
Machinery and equipment	(19,639,384)	(1,997,778)	636,064	(21,001,098)
Intangibles	(111,476)	(403,153)	-	(514,629)
Infrastructure	(74,377,029)	(4,157,849)	-	(78,534,878)
Accumulated depreciation	<u>(130,638,826)</u>	<u>(10,261,807)</u>	<u>1,943,852</u>	<u>(138,956,781)</u>
Capital assets, being depreciated (net)	<u>\$ 209,830,231</u>	<u>\$ 3,685,433</u>	<u>\$ (3,359,559)</u>	<u>\$ 210,156,105</u>

The primary government has included in the preceding schedule machinery and equipment in the amount of \$6,474,144 (\$2,310,128 in accumulated depreciation) that are associated with capital lease obligations.

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of governmental activities shown below by \$120,064. This difference represents accumulated depreciation on capital assets transferred from business-type activities.

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

General government administration	\$ 38,713
Jail and judicial administration	656,021
Public safety	1,537,337
Public works	4,899,157
Health and welfare	21,865
Education	1,800,945
Parks, recreation and culture	853,944
Planning and community development	129,608
Internal service funds (allocated to various functions)	<u>204,153</u>
Total governmental activities depreciation expense	<u>\$ 10,141,743</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 2016.

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, held for sale:				
Steam plant	\$ 2,469,000	\$ 1,572,217	\$ -	\$ 4,041,217
Capital assets, held for sale	<u>\$ 2,469,000</u>	<u>\$ 1,572,217</u>	<u>\$ -</u>	<u>\$ 4,041,217</u>
Capital assets, not being depreciated:				
Land	\$ 935,770	\$ 300,000	\$ -	\$ 1,235,770
Easements	342,737	-	-	342,737
Construction in progress	14,987,433	1,225,712	(373,992)	15,839,153
Capital assets, not being depreciated	<u>\$ 16,265,940</u>	<u>\$ 1,525,712</u>	<u>\$ (373,992)</u>	<u>\$ 17,417,660</u>
Capital assets, being depreciated:				
Buildings	\$ 15,814,764	\$ -	\$ (17,050)	\$ 15,797,714
Improvements other than buildings	18,226,135	79,265	-	18,305,400
Machinery and equipment	24,156,065	1,243,640	(606,169)	24,793,536
Infrastructure	79,518,441	478,542	-	79,996,983
Capital assets, being depreciated	<u>137,715,405</u>	<u>1,801,447</u>	<u>(623,219)</u>	<u>138,893,633</u>
Less accumulated depreciation:				
Buildings	(3,772,934)	(368,436)	11,073	(4,130,297)
Improvements other than buildings	(7,210,804)	(441,046)	-	(7,651,850)
Machinery and equipment	(14,980,266)	(2,082,696)	590,583	(16,472,379)
Infrastructure	<u>(43,173,361)</u>	<u>(2,399,110)</u>	<u>-</u>	<u>(45,572,471)</u>
Accumulated depreciation	<u>(69,137,365)</u>	<u>(5,291,288)</u>	<u>601,656</u>	<u>(73,826,997)</u>
Capital assets, being depreciated (net)	<u>\$ 68,578,040</u>	<u>\$ (3,489,841)</u>	<u>\$ (21,563)</u>	<u>\$ 65,066,636</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 \$47,962. 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	\$ 1,848,677
Sewer	1,407,189
Public transportation	1,760,319
Sanitation	216,159
Stormwater	<u>10,982</u>
Total business-type activities depreciation expense	<u>\$ 5,243,326</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 2016.

Component Unit – School Board

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 5,801,529	\$ 492,655	\$ -	\$ 6,294,184
Construction in progress	612,985	187,015	-	800,000
Capital assets, not being depreciated	<u>\$ 6,414,514</u>	<u>\$ 679,670</u>	<u>\$ -</u>	<u>\$ 7,094,184</u>
Capital assets, being depreciated:				
Buildings	\$ 53,051,399	\$ 3,353,100	\$ -	\$ 56,404,499
Improvements other than buildings	95,168	-	-	95,168
Machinery and equipment	5,663,136	150,565	-	5,813,701
Capital assets, being depreciated	<u>58,809,703</u>	<u>3,503,665</u>	<u>-</u>	<u>62,313,368</u>
Less accumulated depreciation:				
Buildings	(22,762,465)	(2,126,188)	-	(24,888,653)
Improvements other than buildings	(42,005)	(4,758)	-	(46,763)
Machinery and equipment	(3,995,367)	(277,529)	-	(4,272,896)
Accumulated depreciation	<u>(26,799,837)</u>	<u>(2,408,475)</u>	<u>-</u>	<u>(29,208,312)</u>
Capital assets, being depreciated (net)	<u>\$ 32,009,866</u>	<u>\$ 1,095,190</u>	<u>\$ -</u>	<u>\$ 33,105,056</u>

Component Unit – HEC

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 3,094,507	\$ -	\$ (4,320)	\$ 3,090,187
Construction in progress	3,021,188	3,159,203	(1,590,709)	4,589,682
Capital assets, not being depreciated	<u>\$ 6,115,695</u>	<u>\$ 3,159,203</u>	<u>\$ (1,595,029)</u>	<u>\$ 7,679,869</u>
Capital assets, being depreciated:				
Buildings	\$ 3,026,821	\$ 61,892	\$ (302,861)	\$ 2,785,852
Machinery and equipment	6,889,244	281,425	(17,399)	7,153,270
Infrastructure	114,894,677	1,607,389	(2,172,677)	114,329,389
Capital assets, being depreciated	<u>124,810,742</u>	<u>1,950,706</u>	<u>(2,492,937)</u>	<u>124,268,511</u>
Less accumulated depreciation:				
Buildings	(2,011,225)	(80,534)	171,811	(1,919,948)
Machinery and equipment	(6,466,289)	(285,311)	23,106	(6,728,494)
Infrastructure	(63,252,311)	(3,386,637)	1,443,123	(65,195,825)
Accumulated depreciation	<u>(71,729,825)</u>	<u>(3,752,482)</u>	<u>1,638,040</u>	<u>(73,844,267)</u>
Capital assets, being depreciated (net)	<u>\$ 53,080,917</u>	<u>\$ (1,801,776)</u>	<u>\$ (854,897)</u>	<u>\$ 50,424,244</u>

Note 8. 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, 2016.

Year Ending June 30,	General				Total	
	Obligation Bonds		Capital Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 7,718,611	\$ 5,802,020	\$ 618,839	\$ 62,310	\$ 8,337,450	\$ 5,864,330
2018	8,507,622	6,007,395	454,000	44,631	8,961,622	6,052,026
2019	8,829,839	5,659,739	471,000	27,241	9,300,839	5,686,980
2020	9,121,236	5,283,860	489,000	9,193	9,610,236	5,293,053
2021	9,415,247	4,890,872	-	-	9,415,247	4,890,872
2022-2026	51,463,510	18,039,526	-	-	51,463,510	18,039,526
2027-2031	42,070,000	8,423,611	-	-	42,070,000	8,423,611
2032-2036	18,815,000	2,775,769	-	-	18,815,000	2,775,769
2037-2041	10,355,000	795,225	-	-	10,355,000	795,225
Total	\$ 166,296,065	\$ 57,678,017	\$ 2,032,839	\$ 143,375	\$ 168,328,904	\$ 57,821,392

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2016.

Year Ending June 30,	General		Total	
	Obligation Bonds		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 2,350,256	\$ 878,219	\$ 2,350,256	\$ 878,219
2018	2,421,245	800,223	2,421,245	800,223
2019	2,515,028	707,038	2,515,028	707,038
2020	2,026,630	619,806	2,026,630	619,806
2021	2,089,619	551,506	2,089,619	551,506
2022-2026	9,906,825	1,686,572	9,906,825	1,686,572
2027-2031	4,459,333	703,346	4,459,333	703,346
2032-2036	1,989,333	110,000	1,989,333	110,000
2037-2040	151,467	-	151,467	-
Total	\$ 27,909,736	\$ 6,056,710	\$ 27,909,736	\$ 6,056,710

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2016.

	Balance			Balance		Due Within One Year
	June 30, 2015	Additions	Reductions	June 30, 2016		
Bonds payable:						
General obligation bonds	\$ 129,402,366	\$ 44,305,000	\$ (7,411,301)	\$ 166,296,065	\$ 7,718,611	
Bond premiums/discounts (net)	6,402,032	3,995,417	(381,106)	10,016,343	532,208	
Total bonds payable	135,804,398	48,300,417	(7,792,407)	176,312,408	8,250,819	
Capital leases	2,723,162	-	(690,323)	2,032,839	618,839	
Middle River Regional Jail agreement	9,694,615	-	(980,462)	8,714,153	887,201	
Compensated absences	3,400,458	1,901,737	(1,784,572)	3,517,623	1,681,127	
Postretirement healthcare benefits	3,097,884	549,288	(222,809)	3,424,363	-	
Net pension liability	15,530,548	8,290,233	(6,744,111)	17,076,670	-	
Governmental activities long-term debt	\$ 170,251,065	\$ 59,041,675	\$ (18,214,684)	\$ 211,078,056	\$ 11,437,986	

Note 8. Long-term Liabilities (continued)

Long-term liabilities for governmental activities are generally liquidated by the General Fund. The Internal Service Funds are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2016, \$103,066, \$118,119 and \$588,259 of compensated absences, postretirement healthcare benefits and net pension liability, respectively, are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2016.

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 26,948,301	\$ 3,532,000	\$ (2,570,565)	\$ 27,909,736	\$ 2,350,256
Bond premiums/discounts (net)	927,042	-	(94,246)	832,796	92,572
Total bonds payable	27,875,343	3,532,000	(2,664,811)	28,742,532	2,442,828
Compensated absences	880,606	427,161	(467,334)	840,433	384,472
Postretirement healthcare benefits	888,412	132,473	(53,735)	967,150	-
Net pension liability	3,642,868	1,953,986	(1,583,351)	4,013,503	-
City landfill closure costs	1,598,899	14,390	-	1,613,289	106,491
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 37,584,093</u>	<u>\$ 6,060,010</u>	<u>\$ (4,769,231)</u>	<u>\$ 38,874,872</u>	<u>\$ 2,933,791</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2016.

	Governmental Activities	Business-type Activities
General Obligation Bonds:		
\$2,005,000 School Bonds (Virginia Public School Authority), Series 1999A, issued May 13, 1999, maturing July 15, 2019 at 4.100% - 5.225% interest	\$ 400,000	\$ -
\$5,100,000 School Bonds (Virginia Public School Authority), Series 2000A, issued May 13, 2000, maturing July 15, 2020 at 5.1% - 5.6% interest	1,275,000	-
\$41,500,000 School Bonds (Virginia Public School Authority), Series 2001C, issued November 15, 2001, maturing July 15, 2026 at 4.1% - 5.1% interest	25,440,000	-
\$1,000,000 Bonds, Series 2008, issued August 21, 2008, maturing August 21, 2018 at 3.65% interest	-	300,000
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	630,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	908,801
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	7,620,000	-
\$33,755,00 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	4,531,065	22,083,935
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	20,910,000	1,085,000

Note 8. Long-term Liabilities (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds (continued):		
\$8,050,000 Bonds, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest	6,645,000	-
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	13,065,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	41,475,000	-
\$7,622,000 Bonds, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	4,090,000	3,532,000
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	<u>40,215,000</u>	-
Total General Obligation Bonds	<u>\$ 166,296,065</u>	<u>\$ 27,909,736</u>
Capital Leases:		
\$5,740,000 lease purchase effective December 17, 2004, maturing December 1, 2019 at 3.76% interest	\$ 1,851,000	\$ -
\$540,000 lease purchase effective December 18, 2013, maturing December 18, 2016 at 1.02% interest	<u>181,839</u>	-
Total Capital Leases	<u>\$ 2,032,839</u>	<u>\$ -</u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet 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 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 \$1,000,000 Series 2008 General Obligation Bonds. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$577,959. The total outstanding balance of the two bond issues at June 30, 2016 was \$300,000.

In October 2006, the City issued \$50 million in general obligation public improvement bonds, of which \$3.5 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$50 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$115,532. As of June 30, 2016, there is no remaining balance on the loan.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$28.6 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$440,225. As of June 30, 2016, the outstanding balance of the loan is \$4,945,000.

Note 8. Long-term Liabilities (continued)

In June 2014, the City issued \$42.7 million in general obligation refunding bonds, of which \$2.7 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) to advance refund a previous bond issue that was originally issued for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$42.7 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$113,600. As of June 30, 2016, the outstanding balance of the loan is \$2,635,000.

Component Unit – School Board

At June 30, 2016, the School Board had \$60,916,758 in long-term liabilities outstanding. This long-term liability is comprised of \$1,174,378 in compensated absences, of which \$301,653 is due within one year, \$3,654,380 in postretirement healthcare benefits and \$56,088,000 in net pension liabilities, of which the entire amounts are due in more than one year.

Component Unit – HEC

At June 30, 2016, HEC had \$3,720,393 in long-term liabilities outstanding. This long-term liability is comprised of \$403,753 in compensated absences, of which the entire amount is due within one year and \$772,172 in postretirement health care benefits and \$2,544,468 in net pension liabilities, of which the entire amounts are due in more than one year.

Note 9. 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, 2016, there were two series of Industrial Development Authority Revenue Bonds and seven series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$194.4 million and \$36.1 million respectively.

Note 10. Harrisonburg Redevelopment and Housing Authority Agreement

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 2016, the City made payments totaling \$67,668 to the Authority for this project.

Note 11. 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. \$1,613,289 of the amount reported as landfill closure and postclosure care liability at June 30, 2016 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 \$580,891 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 12. Rockingham County Landfill Liability Agreement

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

Note 13. Unearned Revenue

The following is a summary of unearned revenue at June 30, 2016 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities			Total
	General	General	Internal	
	Fund	Capital Projects Fund	Service Funds	
Advance collection of parking lease	\$ 45,330	\$ -	\$ -	\$ 45,330
Golf course season passes	47,095	-	-	47,095
Construction reimbursement	-	305,275	-	305,275
Health insurance premiums	-	-	707,949	707,949
Total unearned revenue	\$ 92,425	\$ 305,275	\$ 707,949	\$ 1,105,649

Unearned revenue for business-type activities in the amount of \$288,600 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$183,700 in the Water Fund and \$104,900 in the Sewer Fund.

Note 14. Interfund Balances

The General Fund has due from other funds in the amount \$87,131. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$19,440 and \$67,691, 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.

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, 2016.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 95,207	\$ -	\$ -	\$ -	\$ 95,207
Prepaid expenditures	306,069	-	-	16,652	322,721
Loans receivable	344,601	-	-	-	344,601
Total nonspendable fund balance	<u>\$ 745,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,652</u>	<u>\$ 762,529</u>
Restricted for:					
Law enforcement	\$ 230,169	\$ -	\$ -	\$ -	\$ 230,169
Fire and rescue	231,567	-	-	-	231,567
Road projects	-	2,107,826	-	-	2,107,826
Fire Station No. 1 renovations	-	1,653,587	-	-	1,653,587
Trail projects	-	1,506,968	-	-	1,506,968
Bridge projects	-	522,645	-	-	522,645
New elementary school	-	-	24,394,845	-	24,394,845
Pre-K facility	-	-	6,460,177	-	6,460,177
Thomas Harrison Middle School HVAC	-	-	3,510,373	-	3,510,373
Total restricted fund balance	<u>\$ 461,736</u>	<u>\$ 5,791,026</u>	<u>\$ 34,365,395</u>	<u>\$ -</u>	<u>\$ 40,618,157</u>
Committed to:					
Road projects	\$ -	\$ 6,010,156	\$ -	\$ -	\$ 6,010,156
Trail projects	-	676,737	-	-	676,737
Information technology strategic plan	-	453,086	-	-	453,086
Smithland athletic complex	-	322,100	-	-	322,100
Ramblewood athletic complex	-	281,997	-	-	281,997
Bridge projects	-	235,282	-	-	235,282
Municipal building renovations	-	235,067	-	-	235,067
Thomas Harrison house project	-	231,877	-	-	231,877
Fire Station No. 1 renovations	-	200,000	-	-	200,000
School transportation	-	-	-	289,332	289,332
Other purposes	63,402	749,139	-	44,399	856,940
Total committed fund balance	<u>\$ 63,402</u>	<u>\$ 9,395,441</u>	<u>\$ -</u>	<u>\$ 333,731</u>	<u>\$ 9,792,574</u>
Assigned to:					
Street paving	\$ 185,124	\$ -	\$ -	\$ -	\$ 185,124
Replacement dump truck	119,212	-	-	-	119,212
Subsequent years' expenditures	-	-	-	134,000	134,000
Other purposes	345,057	-	-	-	345,057
Total assigned fund balance	<u>\$ 649,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,000</u>	<u>\$ 783,393</u>

Note 16. Pension Plan - Agent Multiple-Employer

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

Note 16. Pension Plan - Agent Multiple-Employer (continued)

month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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

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

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

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

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation (AFC) multiplied by the member's total service credit. Under Plan 1, AFC is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, AFC is the average of the member's 60 consecutive months of highest compensation. The defined benefit retirement multiplier is 1.7 percent for non-hazardous duty Plan 1 members, 1.65 percent for non-hazardous duty Plan 2 members (1.7 percent for service earned, purchased or granted prior to January 1, 2013), 1 percent for Hybrid Plan members and 1.85 percent for eligible hazardous duty members. In addition, eligible hazardous members receive a monthly benefit supplement if they retire prior to age 65. At retirement, members can elect the Basic Benefit, the Survivor Option, the Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

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

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

Employees Covered by Benefit Terms. At June 30, 2014, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	264	42	21
Inactive employees entitled to but not yet receiving benefits	309	46	25
Active employees	551	92	44
Total inactive and active employees	1,124	180	90

Contributions. The contribution requirement for active employees is governed by the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The City and HEC's contractually required contribution rate for the fiscal year ended 2016 was 12.76 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2016 was 7.03 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The following are the contributions from the City, the School Board and HEC to the pension plans:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2016	\$ 3,062,536	\$ 131,459	\$ 369,486
2015	3,052,864	132,185	368,891

Net Pension Liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Actuarial Assumptions – General Employees. The total pension liability for general employees was based on an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Actuarial Assumptions – Hazardous Duty Employee. The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 16. Pension Plan - Agent Multiple-Employer (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Changes in the Net Pension Liability. The following are the changes in net pension liability as of the measurement date of June 30, 2015:

Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 108,838,074	\$ 89,664,658	\$ 19,173,416
Changes for the year:			
Service cost	2,592,726	-	2,592,726
Interest	7,472,653	-	7,472,653
Differences between expected and actual experience	154,979	-	154,979
Contributions-employer	-	3,052,864	(3,052,864)
Contributions-employee	-	1,201,377	(1,201,377)
Net investment income	-	4,130,211	(4,130,211)
Benefit payments, including refunds of employee contributions	(4,651,924)	(4,651,924)	-
Administrative expense	-	(56,117)	56,117
Other changes	139,969	115,235	24,734
Net changes	<u>5,708,403</u>	<u>3,791,646</u>	<u>1,916,757</u>
Balances at June 30, 2015	<u>\$ 114,546,477</u>	<u>\$ 93,456,304</u>	<u>\$ 21,090,173</u>

Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2014	\$ 6,686,553	\$ 7,095,483	\$ (408,930)
Changes for the year:			
Service cost	211,969	-	211,969
Interest	452,999	-	452,999
Differences between expected and actual experience	6,161	-	6,161
Contributions-employer	-	132,185	(132,185)
Contributions-employee	-	93,767	(93,767)
Net investment income	-	320,003	(320,003)
Benefit payments, including refunds of employee contributions	(430,270)	(430,270)	-
Administrative expense	-	(4,518)	4,518
Other changes	-	(69)	69
Net changes	<u>240,859</u>	<u>111,098</u>	<u>129,761</u>
Balances at June 30, 2015	<u>\$ 6,927,412</u>	<u>\$ 7,206,581</u>	<u>\$ (279,169)</u>

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Component Unit – HEC

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 13,468,794	\$ 11,096,069	\$ 2,372,725
Changes for the year:			
Service cost	313,290	-	313,290
Interest	902,954	-	902,954
Differences between expected and actual experience	18,728	-	18,728
Contributions-employer	-	368,891	(368,891)
Contributions-employee	-	145,168	(145,168)
Net investment income	-	499,072	(499,072)
Benefit payments, including refunds of employee contributions	(562,113)	(562,113)	-
Administrative expense	-	(6,781)	6,781
Other changes	(321,955)	(265,076)	(56,879)
Net changes	<u>350,904</u>	<u>179,161</u>	<u>171,743</u>
Balances at June 30, 2015	<u>\$ 13,819,698</u>	<u>\$ 11,275,230</u>	<u>\$ 2,544,468</u>

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Primary Government:			
Net Pension Liability	\$ 36,548,767	\$ 21,090,173	\$ 8,291,892
Component Unit - School Board:			
Net Pension Liability (Asset)	\$ 519,311	\$ (279,169)	\$ (956,749)
Component Unit - HEC:			
Net Pension Liability	\$ 4,409,502	\$ 2,544,468	\$ 1,000,393

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

For the year ended June 30, 2016, the City, the School Board and HEC recognized pension expense of \$1,766,155, \$13,725 and \$137,091, respectively. At June 30, 2016, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 121,400	\$ -	\$ 4,242	\$ -	\$ 14,647	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,412,539	-	189,957	-	291,066
Employer contributions subsequent to the measurement date	<u>3,062,536</u>	<u>-</u>	<u>131,459</u>	<u>-</u>	<u>369,486</u>	<u>-</u>
Total	<u>\$ 3,183,936</u>	<u>\$ 2,412,539</u>	<u>\$ 135,701</u>	<u>\$ 189,957</u>	<u>\$ 384,133</u>	<u>\$ 291,066</u>

Note 16. Pension Plan - Agent Multiple-Employer (continued)

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2017	\$ (913,561)	\$ (72,691)	\$ (110,218)
2018	(913,561)	(72,691)	(110,218)
2019	(913,560)	(74,206)	(110,218)
2020	449,543	33,873	54,235
Thereafter	-	-	-

Payable to the Pension Plan

At June 30, 2016, the City and School Board reported a payable of \$400,489 and \$18,305, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Note 17. Pension Plan - Teacher Cost-Sharing Pool

Plan Description. All full-time, salaried permanent (professional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a cost-sharing multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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

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

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

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

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

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

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

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

Contributions. The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The School Board's contractually required contribution rate for the year ended June 30, 2016 was 14.06 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 that was adjusted for a contribution from the state in June 2015 of \$192.9 million as an accelerated payback of a deferred contribution in the 2010-12 biennium. The School Board's allocated portion of this contribution was \$860,000. The actuarial rate for the Teacher Retirement Plan was 18.20 percent, however, it was reduced to 17.64 percent as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69 percent of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan were \$4,835,653 and \$4,676,599 for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

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

At June 30, 2016, the School Board reported a liability of \$56,088,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.44562% as compared to 0.44712% at June 30, 2014.

For the year ended June 30, 2016, the School Board recognized pension expense of \$4,079,000. Since there was a change in the proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 72,000	\$ -
Differences between expected and actual experience		772,000
Net difference between projected and actual earnings on pension plan investments	-	3,435,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	170,000
Employer contributions subsequent to the measurement date	<u>4,835,653</u>	<u>-</u>
Total	<u>\$ 4,907,653</u>	<u>\$ 4,377,000</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2017	\$ (1,549,000)
2018	(1,549,000)
2019	(1,549,000)
2020	441,000
2021	(99,000)
Thereafter	-

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the contribution rate will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	<u> </u>	<u> </u>	<u> </u>
Proportionate share of the net pension liability	\$ 82,078,000	\$ 56,088,000	\$ 34,691,000

Pension Plan Fiduciary Net Position. Detailed information about the VRS Teacher Retirement Plan’s fiduciary net position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan. At June 30, 2016, the School Board reported a payable of \$626,533 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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 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 five years of cumulative eligible service with the School Board with a minimum of five years immediately prior to retirement. Depending on the number of years of eligible service, the retiree may remain on the plan for a maximum of fifteen years but in all instances the benefit ends upon the retiree’s eligibility for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City School Board through the School Board’s Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

Note 18. Postretirement Healthcare Benefit Plan (continued)

Funding Policy

City of Harrisonburg. The contribution requirements of the retirees and the City are established and may be amended by the Harrisonburg City Council through the City’s Human Resources Policy Manual. The City currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the City contributes \$10 for each full year of service up to a maximum of \$350 towards the retiree’s monthly premium. The retiree must contribute the remaining monthly premium amount.

School Board. The contribution requirements of the retirees and the School Board are established and may be amended by the Harrisonburg City School Board through the School Board’s Human Resources Policy Manual. The School Board currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the School Board contributes \$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.

Annual OPEB Cost and Net OPEB Obligation

The following are the components of the annual OPEB cost (expense) for fiscal year 2016, 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	\$ 699,120	\$ 953,329
Interest on the net OPEB obligation	159,452	134,940
Adjustment to the annual required contribution	<u>(176,811)</u>	<u>(150,650)</u>
Annual OPEB cost (expense)	681,761	937,619
Contributions made	<u>(276,544)</u>	<u>(656,728)</u>
Increase in the net OPEB obligation	405,217	280,891
Net OPEB obligation at beginning of year	<u>3,986,296</u>	<u>3,373,489</u>
Net OPEB obligation at end of year	<u><u>\$ 4,391,513</u></u>	<u><u>\$ 3,654,380</u></u>

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2016 and the preceding two fiscal years for the City and School Board.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
City of Harrisonburg:			
2016	\$ 681,761	40.6%	\$ 4,391,513
2015	788,220	41.6%	3,986,296
2014	793,090	36.2%	3,525,651
School Board:			
2016	\$ 937,619	70.0%	\$ 3,654,380
2015	942,355	76.3%	3,373,489
2014	936,327	77.8%	3,149,774

Funded Status and Funding Progress

City of Harrisonburg. As of July 1, 2015, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$7,100,160. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$7,100,160. The covered payroll (annual payroll of the active employees covered by the plan) was \$24,016,650 and the ratio of UAAL to the covered payroll was 29.56 percent.

Note 18. Postretirement Healthcare Benefit Plan (continued)

School Board. As of July 1, 2015, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,504,023. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,504,023. The covered payroll (annual payroll of the active employees covered by the plan) was \$35,158,907, and the ratio of UAAL to the covered payroll was 29.88 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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over a closed 30 year period.

School Board. In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over a closed 30 year period.

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

Component Unit – HEC

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

Note 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.

Note 19. Virginia Health Insurance Credit Program (continued)

Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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 2016 was 1.06 percent of annual covered payroll. Total contributions made by the School Board to the program for the fiscal years ending June 30, 2016, 2015, and 2014 were \$371,916, \$352,230, and \$362,507, respectively, and were equal to the required contributions for each year.

Note 20. Interfund Transfers

Interfund transfers are generally used to subsidize the operations, programs and capital activities of certain funds. The following is a summary of interfund transfers for the year ended June 30, 2016.

Transfer in	Transfer out				Total
	General Fund	School Bond Capital Projects Fund	Water Fund	Sewer Funds	
General Fund	\$ -	\$ 800,000	\$ 1,426,302	\$ 1,234,446	\$ 3,460,748
General Capital Projects Fund	367,335	-	-	-	367,335
Public Transportation Fund	210,000	-	-	-	210,000
Stormwater Fund	-	-	-	110,000	110,000
Internal Service Funds	49,774	-	140,088	13,032	202,894
Total	\$ 627,109	\$ 800,000	\$ 1,566,390	\$ 1,357,478	\$ 4,350,977

Note 21. Transactions with Component Units

In fiscal year 2016, the City's General Fund made contributions to the School Board, a component unit, totaling \$29,390,214. These contributions are made in equal monthly installments for the purpose of funding the School Board's operating budget.

In fiscal year 2016, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$5,000,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 22. Joint Ventures

Harrisonburg-Rockingham Regional Sewer Authority. The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into an agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2016, the City's contributions totaled \$6,204,677 of which \$2,971,433 was for operations, \$2,803,927 was for debt service and \$429,317 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.

Note 22. Joint Ventures (continued)

The Authority has \$63.3 million of total debt outstanding at June 30, 2016. 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
2017	\$ 1,857,172	\$ 979,550	\$ 2,836,722
2018	2,160,279	870,171	3,030,450
2019	2,236,492	795,819	3,032,311
2020	2,306,457	718,230	3,024,687
2021	2,392,993	633,791	3,026,784
2022-2026	9,344,561	2,151,773	11,496,334
2027-2031	8,898,414	774,347	9,672,761
2032-2036	1,398,522	55,236	1,453,758
2037	144,509	867	145,376
Total	<u>\$ 30,739,399</u>	<u>\$ 6,979,784</u>	<u>\$ 37,719,183</u>

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

	June 30, 2016	June 30, 2015	Increase (Decrease)
Current assets	\$ 5,328,171	\$ 4,494,422	\$ 833,749
Restricted assets	3,294,315	3,152,318	141,997
Capital assets	91,213,797	90,410,696	803,101
Other assets	792,601	775,011	17,590
Total assets	<u>100,628,884</u>	<u>98,832,447</u>	<u>1,796,437</u>
Deferred outflows of resources	594,214	677,328	(83,114)
Current liabilities	2,797,440	2,631,124	166,316
Liabilities payable from restricted assets	2,447,273	2,323,334	123,939
Long-term liabilities	60,015,875	59,242,676	773,199
Total liabilities	<u>65,260,588</u>	<u>64,197,134</u>	<u>1,063,454</u>
Deferred inflows of resources	195,475	358,270	(162,795)
Net position	<u>\$ 35,767,035</u>	<u>\$ 34,954,371</u>	<u>\$ 812,664</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 2016, the City's contributions totaled \$2,428,577 of which \$1,880,205 was for operations and \$548,372 was for capital purposes. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. The HRECC currently operates using certain capital assets of the City and County; however, the HRECC is responsible for the maintenance of these assets. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Department of Finance, 409 South Main Street, Harrisonburg, Virginia 22801.

Note 22. Joint Ventures (continued)

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,330,910	\$ 2,804,331	\$ (473,421)
Capital assets	<u>5,099,125</u>	<u>3,583,390</u>	<u>1,515,735</u>
Total assets	<u>7,430,035</u>	<u>6,387,721</u>	<u>1,042,314</u>
Deferred outflows of resources	<u>200,965</u>	<u>188,964</u>	<u>12,001</u>
Current liabilities	163,162	492,409	(329,247)
Long-term liabilities	<u>1,888,596</u>	<u>1,700,036</u>	<u>188,560</u>
Total liabilities	<u>2,051,758</u>	<u>2,192,445</u>	<u>(140,687)</u>
Deferred inflows of resources	<u>152,275</u>	<u>338,412</u>	<u>(186,137)</u>
Net position	<u>\$ 5,426,967</u>	<u>\$ 4,045,828</u>	<u>\$ 1,183,001</u>

Note 23. 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 \$3,379,132 to the District in fiscal year 2016.

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 \$344,636 to the Commission in fiscal year 2016.

Middle River Regional Jail Authority (Authority). The Authority was established to provide a regional inmate facility for the member jurisdictions. The Authority currently serves the Cities of Harrisonburg, Staunton and Waynesboro, Virginia and the Counties of Augusta and Rockingham, Virginia. The governing body is composed of three members appointed by each participating locality. The Authority is a separate legal entity with no participating locality having a voting majority. The Authority is perpetual and no participating locality has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. In accordance with a service agreement, the Authority will divide its charges to member jurisdictions into an operating and debt service component which will be allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. Beginning in fiscal year 2016, the City and County will have an assumed combined total of 150 prisoners per day for the operating component and 250 prisoners per day for the debt service component that will be used in calculating annual member contributions. For subsequent fiscal years, the City and County's known actual daily usage will be used when calculating the three year average. The City and County's annual contribution percentage will be combined based on the total number of prisoners between the two jurisdictions with the City and County each responsible for 50 percent of the contribution. The City contributed \$796,170 to the Authority in fiscal year 2016 of which \$599,168 was for operations and \$197,002 was for debt service.

Note 24. 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 25. Middle River Regional Jail Buy-In Agreement

The City, along with Rockingham County (County), entered into a buy-in agreement with Augusta County, the City of Staunton and the City of Waynesboro in which the City and County have agreed to purchase from the existing member jurisdictions the right to use capacity in the jail and become member jurisdictions of the Authority for \$21,543,588 effective July 1, 2015. The City is responsible for \$10,771,794 or 50 percent of the purchase price. The terms of the agreement required a payment of ten percent of the purchase price prior to June 30, 2015 with the balance of the purchase price payable in ten annual installments of \$1,076,298 commencing December 15, 2015. At June 30, 2016, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$10,412,734 (net of depreciation) and a liability of \$8,714,153 in governmental activities on the government-wide statement of net position.

Note 26. Commitments

The City has a construction contract outstanding for improvements to Reservoir Street. The contract totals \$10.2 million, of which \$2.3 million had been expended as of June 30, 2016. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, intergovernmental revenue from the State of Virginia and previously issued bonds.

The City has a contract outstanding for the construction of a new elementary school. The contract totals \$25.9 million, of which \$2 million had been expended as of June 30, 2016. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The City has a contract outstanding for the construction of a pre-k facility. The contract totals \$6.2 million and no funds had been expended as of June 30, 2016. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The City has a contract outstanding for the replacement of the HVAC equipment at Thomas Harrison Middle School. The contract totals \$4.4 million, of which \$869,800 had been expended as of June 30, 2016. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The following is a summary of significant encumbrances at June 30, 2016.

	General Fund	General Capital Projects Fund	Total
Street repaving	\$ 185,123	\$ -	\$ 185,123
Replacement dump truck	109,372	-	109,372
Reservoir Street improvements	-	4,081,388	4,081,388
Computer aided mass appraisal software	-	184,986	184,986
Other purposes	354,898	263,936	618,834
Total encumbrances	\$ 649,393	\$ 4,530,310	\$ 5,179,703

Note 27. Contingencies

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

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

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

Note 28. 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 including Harrisonburg-Rockingham Emergency Communications Center, Harrisonburg-Rockingham Community Services Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$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, 2014 to June 30, 2016:

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2016	\$ 865,971	\$ 15,160,712	\$ 14,650,623	\$ 1,376,060
2015	1,567,971	13,573,430	14,275,430	865,971

Note 29. Hotel and Conference Center

The City has entered into a Memorandum of Understanding (MOU) and associated documents with the Harrisonburg Industrial Development Authority (IDA), James Madison University (JMU), dpM Partners, LLC (Developer) and the James Madison University Foundation, Inc. (Foundation) for the construction of a hotel and conference center by the Developer on the campus of JMU. The Developer will finance and own the hotel portion of the project while the Foundation will finance the conference center portion of the project with the Developer retaining ownership of the conference center. The real estate occupied by the hotel and conference center will continue to be owned by JMU and leased to the Developer.

The City has entered into a support agreement with the IDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the IDA to the extent necessary to reimburse the Foundation for its annual debt payments and the IDA has a non-recourse note to pay to the Foundation such appropriated funds received from the City and generated by tax revenue from the hotel and conference center. The pledged tax revenue will be calculated beginning on the September 1 after the City has issued a Certificate of Occupancy for both the hotel and the conference center and on every September 1 thereafter. The agreement remains in force for a maximum of 21 years from the date of the Certificate of Occupancy. The City's obligation terminates upon the repayment of the Foundation's construction debt or if the hotel and conference center ceases operations for one year. The agreement does not legally obligate the City for any debt incurred by the Foundation. Estimated construction costs of the conference center portion of the project are estimated to be \$11 million. It is anticipated construction will begin in October 2016 and that the project will be completed in March 2018.

Note 30. Resource Recovery Facility

The City owns and operated a resource recovery facility that burned municipal solid waste to create steam which was sold to James Madison University (JMU) to be used for its heating and cooling needs for certain areas of its campus. In fiscal year 2014, the City ceased operating the portion of the resource recovery facility that burned solid waste with the portion of the plant that provides heating and cooling needs to JMU still in operation by the City using natural gas. The City was unable to burn enough solid waste to provide sufficient steam sales to JMU under an existing agreement. In October 2014, the City agreed in principle to sell and transfer the resource recovery facility to JMU for \$4.2 million. Based on this, the City recorded a \$10.1 million estimated asset impairment loss in fiscal year 2014 to reflect the expected sales price. The City recorded a further estimated asset impairment loss of \$1.7 million in fiscal year 2015 for decommissioning costs. As such costs are incurred, the city is capitalizing them into the net book value of the asset, up to the expected \$4.2 million sales price. The sale of the facility has not been finalized as of June 30, 2016, however, it is anticipated that the sale will be finalized in January 2017.

Note 31. New Governmental Accounting Standards Board (GASB) Standards

The GASB issues new financial reporting standards on an ongoing basis. The following are summaries of new standards that may be applicable to the City. Management has not yet determined the effects, if any, these standards will have on the City's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves and establishes accounting and financial reporting standards for measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures of other postemployment benefits (OPEB). This statement identifies the methods and assumptions that should be used for the various calculations of an OPEB plan. This statement also establishes note disclosure and required supplementary information requirements for employer reporting of OPEB plans. The provisions of this statement are effective for fiscal year 2018.

Note 31. New Governmental Accounting Standards Board (GASB) Standards (continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for the disclosure of information regarding the nature and magnitude of certain tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This statement does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. This statement does not consider issues related to recognition. The provisions of this statement are effective for fiscal year 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement addresses practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this statement are effective for fiscal year 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for fiscal year 2017.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Exhibit 12

	Plan Year	
	2015	2014
Total pension liability		
Service cost	\$ 2,906,016	\$ 2,799,358
Interest	8,375,607	7,980,324
Changes of benefit terms	-	-
Difference between expected and actual experience	173,707	-
Benefit payments, including refunds of employee contributions	(5,214,037)	(4,954,890)
Other changes	(181,986)	44,008
Net change in total pension liability	6,059,307	5,868,800
Total pension liability - beginning	122,306,868	116,438,068
Total pension liability - ending	<u>\$ 128,366,175</u>	<u>\$ 122,306,868</u>
Plan fiduciary net position		
Contributions - employer	\$ 3,421,755	\$ 3,240,732
Contributions - employee	1,346,545	1,327,453
Net investment income	4,629,283	13,820,151
Benefit payments, including refunds of employee contributions	(5,214,037)	(4,954,890)
Administrative expense	(62,898)	(74,068)
Other changes	(149,841)	33,750
Net change in fiduciary net position	3,970,807	13,393,128
Plan fiduciary net position - beginning	100,760,727	87,367,599
Plan fiduciary net position - ending	<u>\$ 104,731,534</u>	<u>\$ 100,760,727</u>
Change in net pension liability	\$ 2,088,500	\$ (7,524,328)
Net pension liability - beginning	21,546,141	29,070,469
Net pension liability (asset) - ending	<u>\$ 23,634,641</u>	<u>\$ 21,546,141</u>
Plan fiduciary net position as a percentage of the total pension liability	81.59%	82.38%
Covered-employee payroll	\$ 26,909,663	\$ 25,811,638
Net pension liability as a percentage of covered-employee payroll	87.83%	83.47%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2014 information was presented in the fiscal year 2015 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES
Last Two Plan Years

Exhibit 13

	Plan Year	
	2015	2014
Total pension liability		
Service cost	\$ 211,969	\$ 215,283
Interest	452,999	431,841
Changes of benefit terms	-	-
Difference between expected and actual experience	6,161	-
Benefit payments, including refunds of employee contributions	<u>(430,270)</u>	<u>(259,447)</u>
Net change in total pension liability	240,859	387,677
Total pension liability - beginning	6,686,553	6,298,876
Total pension liability - ending	<u>\$ 6,927,412</u>	<u>\$ 6,686,553</u>
Plan fiduciary net position		
Contributions - employer	\$ 132,185	\$ 156,508
Contributions - employee	93,767	97,148
Net investment income	320,003	971,483
Benefit payments, including refunds of employee contributions	(430,270)	(259,447)
Administrative expense	(4,518)	(5,184)
Other changes	<u>(69)</u>	<u>51</u>
Net change in fiduciary net position	111,098	960,559
Plan fiduciary net position - beginning	7,095,483	6,134,924
Plan fiduciary net position - ending	<u>\$ 7,206,581</u>	<u>\$ 7,095,483</u>
Change in net pension liability	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	<u>(408,930)</u>	<u>163,952</u>
Net pension liability (asset) - ending	<u>\$ (279,169)</u>	<u>\$ (408,930)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.03%	106.12%
Covered-employee payroll	\$ 1,921,153	\$ 1,941,438
Net pension asset as a percentage of covered-employee payroll	-14.53%	-21.06%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2014 information was presented in the fiscal year 2015 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PENSION CONTRIBUTIONS
PRIMARY GOVERNMENT
Last Two Fiscal Years

Exhibit 14

	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 3,432,022	\$ 3,421,755
Contributions in relation to the actuarially determined contribution	<u>3,432,022</u>	<u>3,421,755</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 27,055,004	\$ 26,909,663
Contributions as a percentage of covered-employee payroll	12.69%	12.72%

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

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PENSION CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES
Last Two Fiscal Years

Exhibit 15

	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 131,459	\$ 132,185
Contributions in relation to the actuarially determined contribution	131,459	132,185
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered-employee payroll	6.82%	6.88%

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

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL BOARD TEACHER COST-SHARING POOL
Last Two Plan Years

Exhibit 16

	Plan Year	
	2015	2014
School Board's proportion of the net pension liability	0.44562%	0.44712%
School Board's proportionate share of the net pension liability	\$ 56,088,000	\$ 54,033,000
School Board's covered-employee payroll	\$ 33,237,754	\$ 32,684,093
School Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	70.68%	70.88%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2014 information was presented in the fiscal year 2015 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PENSION CONTRIBUTIONS
SCHOOL BOARD TEACHER COST-SHARING POOL
Last Two Fiscal Years

Exhibit 17

	Fiscal Year	
	2016	2015
Contractually required contribution	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	4,835,653	4,676,599
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered-employee payroll	13.98%	14.07%

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

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

Exhibit 18

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
City of Harrisonburg Postretirement Healthcare Benefit Plan						
July 1, 2015	\$ -	\$ 7,100,160	\$ 7,100,160	0.00%	\$ 24,016,650	29.56%
July 1, 2014	-	8,847,914	8,847,914	0.00%	22,970,245	38.52%
July 1, 2013	-	8,397,248	8,397,248	0.00%	22,015,601	38.14%
City of Harrisonburg School Board Postretirement Healthcare Benefit Plan						
July 1, 2015	\$ -	\$ 10,504,023	\$ 10,504,023	0.00%	\$ 35,158,907	29.88%
July 1, 2014	-	10,642,298	10,642,298	0.00%	34,625,531	30.74%
July 1, 2013	-	10,572,262	10,572,262	0.00%	34,053,658	31.05%
Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan						
July 1, 2015	\$ -	\$ 1,381,100	\$ 1,381,100	0.00%	\$ 2,992,600	46.15%
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%

Note 1. Pension Plans

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

Changes of Benefit Terms. There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is minimal.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher Cost-Sharing Pool:

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

Note 2. Postretirement Healthcare Benefit Plan

The assumptions used in the July 1, 2015 actuarial valuation for the City and School Board reflects a change in the actuarial assumption for the annual healthcare cost trend rate to 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years.

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

**OTHER
SUPPLEMENTARY INFORMATION**

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
At June 30, 2016

Exhibit A-1

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Transportation Fund	Business Loan Program Fund	
Assets				
Cash and cash equivalents	\$ -	\$ 476,870	\$ 128,079	\$ 604,949
Receivables	104,142	5,449	320	109,911
Due from component units	-	46,092	-	46,092
Prepaid expenditures	-	16,652	-	16,652
Loans receivable	-	-	119,322	119,322
Total assets	\$ 104,142	\$ 545,063	\$ 247,721	\$ 896,926
Liabilities				
Accounts payable	\$ 83,468	\$ 19,001	\$ -	\$ 102,469
Accrued payroll	1,234	165,121	-	166,355
Due to other funds	19,440	-	-	19,440
Due to component units	-	1,271	-	1,271
Total liabilities	<u>104,142</u>	<u>185,393</u>	<u>-</u>	<u>289,535</u>
Deferred Inflows of Resources				
Unavailable revenue	-	3,686	119,322	123,008
Total deferred inflows of resources	<u>-</u>	<u>3,686</u>	<u>119,322</u>	<u>123,008</u>
Fund Balances				
Nonspendable	-	16,652	-	16,652
Committed	-	289,332	44,399	333,731
Assigned	-	50,000	84,000	134,000
Total fund balances	<u>-</u>	<u>355,984</u>	<u>128,399</u>	<u>484,383</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 104,142	\$ 545,063	\$ 247,721	\$ 896,926

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

Exhibit A-2

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Revenues:				
Use of money and property	\$ -	\$ 476	\$ 331	\$ 807
Charges for services	-	3,128,420	-	3,128,420
Miscellaneous	-	427	38,064	38,491
Intergovernmental	<u>385,777</u>	<u>-</u>	<u>-</u>	<u>385,777</u>
Total revenues	<u>385,777</u>	<u>3,129,323</u>	<u>38,395</u>	<u>3,553,495</u>
Expenditures:				
Current:				
Education	-	2,989,072	-	2,989,072
Planning and community development	<u>385,777</u>	<u>-</u>	<u>10,067</u>	<u>395,844</u>
Total expenditures	<u>385,777</u>	<u>2,989,072</u>	<u>10,067</u>	<u>3,384,916</u>
Excess of revenues over expenditures	-	140,251	28,328	168,579
Fund balances at beginning of year	<u>-</u>	<u>215,733</u>	<u>100,071</u>	<u>315,804</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 355,984</u>	<u>\$ 128,399</u>	<u>\$ 484,383</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, 2016

Exhibit A-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 476	\$ 476
Charges for services	3,081,793	3,081,793	3,128,420	46,627
Miscellaneous	-	-	427	427
Total revenues	<u>3,081,793</u>	<u>3,081,793</u>	<u>3,129,323</u>	<u>47,530</u>
Expenditures:				
Current:				
Education	3,101,793	3,108,690	2,989,072	119,618
Total expenditures	<u>3,101,793</u>	<u>3,108,690</u>	<u>2,989,072</u>	<u>119,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (20,000)</u>	<u>\$ (26,897)</u>	140,251	<u>\$ (72,088)</u>
Fund balance at beginning of year			<u>215,733</u>	
Fund balance at end of year			<u>\$ 355,984</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 331	\$ 331
Miscellaneous	38,000	38,000	38,064	64
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>38,395</u>	<u>395</u>
Expenditures:				
Current:				
Planning and community development	50,000	50,000	10,067	39,933
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>10,067</u>	<u>39,933</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(12,000)</u>	\$ <u>(12,000)</u>	28,328	\$ <u>(39,538)</u>
Fund balance at beginning of year			<u>100,071</u>	
Fund balance at end of year			\$ <u><u>128,399</u></u>	

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
At June 30, 2016

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 249,008	\$ -	\$ 2,953,149	\$ 3,202,157
Receivables	3,492	-	-	3,492
Due from component units	8,545	-	-	8,545
Inventory	96,579	1,101,896	-	1,198,475
Prepaid expenses	15,479	-	-	15,479
Total current assets	<u>373,103</u>	<u>1,101,896</u>	<u>2,953,149</u>	<u>4,428,148</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	6,215,151	552,258	-	6,767,409
Total noncurrent assets	<u>6,215,151</u>	<u>552,258</u>	<u>-</u>	<u>6,767,409</u>
Total assets	<u>6,588,254</u>	<u>1,654,154</u>	<u>2,953,149</u>	<u>11,195,557</u>
Deferred outflows of resources				
Deferred pension outflows	78,967	9,841	-	88,808
Total deferred outflows of resources	<u>78,967</u>	<u>9,841</u>	<u>-</u>	<u>88,808</u>
Liabilities				
Current liabilities:				
Accounts payable	169,825	1,960	1,376,060	1,547,845
Accrued payroll	23,830	3,002	-	26,832
Due to other funds	-	67,691	-	67,691
Due to component units	5,311	398	-	5,709
Unearned revenue	-	-	707,949	707,949
Compensated absences	48,638	7,076	-	55,714
Total current liabilities	<u>247,604</u>	<u>80,127</u>	<u>2,084,009</u>	<u>2,411,740</u>
Noncurrent liabilities:				
Compensated absences	41,112	6,240	-	47,352
Postretirement healthcare benefits	105,472	12,647	-	118,119
Net pension liability	523,071	65,188	-	588,259
Total noncurrent liabilities	<u>669,655</u>	<u>84,075</u>	<u>-</u>	<u>753,730</u>
Total liabilities	<u>917,259</u>	<u>164,202</u>	<u>2,084,009</u>	<u>3,165,470</u>
Deferred inflows of resources				
Deferred pension inflows	59,835	7,457	-	67,292
Total deferred inflows of resources	<u>59,835</u>	<u>7,457</u>	<u>-</u>	<u>67,292</u>
Net position				
Net investment in capital assets	6,215,151	552,258	-	6,767,409
Unrestricted	(525,024)	940,078	869,140	1,284,194
Total net position	<u>\$ 5,690,127</u>	<u>\$ 1,492,336</u>	<u>\$ 869,140</u>	<u>\$ 8,051,603</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 3,380,212	\$ 917,185	\$ 17,165,073	\$ 21,462,470
Total operating revenues	<u>3,380,212</u>	<u>917,185</u>	<u>17,165,073</u>	<u>21,462,470</u>
Operating expenses:				
Personal services	689,948	77,294	-	767,242
Fringe benefits	247,584	20,033	-	267,617
Purchased services	172,933	14,276	402,924	590,133
Internal services	5,238	1,473	-	6,711
Other charges	198,750	7,791	1,375,565	1,582,106
Materials and supplies	58,291	9,324	-	67,615
Depreciation	183,507	20,646	-	204,153
Cost of inventory issued	2,202,747	830,766	-	3,033,513
Claims related charges	-	-	15,160,547	15,160,547
Total operating expenses	<u>3,758,998</u>	<u>981,603</u>	<u>16,939,036</u>	<u>21,679,637</u>
Operating income (loss)	<u>(378,786)</u>	<u>(64,418)</u>	<u>226,037</u>	<u>(217,167)</u>
Nonoperating revenues:				
Miscellaneous revenue	16,602	-	-	16,602
Investment revenue	573	-	4,628	5,201
Total nonoperating revenues	<u>17,175</u>	<u>-</u>	<u>4,628</u>	<u>21,803</u>
Income (loss) before contributions and transfers	<u>(361,611)</u>	<u>(64,418)</u>	<u>230,665</u>	<u>(195,364)</u>
Capital contributions	38,935	-	-	38,935
Transfers in	40,000	162,894	-	202,894
Change in net position	<u>(282,676)</u>	<u>98,476</u>	<u>230,665</u>	<u>46,465</u>
Net position at beginning of year	<u>5,972,803</u>	<u>1,393,860</u>	<u>638,475</u>	<u>8,005,138</u>
Net position at end of year	<u>\$ 5,690,127</u>	<u>\$ 1,492,336</u>	<u>\$ 869,140</u>	<u>\$ 8,051,603</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 3,368,813	\$ 917,185	\$ -	\$ 4,285,998
Receipts from premiums	-	-	17,175,360	17,175,360
Receipts other sources	15,520	-	-	15,520
Payments to employees	(683,033)	(74,294)	-	(757,327)
Payments for fringe benefits	(254,711)	(25,373)	-	(280,084)
Payments to vendors	(2,572,195)	(700,520)	(1,778,325)	(5,051,040)
Payments for internal services	(5,238)	(1,473)	-	(6,711)
Payments for claims related charges	-	-	(14,650,622)	(14,650,622)
	<u>(130,844)</u>	<u>115,525</u>	<u>746,413</u>	<u>731,094</u>
Net cash provided by (used for) operating activities				
Cash flows from noncapital financing activities:				
Transfers in	40,000	162,894	-	202,894
Interfund loan	-	(278,419)	-	(278,419)
	<u>40,000</u>	<u>(115,525)</u>	<u>-</u>	<u>(75,525)</u>
Net cash provided by (used for) noncapital financing activities				
Cash flows from investing activities:				
Interest received	573	-	4,628	5,201
	<u>573</u>	<u>-</u>	<u>4,628</u>	<u>5,201</u>
Net cash provided by investing activities				
Net increase (decrease) in cash and cash equivalents	(90,271)	-	751,041	660,770
Cash and cash equivalents:				
Beginning	339,279	-	2,202,108	2,541,387
Ending	<u>\$ 249,008</u>	<u>\$ -</u>	<u>\$ 2,953,149</u>	<u>\$ 3,202,157</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (378,786)	\$ (64,418)	\$ 226,037	\$ (217,167)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	183,507	20,646	-	204,153
Pension expense net of employer contributions	69,023	(12,828)	-	56,195
Miscellaneous revenue	15,520	-	-	15,520
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,422)	-	-	(1,422)
Due from component units	(225)	-	-	(225)
Inventory	5,468	175,929	-	181,397
Prepaid expenses	(1,855)	-	-	(1,855)
Increase (decrease) in:				
Accounts payable	(42,659)	(7,510)	510,089	459,920
Accrued payroll	6,234	652	-	6,886
Due to component units	1,757	(63)	-	1,694
Unearned revenue	-	2,564	10,287	12,851
Compensated absences	2,625	553	-	3,178
Postretirement healthcare benefits	9,969	-	-	9,969
Net cash provided by (used for) operating activities	<u>\$ (130,844)</u>	<u>\$ 115,525</u>	<u>\$ 746,413</u>	<u>\$ 731,094</u>
Non - cash capital and related financing activities:				
Additions to capital assets:				
Contributed by other funds	\$ 38,935	\$ -	\$ -	\$ 38,935

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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.

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, 2016

Exhibit C-1

	<u>Industrial Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 111,305	\$ 2,080,368	\$ 2,191,673
Receivables	<u>-</u>	<u>182,083</u>	<u>182,083</u>
Total assets	<u>\$ 111,305</u>	<u>\$ 2,262,451</u>	<u>\$ 2,373,756</u>
Liabilities			
Accounts payable	\$ -	\$ 88,106	\$ 88,106
Accrued payroll	-	75,056	75,056
Amounts held for others	<u>111,305</u>	<u>2,099,289</u>	<u>2,210,594</u>
Total liabilities	<u>\$ 111,305</u>	<u>\$ 2,262,451</u>	<u>\$ 2,373,756</u>

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2016

Exhibit C-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 92,517	\$ 144,038	\$ 125,250	\$ 111,305
Total assets	\$ 92,517	\$ 144,038	\$ 125,250	\$ 111,305
Liabilities:				
Amounts held for others	\$ 92,517	\$ 144,038	\$ 125,250	\$ 111,305
Total liabilities	\$ 92,517	\$ 144,038	\$ 125,250	\$ 111,305
<u>Emergency Communications Center Fund</u>				
Assets:				
Cash and cash equivalents	\$ 2,620,982	\$ 5,972,283	\$ 6,512,897	\$ 2,080,368
Receivables	135,334	182,083	135,334	182,083
Total assets	\$ 2,756,316	\$ 6,154,366	\$ 6,648,231	\$ 2,262,451
Liabilities:				
Accounts payable	\$ 41,602	\$ 88,106	\$ 41,602	\$ 88,106
Accrued payroll	49,862	75,056	49,862	75,056
Amounts held for others	2,664,852	6,019,032	6,584,595	2,099,289
Total liabilities	\$ 2,756,316	\$ 6,182,194	\$ 6,676,059	\$ 2,262,451
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 2,713,499	\$ 6,116,321	\$ 6,638,147	\$ 2,191,673
Receivables	135,334	182,083	135,334	182,083
Total assets	\$ 2,848,833	\$ 6,298,404	\$ 6,773,481	\$ 2,373,756
Liabilities:				
Accounts payable	\$ 41,602	\$ 88,106	\$ 41,602	\$ 88,106
Accrued payroll	49,862	75,056	49,862	75,056
Amounts held for others	2,757,369	6,163,070	6,709,845	2,210,594
Total liabilities	\$ 2,848,833	\$ 6,326,232	\$ 6,801,309	\$ 2,373,756

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Discretely Presented Component Unit – School Board

General Fund

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

Special Revenue Fund

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

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

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, 2016

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 6,277,262	\$ 1,760,945	\$ -	\$ 8,038,207
Receivables	2,182,239	162,864	-	2,345,103
Inventory	-	100,617	-	100,617
Prepaid expenditures	709,206	13,965	-	723,171
Total assets	\$ 9,168,707	\$ 2,038,391	\$ -	\$ 11,207,098
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,713	\$ 51,811	\$ -	\$ 72,524
Accrued payroll	6,668,079	184,235	-	6,852,314
Due to primary government	50,494	-	-	50,494
Due to component units	88,431	-	-	88,431
Other liabilities	635,369	-	-	635,369
Total liabilities	7,463,086	236,046	-	7,699,132
Fund Balances:				
Nonspendable:				
Inventory	-	100,617	-	100,617
Prepaid expenditures	709,206	13,965	-	723,171
Committed to:				
Food services	-	1,662,097	-	1,662,097
Assigned to:				
Instruction	99,347	-	-	99,347
Administration, attendance and health	500	-	-	500
Pupil transportation	11,955	-	-	11,955
Operations and maintenance	100,746	-	-	100,746
Food services	-	25,666	-	25,666
Technology	79,156	-	-	79,156
Unassigned	704,711	-	-	704,711
Total fund balances	1,705,621	1,802,345	-	3,507,966
Total liabilities and fund balances	\$ 9,168,707	\$ 2,038,391	\$ -	\$ 11,207,098

**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, 2016**

Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)		\$ 3,507,966
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.		40,199,240
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		279,169
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(60,916,758)
Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred pension outflows	\$ 5,043,354	
Deferred pension inflows	<u>(4,566,957)</u>	
Net adjustment	<u>\$ 476,397</u>	<u>476,397</u>
Net position of governmental activities (Exhibit 1)		\$ <u>(16,453,986)</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, 2016

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 44,400	\$ 4,107	\$ -	\$ 48,507
Charges for services	1,571,318	566,154	-	2,137,472
Miscellaneous	355,260	37,918	-	393,178
Payment from primary government	29,390,214	-	-	29,390,214
Intergovernmental	35,577,130	3,210,025	-	38,787,155
Total revenues	<u>66,938,322</u>	<u>3,818,204</u>	<u>-</u>	<u>70,756,526</u>
Expenditures:				
Current:				
Instruction	51,743,008	-	-	51,743,008
Administration, attendance and health	3,790,665	-	-	3,790,665
Pupil transportation	3,277,226	-	-	3,277,226
Operations and maintenance	4,823,657	-	-	4,823,657
Food services	-	3,586,260	-	3,586,260
Technology	3,135,879	19,569	-	3,155,448
Capital projects	-	-	187,015	187,015
Total expenditures	<u>66,770,435</u>	<u>3,605,829</u>	<u>187,015</u>	<u>70,563,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,887</u>	<u>212,375</u>	<u>(187,015)</u>	<u>193,247</u>
Fund balances at beginning of year	<u>1,537,734</u>	<u>1,589,970</u>	<u>187,015</u>	<u>3,314,719</u>
Fund balances at end of year	<u>\$ 1,705,621</u>	<u>\$ 1,802,345</u>	<u>\$ -</u>	<u>\$ 3,507,966</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, 2016

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit D-3)	\$	193,247
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Certain revenues reported in the statement of activities are not current financial resources and are not reported as revenues in governmental funds.		860,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures.		
Capital outlay expenditures	\$ 337,580	
Depreciation expense	<u>(1,637,467)</u>	
Net adjustment	<u>\$ (1,299,887)</u>	(1,299,887)
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.		
		(260,370)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned, net of employee contributions, are reported as pension expense. This is the amount by which employer pension contributions exceeded pension expense.		
Employer pension expenditures	\$ 4,967,112	
Pension expense	<u>(3,984,314)</u>	
Net adjustment	<u>\$ 982,798</u>	982,798
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.		
		<u>3,074,747</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>3,550,535</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, 2016

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 44,400	\$ 14,400
Charges for services	1,523,633	1,523,633	1,571,318	47,685
Miscellaneous	331,042	331,042	355,260	24,218
Payment from primary government	29,895,539	29,895,539	29,390,214	(505,325)
Intergovernmental	34,735,793	35,068,432	35,577,130	508,698
Total revenues	<u>66,516,007</u>	<u>66,848,646</u>	<u>66,938,322</u>	<u>89,676</u>
Expenditures:				
Current:				
Instruction	51,284,963	51,782,460	51,743,008	39,452
Administration, attendance and health	3,837,286	3,846,983	3,790,665	56,318
Pupil transportation	3,365,998	3,416,486	3,277,226	139,260
Operations and maintenance	5,059,494	4,937,609	4,823,657	113,952
Technology	2,968,266	3,254,146	3,135,879	118,267
Total expenditures	<u>66,516,007</u>	<u>67,237,684</u>	<u>66,770,435</u>	<u>467,249</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>-</u>	\$ <u>(389,038)</u>	167,887	\$ <u>(377,573)</u>
Fund balance at beginning of year			<u>1,537,734</u>	
Fund balance at end of year			\$ <u>1,705,621</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, 2016

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,500	\$ 1,500	\$ 4,107	\$ 2,607
Charges for services	598,734	598,734	566,154	(32,580)
Miscellaneous	15,000	15,000	37,918	22,918
Intergovernmental	2,855,300	2,855,300	3,210,025	354,725
Total revenues	<u>3,470,534</u>	<u>3,470,534</u>	<u>3,818,204</u>	<u>347,670</u>
Expenditures:				
Current:				
Food services	3,449,034	3,449,034	3,586,260	(137,226)
Technology	21,500	21,500	19,569	1,931
Total expenditures	<u>3,470,534</u>	<u>3,470,534</u>	<u>3,605,829</u>	<u>(135,295)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	212,375	<u>\$ 212,375</u>
Fund balance at beginning of year			<u>1,589,970</u>	
Fund balance at end of year			<u>\$ 1,802,345</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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 28,374,100	\$ 28,256,207	\$ (117,893)
Real and personal public service corporation property taxes	376,200	393,020	16,820
Personal property taxes	8,160,200	8,407,623	247,423
Mobile home taxes	6,400	8,475	2,075
Machinery and tools taxes	2,025,000	2,130,697	105,697
Penalties and interest	200,000	248,362	48,362
Total general property taxes	<u>39,141,900</u>	<u>39,444,384</u>	<u>302,484</u>
Other local taxes:			
Local sales and use taxes	13,003,400	12,994,784	(8,616)
Consumer utility taxes	1,110,100	1,108,436	(1,664)
Business license taxes	6,600,000	6,653,830	53,830
Motor vehicle license taxes	1,192,800	1,178,948	(13,852)
Bank stock taxes	600,000	757,086	157,086
Taxes on recordation and wills	475,000	408,096	(66,904)
Tobacco taxes	679,200	680,937	1,737
Admission and amusement taxes	170,300	181,678	11,378
Hotel and motel room taxes	2,318,900	2,577,891	258,991
Restaurant food taxes	11,283,800	11,937,309	653,509
Short-term rental taxes	120,400	119,579	(821)
Public right-of-way use fee	108,600	123,602	15,002
Total other local taxes	<u>37,662,500</u>	<u>38,722,176</u>	<u>1,059,676</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	4,500	4,973	473
Permits and other licenses	450,770	438,516	(12,254)
Total permits, privilege fees and regulatory licenses	<u>455,270</u>	<u>443,489</u>	<u>(11,781)</u>
Fines and forfeitures:			
Court fines	525,000	515,404	(9,596)
Parking fines	40,000	37,025	(2,975)
Alarm ordinance	-	1,510	1,510
E-summons fee	-	36,662	36,662
Drug forfeiture	-	32,789	32,789
Total fines and forfeitures	<u>565,000</u>	<u>623,390</u>	<u>58,390</u>
Use of money and property:			
Use of money	55,000	123,278	68,278
Use of property	120,000	99,565	(20,435)
Total use of money and property	<u>175,000</u>	<u>222,843</u>	<u>47,843</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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 40,000	\$ 66,546	\$ 26,546
Charges for parking	105,600	111,607	6,007
Charges for rescue services	115,000	119,245	4,245
Charges for parks and recreation	458,000	430,856	(27,144)
Charges for golf course	694,300	700,000	5,700
Total charges for services	<u>1,412,900</u>	<u>1,428,254</u>	<u>15,354</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	473,409	473,409	-
Service charge on tax exempt property	69,000	70,276	1,276
Debt service reimbursement from HRHA	669,357	669,357	-
Donations - JMU & EMU	130,000	145,000	15,000
Donations	69,000	68,656	(344)
Other miscellaneous	502,315	406,523	(95,792)
Total miscellaneous	<u>1,913,081</u>	<u>1,833,221</u>	<u>(79,860)</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	5,000,000	5,000,000	-
Total payments from component units	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	18,000	16,411	(1,589)
Mobile home titling taxes	5,000	6,558	1,558
Tax on deeds (grantor tax)	140,000	112,423	(27,577)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,648,700	1,565,684	(83,016)
Auto rental taxes	227,400	276,943	49,543
Animal friendly license plate	500	426	(74)
Total non-categorical aid	<u>3,562,183</u>	<u>3,501,028</u>	<u>(61,155)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	133,000	133,371	371
Treasurer	126,000	125,889	(111)
Registrar	46,000	46,399	399
Total shared expenses	<u>305,000</u>	<u>305,659</u>	<u>659</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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 155,000	\$ 155,028	\$ 28
Other fire department	38,000	46,290	8,290
Internet crimes against children grant	-	12,085	12,085
Litter control grant	9,800	9,914	114
State aid to localities, police	1,308,768	1,308,768	-
Street and highway maintenance	4,300,000	4,474,052	174,052
VDOT revenue sharing	1,452,724	950,000	(502,724)
Other categorical aid	75,050	125,741	50,691
Total other categorical aid	<u>7,339,342</u>	<u>7,081,878</u>	<u>(257,464)</u>
Total categorical aid	<u>7,644,342</u>	<u>7,387,537</u>	<u>(256,805)</u>
Total revenue from the Commonwealth	<u>11,206,525</u>	<u>10,888,565</u>	<u>(317,960)</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	79,563	133,237	53,674
Police grants	152,199	165,343	13,144
Total revenue from the Federal Government	<u>231,762</u>	<u>298,580</u>	<u>66,818</u>
Total intergovernmental	<u>11,438,287</u>	<u>11,187,145</u>	<u>(251,142)</u>
Total General Fund	<u>\$ 97,763,938</u>	<u>\$ 98,904,902</u>	<u>\$ 1,140,964</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 902,206	\$ 385,777	\$ (516,429)
Total revenue from the Federal Government	<u>902,206</u>	<u>385,777</u>	<u>(516,429)</u>
Total intergovernmental	<u>902,206</u>	<u>385,777</u>	<u>(516,429)</u>
Total Community Development Block Grant Fund	<u>\$ 902,206</u>	<u>\$ 385,777</u>	<u>\$ (516,429)</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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Use of money and property	\$ -	\$ 476	\$ 476
Charges for services	3,081,793	3,128,420	46,627
Miscellaneous	-	427	427
Total School Transportation Fund	\$ 3,081,793	\$ 3,129,323	\$ 47,530
Business Loan Program Fund:			
Use of money and property	\$ -	\$ 331	\$ 331
Miscellaneous	38,000	38,064	64
Total Business Loan Program Fund	\$ 38,000	\$ 38,395	\$ 395
Total Special Revenue Funds	\$ 4,021,999	\$ 3,553,495	\$ (468,504)
Capital Projects Fund:			
General Capital Projects Fund:			
Use of money and property	\$ -	\$ 14,022	\$ 14,022
Recovered costs	364,500	59,225	(305,275)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT revenue sharing	8,794,216	1,784,613	(7,009,603)
Total revenue from the Commonwealth	8,794,216	1,784,613	(7,009,603)
Revenue from the Federal Government:			
Categorical aid:			
Safe route to schools grant	245,063	188,223	(56,840)
Transportation alternatives program grant	469,332	17,285	(452,047)
LWC fund grant	18,245	-	(18,245)
Total revenue from the Federal Government	732,640	205,508	(527,132)
Total intergovernmental	9,526,856	1,990,121	(7,536,735)
Total General Capital Projects Fund	\$ 9,891,356	\$ 2,063,368	\$ (7,827,988)

(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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Capital Projects Fund: (continued)			
School Bond Capital Projects Fund:			
Use of money and property	\$ -	\$ 24,656	\$ 24,656
Total School Bond Capital Projects Fund	\$ -	\$ 24,656	\$ 24,656
Total Capital Projects Fund	\$ 9,891,356	\$ 2,088,024	\$ (7,803,332)
Grand Total Revenues (Primary Government)	\$ 111,677,293	\$ 104,546,421	\$ (7,130,872)
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 30,000	\$ 44,400	\$ 14,400
Charges for services	1,523,633	1,571,318	47,685
Miscellaneous	331,042	355,260	24,218
Payment from primary government	29,895,539	29,390,214	(505,325)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	5,411,731	5,459,944	48,213
Basic school aid	14,441,107	14,837,549	396,442
State standard of quality funds	3,187,299	3,190,145	2,846
Fringe benefits	2,575,172	2,633,618	58,446
At risk	1,844,721	1,861,596	16,875
Primary class size	1,241,310	1,200,208	(41,102)
Technology initiative	449,200	302,471	(146,729)
English as second language	1,151,896	1,217,357	65,461
Regional tuition programs (special education)	1,301,681	1,121,754	(179,927)
Other state funds	400,972	609,822	208,850
Total categorical aid	<u>32,005,089</u>	<u>32,434,464</u>	<u>429,375</u>
Total revenue from the Commonwealth	<u>32,005,089</u>	<u>32,434,464</u>	<u>429,375</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,299,705	1,334,606	34,901
Special education	1,095,713	1,102,486	6,773
Title III	275,921	268,260	(7,661)
ESEA - Title II Part A	174,935	176,726	1,791
Other federal funds	217,069	260,588	43,519
Total revenue from the Federal Government	<u>3,063,343</u>	<u>3,142,666</u>	<u>79,323</u>
Total intergovernmental	<u>35,068,432</u>	<u>35,577,130</u>	<u>508,698</u>
Total School Fund	\$ <u>66,848,646</u>	\$ <u>66,938,322</u>	\$ <u>89,676</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, 2016

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Nutrition Fund:			
Use of money and property	\$ 1,500	\$ 4,107	\$ 2,607
Charges for services	598,734	566,154	(32,580)
Miscellaneous	15,000	37,918	22,918
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	78,000	91,749	13,749
Total categorical aid	<u>78,000</u>	<u>91,749</u>	<u>13,749</u>
Total revenue from the Commonwealth	<u>78,000</u>	<u>91,749</u>	<u>13,749</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	2,777,300	2,896,997	119,697
USDA donated food	-	221,279	221,279
Total revenue from the Federal Government	<u>2,777,300</u>	<u>3,118,276</u>	<u>340,976</u>
Total intergovernmental	<u>2,855,300</u>	<u>3,210,025</u>	<u>354,725</u>
Total School Nutrition Fund	<u>\$ 3,470,534</u>	<u>\$ 3,818,204</u>	<u>\$ 347,670</u>
Grand Total Revenues (Component Unit - School Board)	<u>\$ 70,319,180</u>	<u>\$ 70,756,526</u>	<u>\$ 437,346</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 197,709	\$ 195,494	\$ 2,215
Total legislative	<u>197,709</u>	<u>195,494</u>	<u>2,215</u>
General and financial administration:			
City manager	515,108	510,403	4,705
City attorney	201,785	198,080	3,705
Human resources	410,146	366,116	44,030
Independent auditor	22,870	22,870	-
Commissioner of the revenue	437,329	432,947	4,382
Assessors	305,522	293,324	12,198
Equalization	3,025	2,790	235
Treasurer	553,684	541,385	12,299
Finance	461,727	446,905	14,822
Information technology	1,713,167	1,522,355	190,812
Purchasing agent	147,449	145,793	1,656
Total general and financial administration	<u>4,771,812</u>	<u>4,482,968</u>	<u>288,844</u>
Board of elections:			
Registrar	308,299	296,204	12,095
Total board of elections	<u>308,299</u>	<u>296,204</u>	<u>12,095</u>
Total general government administration	<u>5,277,820</u>	<u>4,974,666</u>	<u>303,154</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	4,422,535	4,274,820	147,715
Middle River Regional Jail	1,911,767	1,872,469	39,298
Total jail and judicial administration	<u>6,334,302</u>	<u>6,147,289</u>	<u>187,013</u>
Public safety:			
Law enforcement and traffic control:			
Administration	3,330,900	2,989,419	341,481
Operations	3,966,011	3,958,259	7,752
Criminal investigations	1,620,651	1,523,945	96,706
Special operations	1,417,052	1,146,238	270,814
Grants	206,221	193,092	13,129
Total law enforcement and traffic control	<u>10,540,835</u>	<u>9,810,953</u>	<u>729,882</u>
Fire and rescue services:			
Administration	541,400	538,578	2,822
Suppression	6,429,650	6,283,806	145,844
Prevention	503,241	501,652	1,589
Training	279,547	277,685	1,862
Total fire and rescue services	<u>7,753,838</u>	<u>7,601,721</u>	<u>152,117</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, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Correction and detention:			
City operated institutions	\$ 85,000	\$ 81,980	\$ 3,020
Total correction and detention	<u>85,000</u>	<u>81,980</u>	<u>3,020</u>
Inspections:			
Building	808,461	663,116	145,345
Total inspections	<u>808,461</u>	<u>663,116</u>	<u>145,345</u>
Other protection:			
Public safety building	323,049	284,739	38,310
Child safety alliance	52,135	51,253	882
Animal control	327,182	320,408	6,774
Coroner	1,000	-	1,000
Emergency services	171,637	166,649	4,988
Harrisonburg-Rockingham ECC	2,428,577	2,428,577	-
Total other protection	<u>3,303,580</u>	<u>3,251,626</u>	<u>51,954</u>
Total public safety	<u>22,491,714</u>	<u>21,409,396</u>	<u>1,082,318</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	769,116	731,422	37,694
Highway and street maintenance	8,271,634	6,448,042	1,823,592
Street lights	549,714	547,395	2,319
Snow and ice removal	486,162	481,225	4,937
Traffic engineering	1,226,102	1,185,246	40,856
Highway and street beautification	300,029	252,441	47,588
Total maintenance of highways, streets, bridges and sidewalks	<u>11,602,757</u>	<u>9,645,771</u>	<u>1,956,986</u>
Sanitation and waste removal:			
Street and road cleaning	426,715	360,773	65,942
Insect and rodent control	6,403	4,668	1,735
Total sanitation and waste removal	<u>433,118</u>	<u>365,441</u>	<u>67,677</u>
Maintenance of general buildings and grounds:			
General properties	329,652	232,661	96,991
Total maintenance of general buildings and grounds	<u>329,652</u>	<u>232,661</u>	<u>96,991</u>
Total public works	<u>12,365,527</u>	<u>10,243,873</u>	<u>2,121,654</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, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Health and welfare:			
Health:			
Local health department	\$ 430,466	\$ 415,264	\$ 15,202
Total health	<u>430,466</u>	<u>415,264</u>	<u>15,202</u>
Mental health and mental retardation:			
Community services board	655,100	655,100	-
Total mental health and mental retardation	<u>655,100</u>	<u>655,100</u>	<u>-</u>
Welfare/social services:			
Tax relief for the elderly and disabled veterans	110,000	108,286	1,714
Joint expenditures with Rockingham County	3,379,132	3,379,132	-
Total welfare/social services	<u>3,489,132</u>	<u>3,487,418</u>	<u>1,714</u>
Total health and welfare	<u>4,574,698</u>	<u>4,557,782</u>	<u>16,916</u>
Education:			
Payment to Harrisonburg City School Board	29,895,539	29,390,214	505,325
Total education	<u>29,895,539</u>	<u>29,390,214</u>	<u>505,325</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	1,056,850	1,036,756	20,094
Parks	968,472	944,093	24,379
Recreation centers and playgrounds	578,507	569,343	9,164
National guard armory	102,361	81,605	20,756
Simms continuing education center	355,756	336,393	19,363
Westover pool	452,935	450,746	2,189
Athletics	467,288	444,122	23,166
Blacks run greenway	53,193	52,279	914
Golf course grounds management	679,516	679,154	362
Golf course clubhouse management	468,255	463,995	4,260
Total parks and recreation	<u>5,183,133</u>	<u>5,058,486</u>	<u>124,647</u>
Total parks, recreation and culture	<u>5,183,133</u>	<u>5,058,486</u>	<u>124,647</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, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Planning and community development:			
Planning:			
Planning	\$ 200,305	\$ 162,910	\$ 37,395
Zoning administrator	152,253	141,251	11,002
Board of zoning appeals	5,686	655	5,031
Economic development	1,040,075	811,292	228,783
Downtown renaissance	212,270	160,540	51,730
Tourism and visitors services	422,111	421,014	1,097
Downtown parking services	216,444	178,443	38,001
Total planning	<u>2,249,144</u>	<u>1,876,105</u>	<u>373,039</u>
Community development:			
Massanutten Regional Library	469,945	469,945	-
Regional Juvenile Detention Home	344,636	344,636	-
Shenandoah Valley Airport	67,923	67,923	-
Harrisonburg First Tee	70,000	70,000	-
Court Square Theater	54,000	54,000	-
Boys and Girls Club	51,500	51,500	-
Blue Ridge Community College	67,672	67,672	-
Other contributions	374,576	373,238	1,338
Total community development	<u>1,500,252</u>	<u>1,498,914</u>	<u>1,338</u>
Total planning and community development	<u>3,749,396</u>	<u>3,375,019</u>	<u>374,377</u>
Debt service:			
Principal retirement	8,101,624	8,101,624	-
Interest and fiscal charges	5,106,973	5,105,619	1,354
Total debt service	<u>13,208,597</u>	<u>13,207,243</u>	<u>1,354</u>
Total General Fund	<u>\$ 103,080,726</u>	<u>\$ 98,363,968</u>	<u>\$ 4,716,758</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Planning and community development:			
Community development:			
Community development block grant	\$ 902,206	\$ 385,777	\$ 516,429
Total community development	<u>902,206</u>	<u>385,777</u>	<u>516,429</u>
Total planning and community development	<u>902,206</u>	<u>385,777</u>	<u>516,429</u>
Total Community Development Block Grant Fund	<u>\$ 902,206</u>	<u>\$ 385,777</u>	<u>\$ 516,429</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, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Education:			
School bus services	\$ 2,548,455	\$ 2,508,564	\$ 39,891
Field trips and charters	171,337	155,737	15,600
Administration	<u>388,898</u>	<u>324,771</u>	<u>64,127</u>
Total education	<u>3,108,690</u>	<u>2,989,072</u>	<u>119,618</u>
Total School Transportation Fund	<u>\$ 3,108,690</u>	<u>\$ 2,989,072</u>	<u>\$ 119,618</u>
Business Loan Program Fund:			
Planning and community development:			
Community development:			
Revolving loan program	\$ 50,000	\$ 10,067	\$ 39,933
Total community development	<u>50,000</u>	<u>10,067</u>	<u>39,933</u>
Total planning and community development	<u>50,000</u>	<u>10,067</u>	<u>39,933</u>
Total Business Loan Program Fund	<u>\$ 50,000</u>	<u>\$ 10,067</u>	<u>\$ 39,933</u>
Total Special Revenue Funds	<u>\$ 4,060,896</u>	<u>\$ 3,384,916</u>	<u>\$ 675,980</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ 31,813,804	\$ 7,266,080	\$ 24,547,724
Total General Capital Projects Fund	<u>\$ 31,813,804</u>	<u>\$ 7,266,080</u>	<u>\$ 24,547,724</u>
School Bond Capital Projects Fund:			
Capital projects	\$ 39,768,263	\$ 5,427,524	\$ 34,340,739
Total School Bond Capital Projects Fund	<u>\$ 39,768,263</u>	<u>\$ 5,427,524</u>	<u>\$ 34,340,739</u>
Total Capital Projects Fund	<u>\$ 71,582,067</u>	<u>\$ 12,693,604</u>	<u>\$ 58,888,463</u>
Grand Total Expenditures (Primary Government)	<u>\$ 178,723,689</u>	<u>\$ 114,442,488</u>	<u>\$ 64,281,201</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, 2016

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 51,782,460	\$ 51,743,008	\$ 39,452
Administration, attendance and health	3,846,983	3,790,665	56,318
Pupil transportation	3,416,486	3,277,226	139,260
Operations and maintenance	4,937,609	4,823,657	113,952
Technology	<u>3,254,146</u>	<u>3,135,879</u>	<u>118,267</u>
Total education	<u>67,237,684</u>	<u>66,770,435</u>	<u>467,249</u>
Total School Fund	<u>\$ 67,237,684</u>	<u>\$ 66,770,435</u>	<u>\$ 467,249</u>
School Nutrition Fund:			
Education:			
Food services	\$ 3,449,034	\$ 3,586,260	\$ (137,226)
Technology	<u>21,500</u>	<u>19,569</u>	<u>1,931</u>
Total education	<u>3,470,534</u>	<u>3,605,829</u>	<u>(135,295)</u>
Total School Nutrition Fund	<u>\$ 3,470,534</u>	<u>\$ 3,605,829</u>	<u>\$ (135,295)</u>
School Capital Projects Fund:			
Capital projects	<u>\$ 547,851</u>	<u>\$ 187,015</u>	<u>\$ 360,836</u>
Total School Capital Projects Fund	<u>\$ 547,851</u>	<u>\$ 187,015</u>	<u>\$ 360,836</u>
Grand Total Expenditures (Component Unit - School Board)	<u>\$ 71,256,069</u>	<u>\$ 70,563,279</u>	<u>\$ 692,790</u>

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STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540	\$ 134,630,600	\$ 136,515,744	\$ 132,202,885	\$ 125,843,397
Restricted	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017
Unrestricted	19,107,622	15,778,923	36,848,497	38,537,607	37,720,341	36,505,429	31,737,220	32,029,616	40,774,314	36,167,946
Total governmental activities net position	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435	\$ 166,827,487	\$ 168,890,884	\$ 173,938,641	\$ 163,050,360
Business-type activities										
Net investment in capital assets	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398	\$ 54,121,109
Unrestricted	10,156,014	9,413,613	16,501,295	18,960,244	20,567,739	24,007,072	23,349,719	23,104,614	22,819,366	21,189,184
Total business-type activities net position	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453	\$ 87,622,285	\$ 87,051,233	\$ 78,034,764	\$ 75,310,293
Primary government										
Net investment in capital assets	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921	\$ 198,903,166	\$ 200,462,363	\$ 187,418,283	\$ 179,964,506
Restricted	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442	1,039,017
Unrestricted	29,263,636	25,192,536	53,349,792	57,497,851	58,288,080	60,512,501	55,086,939	55,134,230	63,593,680	57,357,130
Total primary government net position	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888	\$ 254,449,772	\$ 255,942,117	\$ 251,973,405	\$ 238,360,653

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

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

Table 2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government administration	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148	\$ 10,607,363
Jail and judicial administration	5,822,848	5,137,399	4,175,900	3,697,318	3,353,068	3,158,825	2,689,276	3,012,532	2,521,878	2,695,536
Public safety	22,625,158	21,236,076	20,803,582	19,435,983	18,759,038	18,414,704	17,934,535	18,518,912	16,446,587	16,122,159
Public works ^a	14,709,122	15,158,769	19,723,564	16,087,945	15,430,666	11,384,626	10,924,418	11,935,693	10,621,521	11,140,416
Health and welfare	4,579,647	4,103,981	3,941,088	3,792,389	3,684,731	3,933,460	3,911,386	4,369,125	3,764,612	3,130,065
Education	36,565,819	37,481,649	34,574,455	32,985,755	30,965,228	27,641,213	28,735,066	31,253,898	25,922,982	25,341,757
Parks, recreation and cultural	6,201,994	5,486,051	5,399,332	5,396,157	5,319,618	5,279,763	5,100,351	5,379,470	5,103,321	4,892,190
Planning and community development	4,579,778	3,555,510	3,612,415	3,628,594	3,844,899	3,618,639	3,867,423	4,032,505	4,125,103	5,265,157
Interest on long-term debt	5,046,788	5,116,339	5,071,941	5,304,302	5,602,256	6,006,543	6,131,512	5,860,753	6,078,904	5,612,049
Business-type activities:										
Water	5,496,737	5,218,201	5,351,441	5,281,491	5,398,401	5,014,952	5,118,820	5,359,913	4,951,007	4,560,390
Sewer	9,702,160	9,526,208	9,536,716	9,501,243	9,217,798	8,165,858	7,391,517	6,772,876	6,413,266	5,717,556
Public transportation	6,348,417	6,327,540	5,218,865	4,915,643	4,817,708	6,916,882	6,767,823	6,817,081	6,042,341	5,538,155
Steam plant/sanitation ^a	4,208,851	7,185,575	7,397,708	7,751,402	6,670,472	9,999,432	9,878,225	10,809,914	11,162,477	10,604,466
Stormwater	255,371	-	-	-	-	-	-	-	-	-
Total expenses	\$ 144,686,246	\$ 141,790,591	\$ 142,344,400	\$ 132,978,350	\$ 127,935,248	\$ 122,245,944	\$ 121,143,571	\$ 126,858,487	\$ 114,921,147	\$ 111,027,259
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743	\$ 9,478,806	\$ 8,620,160	\$ 7,913,474	\$ 7,067,373
Jail and judicial administration	515,404	549,825	651,517	526,549	417,063	553,923	504,223	493,611	432,767	380,856
Public works ^a	-	-	5,891,879	5,714,587	4,223,763	-	-	-	-	-
Education ^b	3,099,596	3,018,032	2,712,725	2,402,874	2,163,748	1,103,317	1,042,513	1,063,064	1,003,942	775,673
Parks, recreation and cultural	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262	845,073	686,775	1,055,627	1,278,101	768,070
Other activities	848,873	891,990	1,201,568	988,430	868,216	6,779,026	6,537,125	6,931,438	6,620,432	7,163,982
Operating grants and contributions	8,071,894	7,733,498	7,242,059	6,468,579	6,420,728	6,779,026	6,537,125	6,931,438	6,620,432	7,163,982
Capital grants and contributions ^{c,d}	2,112,546	2,511,563	6,052,309	4,057,173	3,020,379	1,394,887	1,105,400	4,827,882	5,540,980	3,996,228
Business-type activities:										
Charges for services:										
Water	6,866,608	6,566,279	6,204,657	6,033,702	5,803,549	5,793,929	5,414,295	5,727,877	6,024,104	5,424,741
Sewer	10,249,003	10,135,852	9,654,399	9,135,855	8,631,508	8,047,117	6,748,325	6,377,771	6,080,893	5,572,991
Public transportation ^b	1,810,732	1,897,980	1,834,284	1,652,106	1,558,556	3,573,754	3,153,152	3,290,998	2,906,147	2,667,281
Steam plant/sanitation ^a	5,104,242	6,784,257	5,122,980	6,131,803	4,717,861	9,859,085	9,867,232	10,158,755	9,023,207	8,006,673
Stormwater	2,345,292	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,281,764	2,229,329	2,160,125	1,649,862	1,469,284	1,353,559	1,496,827	1,444,903	1,242,498	1,140,983
Capital grants and contributions ^b	606,645	2,689,399	6,506,406	3,277,876	3,226,291	840,082	2,176,754	8,458,276	1,684,705	2,201,180
Total program revenues	\$ 58,457,047	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299	\$ 53,267,647	\$ 49,410,495	\$ 48,211,427	\$ 58,450,362	\$ 49,751,250	\$ 45,166,031
Net (expense) revenue:										
Governmental activities	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)	\$ (72,632,344)	\$ (74,106,921)	\$ (63,562,360)	\$ (64,454,510)
Business-type activities	3,252,750	2,045,572	3,978,121	431,425	(697,330)	(629,598)	(299,800)	5,698,796	(1,607,537)	(1,406,718)
Total net (expense) revenue	\$ (86,229,199)	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)	\$ (74,667,601)	\$ (72,835,449)	\$ (72,932,144)	\$ (68,408,125)	\$ (65,169,897)	\$ (65,861,228)

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

Table 2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340	\$ 30,867,419	\$ 29,049,768	\$ 27,464,833	\$ 23,731,628
Sales and use taxes	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783	10,487,699	11,053,388	11,772,450	11,695,874
Restaurant food taxes	11,914,152	11,026,410	10,398,660	9,948,280	8,815,101	8,414,191	8,001,430	8,095,857	8,021,419	7,673,364
Business license taxes	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,196,857	6,042,082
Other local taxes	7,119,400	6,798,376	6,105,467	5,877,472	5,599,612	5,382,633	5,274,469	5,275,971	5,515,800	6,572,592
Unrestricted grants and contributions	3,501,028	3,569,638	3,521,348	3,476,659	3,423,474	3,520,574	3,465,825	3,488,042	3,768,406	2,754,072
Unrestricted payment from component units	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875
Investment revenue ¹	206,899	75,041	50,039	84,162	68,365	87,557	151,425	658,303	2,644,259	3,534,382
Other revenue ⁹	1,681,770	1,742,779	2,698,759	1,973,222	2,265,535	4,254,403	1,570,827	1,202,291	1,447,468	1,486,856
Gain on sale of capital asset	-	-	-	-	-	-	-	238,903	-	-
Special item ^{h,i}	-	-	-	-	(1,446,706)	-	-	-	4,109,942	2,183,062
Transfers	2,603,868	2,527,927	1,574,046	1,361,276	6,335,894	484,233	378,256	(875,910)	(1,386,572)	(1,130,257)
Business-type activities:										
General revenues:										
Investment revenue	55,180	15,198	19,563	31,340	32,121	52,446	79,908	505,917	1,101,241	1,403,613
Other revenue	1,237,883	1,286,114	1,117,388	1,805,733	1,308,949	1,215,028	1,167,345	1,927,746	1,844,195	1,034,676
Gain on disposal of capital assets	41,058	2,550	28,554	15,055	10,863	4,525	1,855	8,100	-	-
Special item ^{k,l}	-	(1,916,812)	(10,078,503)	-	-	-	-	-	-	-
Transfers	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)	(378,256)	875,910	1,386,572	1,130,257
Total general revenues and other changes in net position	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565	\$ 71,439,799	\$ 72,376,837	\$ 78,686,870	\$ 72,906,076
Change in net position:										
Governmental activities	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954	\$ 2,920,948	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020
Business-type activities	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168	571,052	9,016,469	2,724,471	2,161,828
Total change in net position	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116	\$ (1,492,345)	\$ 3,968,712	\$ 13,516,973	\$ 7,044,848

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

^aFor 2012 and 2015, the changes in public works and steam plant/sanitation activity charges for services and expenses reflected the reclassification of refuse collection, recycling and landfill activities.

^bFor 2012, the changes in education and public transportation activity charges for services reflected the reclassification of school bus activity.

^cFor 2010, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases for the Stone Spring Road/Erickson Avenue project which were eligible for federal and state funding.

^dFor 2015, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases for the Reservoir Street project which were eligible for state funding.

^eFor 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.

^fFor 2009, the decrease in investment revenue was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.

^gFor 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.

^hFor 2007, the City sold the old Harrisonburg High School complex to James Madison University resulting in a special item.

ⁱFor 2008, the City sold land on Port Republic Road to James Madison University resulting in a special item.

^jFor 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.

^kFor 2014, the City agreed to sell the resource recovery facility to JMU. This is the net result of an impairment to the resource recovery facility.

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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708	\$ 1,055,286	\$ 838,087	\$ 772,046	\$ 609,960	\$ 611,347
Restricted	461,736	450,639	432,852	253,898	436,546	464,466	459,667	345,524	959,650	1,037,225
Committed ^a	63,402	63,402	2,761,367	3,386,367	3,095,380	860,879	1,297,212	1,879,300	2,344,663	3,311,602
Assigned ^{b,c}	649,393	1,629,279	1,612,151	3,053,319	1,671,329	4,175,696	1,096,324	175,380	5,620,402	4,754,769
Unassigned	28,435,301	24,214,042	26,595,398	23,932,401	25,534,922	18,711,352	16,273,005	16,363,415	15,747,798	14,711,182
Total general fund	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885	\$ 25,267,679	\$ 19,964,295	\$ 19,535,665	\$ 25,282,473	\$ 24,426,125
All other governmental funds										
Nonspendable	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -
Restricted ^d	40,156,421	1,464,504	11,210,744	7,215,617	5,758,290	4,128,472	772,478	9,365,268	2,134,402	25,913,479
Committed	9,729,172	11,102,093	12,928,163	13,686,487	10,650,430	8,794,481	8,811,974	7,704,596	11,911,533	14,087,497
Assigned	134,000	38,897	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)	-
Total all other governmental funds	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,906,650	\$ 16,348,227	\$ 12,916,529	\$ 9,462,064	\$ 17,026,663	\$ 14,030,422	\$ 40,000,976

Notes: Any significant increases or decreases for 2016 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2007-2010).

^aFor 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.

^bFor 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.

^cFor 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.

^dThe 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
General property taxes	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821	\$ 23,716,424
Other local taxes	38,722,176	36,644,704	34,740,681	33,134,475	31,114,956	30,439,292	29,295,439	30,439,109	31,533,497	31,976,274
Permits, privilege fees and regulatory licenses	443,489	507,040	455,881	536,965	498,465	561,431	354,076	848,149	1,093,610	552,074
Fines and forfeitures	623,390	666,029	1,127,606	662,961	526,260	626,169	598,904	570,997	518,259	504,628
Use of money and property ^f	262,328	187,061	162,014	194,763	171,599	188,084	197,844	662,621	2,523,091	3,675,662
Charges for services ^b	4,556,674	4,427,549	10,020,649	9,496,051	7,775,198	1,377,980	1,193,264	1,193,156	1,088,841	842,690
Miscellaneous ^e	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528	4,159,989	1,540,896	1,700,774	1,733,883	1,001,438
Recovered costs	59,225	201,177	291,795	165,551	606,506	-	-	-	217,422	1,198,496
Payments from component units	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000	4,793,875
Intergovernmental	13,563,043	13,613,522	16,414,070	14,809,888	15,344,247	16,254,692	13,499,776	13,628,264	13,191,514	12,771,940
Total revenues	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	\$ 95,132,088	\$ 90,033,162	\$ 82,489,273	\$ 82,840,778	\$ 83,764,938	\$ 81,033,501
Expenditures:										
Current:										
General government administration	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	\$ 4,003,007	\$ 3,612,654	\$ 3,494,629	\$ 3,454,035	\$ 3,533,956	\$ 3,195,490
Jail and judicial administration ^d	6,147,289	5,917,618	3,878,939	3,400,357	3,056,108	2,861,864	2,392,315	2,715,571	2,224,918	2,398,575
Public safety	21,409,396	20,650,517	20,131,261	18,348,671	17,541,823	17,180,648	17,033,685	18,351,114	16,282,631	15,906,087
Public works ^b	10,243,873	11,386,544	13,484,504	11,691,698	10,484,164	7,324,180	7,085,021	8,643,955	8,314,632	7,911,328
Health and welfare	4,557,782	4,082,115	3,919,223	3,770,524	3,662,866	3,911,595	3,889,521	4,347,260	3,742,747	3,108,200
Education	32,379,286	32,119,407	29,912,639	28,497,263	26,201,268	22,992,077	23,993,390	24,627,567	22,960,156	22,299,274
Parks, recreation and cultural	5,058,486	4,825,587	4,747,280	4,666,748	4,946,248	4,685,480	4,590,497	4,819,548	4,832,776	4,852,311
Planning and community development	3,770,863	3,826,246	3,913,783	3,715,326	3,731,690	3,342,151	3,739,296	4,112,650	6,046,145	3,564,027
Debt service:										
Principal retirement	8,101,624	7,917,919	7,159,619	8,016,601	7,054,192	6,568,187	6,144,985	5,852,898	4,594,087	4,885,030
Interest and fiscal charges ^l	5,105,619	4,371,146	5,179,111	5,335,520	5,406,443	5,846,542	5,776,747	5,879,099	6,732,755	4,167,115
Bond issuance costs	-	-	257,393	-	381,755	77,341	-	58,379	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	520,040	-	-
Capital projects ^g	12,693,604	16,918,207	18,893,701	13,820,417	11,335,007	12,888,316	11,668,260	15,865,369	35,015,071	32,370,731
Total expenditures	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	\$ 97,804,571	\$ 91,291,015	\$ 89,808,346	\$ 99,247,485	\$ 114,279,874	\$ 104,658,168
Excess (deficiency) of revenues over (under) expenditures	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	\$ (2,672,483)	\$ (1,257,853)	\$ (7,319,073)	\$ (16,406,707)	\$ (30,514,936)	\$ (23,624,667)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000	\$ 9,515,000	\$ -	\$ 13,480,500	\$ -	\$ 50,000,000
Refunding debt issued	-	-	42,675,000	-	21,400,000	5,691,105	-	7,377,000	-	-
Premium on long-term debt issued	3,995,417	-	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	3,828,083	5,836,294	4,445,856	8,250,668	8,279,617	2,890,945	2,780,092	4,713,939	6,622,370	17,534,802
Transfers out	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)	(2,597,008)	(2,596,988)	(4,602,315)	(8,218,306)	(18,945,703)
Total other financing sources (uses)	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	\$ 12,355,387	\$ 10,015,702	\$ 183,104	\$ 13,656,140	\$ (1,595,936)	\$ 48,412,401
Special item:										
Sale of capital asset ^h	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 15,697,400
Net change in fund balances	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566	\$ 9,682,904	\$ 8,757,849	\$ (7,135,969)	\$ (2,750,567)	\$ (25,110,872)	\$ 40,485,134
Debt service as a percentage of noncapital expenditures	13.01%	12.79%	12.74%	14.70%	14.15%	14.81%	14.75%	13.86%	14.33%	12.54%

Notes: Any significant increases or decreases for 2016 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

^aFor 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.

^bFor 2012 and 2016, the change in charges for services and public works expenditures was the result of the reclassification of refuse collection, recycling and landfill activities.

^cFor 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.

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

^eFor 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.

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

^gFor 2007 and 2008, the City had various major construction projects in progress including the new high school and an elementary middle school complex.

^hFor 2007, the City sold the old Harrisonburg High School complex to James Madison University.

ⁱFor 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General property taxes	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064	\$ 22,871,691	\$ 22,471,813	\$ 20,253,878	\$ 18,794,716	\$ 14,614,206
Real estate taxes ^{a,b,c}	393,020	448,017	294,775	344,311	305,419	311,567	315,297	290,145	296,523	257,361
Real and personal public service corporation property taxes	8,407,623	8,021,019	6,926,126	6,996,148	6,636,271	6,227,915	6,002,949	6,481,657	6,135,629	6,903,578
Personal property taxes ^d	8,475	7,033	6,485	8,069	7,613	7,568	6,976	6,779	6,642	7,958
Mobile home taxes	2,130,697	2,027,504	1,869,428	1,794,444	1,800,539	1,849,859	1,918,964	1,769,620	1,571,168	1,713,458
Machinery and tools taxes	248,362	265,766	216,744	271,353	266,423	256,925	293,075	195,629	244,143	219,863
Penalties and interest	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821	\$ 23,716,424
Total general property taxes	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783	\$ 10,487,699	\$ 11,053,388	\$ 11,772,450	\$ 11,695,874
Other local taxes	1,108,436	1,114,465	1,099,063	1,093,995	1,071,465	1,079,982	1,063,641	1,059,448	1,053,085	1,489,300
Local sales and use taxes	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,208,829	6,044,898
Consumer utility taxes ^e	-	-	-	-	-	-	-	-	-	167,399
Business license taxes	1,178,948	1,185,099	888,410	861,119	759,588	667,392	698,446	708,619	723,115	736,579
Franchise license taxes ^f	757,086	580,676	562,403	514,445	543,099	577,159	556,236	487,649	362,690	481,402
Motor vehicle license taxes ^g	408,096	603,848	443,901	359,086	273,405	381,220	311,749	380,766	598,229	595,283
Bank stock taxes	680,937	632,433	634,796	703,979	768,267	700,232	759,637	794,917	868,029	878,952
Taxes on recordation and wills	181,678	172,616	144,475	175,395	178,371	182,473	198,641	195,222	195,197	172,964
Tobacco taxes	2,577,891	2,276,431	2,110,603	1,963,223	1,838,184	1,634,615	1,505,247	1,536,035	1,599,097	1,533,589
Admission and amusement taxes	11,937,309	11,050,508	10,436,529	9,913,531	8,833,426	8,403,911	8,001,668	8,037,199	8,027,404	7,671,308
Hotel and motel room taxes ^h	-	-	-	-	-	-	-	-	-	401,181
Restaurant food taxes ⁱ	119,579	115,248	103,840	93,218	61,237	59,244	17,778	-	-	-
Emergency telephone service taxes ^j	123,602	105,507	113,176	113,012	111,110	135,196	123,100	113,315	125,372	107,545
Short-term rental taxes	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475	\$ 31,114,956	\$ 30,439,292	\$ 29,295,439	\$ 30,439,109	\$ 31,533,497	\$ 31,976,274
Public right-of-way use fee										
Total other local taxes										

Notes: Any significant increases or decreases for 2016 are explained in Management's Discussion and Analysis.

^aFor 2008, the increase in real estate taxes was the result of an increase in real estate assessments.

^bFor 2013, the increase in real estate taxes was the result of an increase in the real estate tax rate.

^cFor 2015, the increase in real estate taxes was the result of an increase in the real estate tax rate.

^dFor 2015, the increase in personal property taxes was the result of an increase in the personal property tax rate.

^eFor 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.

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

^gFor 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 ¹			Personal Property				Total	
	Residential	Commercial/Industrial	Public Service Corporations ⁴	Personal Property ²	Machinery and Tools ³	Mobile Homes ¹	Public Service Corporations ⁴	Assessed Values	Total Direct Tax Rate
2016	\$ 2,498,733,655	\$ 1,431,075,425	\$ 53,497,350	\$ 346,261,665	\$ 99,654,700	\$ 1,217,550	\$ 223,964	\$ 4,430,664,309	0.92
2015	2,463,332,515	1,407,562,622	52,607,250	332,061,200	95,391,700	1,042,700	463,264	4,352,461,251	0.89
2014	2,461,494,084	1,393,309,162	53,751,656	330,936,077	93,454,600	1,031,496	831,727	4,334,808,802	0.81
2013	2,475,833,386	1,382,285,462	52,516,179	337,161,049	89,963,300	1,115,803	448,655	4,339,323,834	0.81
2012	2,543,042,004	1,388,078,371	50,092,960	315,996,800	89,852,200	1,142,200	329,028	4,388,533,563	0.76
2011	2,510,853,924	1,364,937,892	50,956,726	305,187,900	91,009,800	1,188,000	364,071	4,324,498,313	0.76
2010	2,454,130,651	1,333,884,176	50,623,169	298,874,400	95,937,200	1,200,100	487,596	4,235,137,292	0.76
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	3,902,956,409	0.78
2008	2,111,233,782	1,094,534,067	47,220,357	302,216,554	83,446,563	1,245,100	273,687	3,640,170,110	0.79
2007	1,528,652,129	828,541,876	40,459,620	287,097,150	85,627,100	1,300,700	294,465	2,771,973,040	0.91

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property							Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other ¹			
2016	\$ 0.72	\$ 0.72	\$ 0.72	\$ 2.12	\$ 2.12	\$ 0.72	\$ 3.50	\$ 3.50	\$	0.92	
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50		0.89	
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.78	
2008	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.79	
2007	0.62	0.62	0.62	3.00	2.00	0.62	3.00	3.00		0.91	

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

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

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

Table 8

Property Taxpayer	Fiscal Year 2016			Fiscal Year 2007		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 653,128	1	1.66%	\$ 399,136	2	1.68%
The Scion Group, LLC	500,898	2	1.27%	-	-	-
George's Foods, LLC	467,106	3	1.18%	-	-	-
Copper Beech Townhome Communities, LLC	420,515	4	1.07%	-	-	-
Packaging Corporation of America	390,655	5	0.99%	266,905	4	1.13%
Graham Packaging Company, LP	329,245	6	0.84%	186,640	6	0.79%
The Macerich Properties	327,472	7	0.83%	-	-	-
Ariake USA, Inc	313,029	8	0.79%	-	-	-
Virginia Mennonite Retirement Community	264,414	9	0.67%	169,948	8	0.72%
R.R. Donnelley & Sons Company	262,261	10	0.67%	402,779	1	1.70%
IntraPac Corporation	-	-	-	273,641	3	1.15%
GMH Communities Trust	-	-	-	218,538	5	0.92%
SDG Macerich Properties, LP	-	-	-	177,253	7	0.75%
Reddy Ice Corporation	-	-	-	150,818	9	0.64%
Wal-Mart Stores, Inc.	-	-	-	137,727	10	0.58%
Total	\$ 3,928,723		9.97%	\$ 2,383,385		10.06%

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
2016	\$ 39,427,910	\$ -	\$ -	39,427,910	\$ 38,629,078	97.97%	-	\$ 38,629,078	97.97%
2015	37,288,334	(1,041)	(1,041)	37,287,293	36,588,785	98.12%	419,053	37,007,838	99.25%
2014	33,472,734	18,219	18,219	33,490,953	32,671,163	97.61%	603,463	33,274,626	99.35%
2013	33,518,148	(12,031)	(12,031)	33,506,117	32,841,981	97.98%	509,306	33,351,287	99.54%
2012	31,917,343	(13,650)	(13,650)	31,903,693	31,164,825	97.64%	608,520	31,773,345	99.59%
2011	31,326,231	(2,227)	(2,227)	31,324,004	30,500,885	97.37%	685,886	31,186,771	99.56%
2010	30,809,804	(16,641)	(16,641)	30,793,163	29,834,014	96.83%	783,456	30,617,470	99.43%
2009	29,095,900	1,340	1,340	29,097,240	28,136,769	96.70%	768,500	28,905,269	99.34%
2008	27,221,485	(23,903)	(23,903)	27,197,582	26,384,561	96.93%	654,833	27,039,394	99.42%
2007	23,722,324	(22,247)	(22,247)	23,700,077	22,950,373	96.75%	585,162	23,535,535	99.31%

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

Table 10

Type of debt	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
General obligation bonds ^{a,b,c}	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002	\$ 130,273,104	\$ 125,946,648	\$ 131,255,776	\$ 116,394,892	\$ 120,144,124
General obligation revenue bonds ^d	-	-	-	-	-	-	-	-	6,186,488	6,258,756
Capital leases	2,032,839	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958	6,635,404	7,480,465	8,287,363	9,058,940
Business-type activities:										
General obligation bonds ^d	28,742,532	27,875,343	30,485,783	33,027,532	34,999,325	36,852,820	26,684,249	27,072,664	25,958,685	27,213,206
General obligation revenue bonds ^d	-	-	-	-	239,994	469,862	9,392,103	9,598,939	9,800,776	9,992,612
Total primary government	\$ 207,087,779	\$ 166,402,903	\$ 177,297,479	\$ 168,641,957	\$ 170,885,206	\$ 173,347,744	\$ 168,658,404	\$ 175,407,844	\$ 166,628,204	\$ 172,667,638
Percentage of personal income ¹	11.10%	9.16%	10.33%	10.09%	10.77%	11.62%	11.78%	12.07%	12.10%	13.41%
Per capita ¹	\$ 3,827	\$ 3,089	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448	\$ 3,644	\$ 3,571	\$ 3,774

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 (2007-2013). ¹See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2007-2009 and 2011-2015.

^aFor 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

^bFor 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

^cFor 2016, the City issued \$44.3 million in general obligation bonds, of which \$36.9 million were issued for school construction projects.

^dFor 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General obligation bonds ^{a,b,c,d}	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577	\$ 147,357,330
Total	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577	\$ 147,357,330
Percentage of assessed real property value ^e	5.15%	4.17%	4.45%	4.23%	4.16%	4.26%	3.98%	4.53%	4.38%	6.15%
Per capita ²	\$ 3,789	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120	\$ 3,289	\$ 3,051	\$ 3,221

Notes: The City does not have overlapping governments and has not included this information in the above table. Details regarding the City's outstanding debt can be found in the notes to the financial statements. There is no restricted net position for debt service available for the repayment of principal on bonded debt. Certain prior year balances have been reclassified to reflect current financial reporting (2007-2013).¹ See Table 6 for assessed real property data. ² See Table 13 for population data. Population estimates were adjusted on Table 13 for 2007-2009 and 2011-2015.

^bFor 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

^cFor 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

^dFor 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.

^eFor 2016, the City issued \$44.3 million in general obligation bonds, of which \$36.9 million were issued for school construction projects.

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

Table 12

	Fiscal Year										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Debt limit	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	\$ 383,863,800	\$ 349,636,450	\$ 325,298,821	\$ 239,765,363	
Total debt applicable to limit	194,205,801	156,350,667	166,111,533	163,133,244	163,706,026	165,926,512	162,043,877	167,937,695	158,497,695	163,765,205	
Legal debt margin	\$ 204,124,842	\$ 235,999,572	\$ 224,743,957	\$ 227,930,259	\$ 234,415,308	\$ 226,748,342	\$ 221,819,923	\$ 181,698,755	\$ 166,801,126	\$ 76,000,158	
Total debt applicable to the limit as percentage of debt limit	48.75%	39.85%	42.50%	41.72%	41.12%	42.26%	42.21%	48.03%	48.72%	68.30%	
Legal Debt Margin Calculation for Fiscal Year 2016											
Total assessed value of taxed real property	\$ 3,983,306,430										
Debt limit (10% of total assessed value)	\$ 398,330,643										
Debt applicable to limit:											
General obligation bonds	194,205,801										
Legal debt margin	\$ 204,124,842										

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

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

Table 13

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate Percentage ⁴
2016	54,112	\$ 1,865,856	\$ 34,481	5,660	4.8
2015	53,875	1,815,749	33,703	5,423	5.8
2014	52,612	1,715,888	32,614	5,158	6.5
2013	52,127	1,671,661	32,069	4,956	7.0
2012	50,862	1,587,250	31,207	4,709	7.7
2011	50,057	1,491,749	29,801	4,513	7.8
2010	48,914	1,431,468	29,265	4,323	7.8
2009	48,134	1,453,551	30,198	4,241	5.5
2008	46,660	1,377,170	29,515	4,363	3.4
2007	45,752	1,287,278	28,136	4,356	2.8

Notes: Population estimates have been adjusted for 2007-2009 and 2011-2015 using estimates from the University of Virginia Weldon Cooper Center for Public Policy and personal income has been adjusted accordingly.

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 2016. University of Virginia Weldon Cooper Center for Public Service for 2007-2009 and 2011-2015. United States Census Bureau for 2010.

² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2007-2015 have been adjusted based upon the latest available data. Data for 2016 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ Virginia Employment Commission. The unemployment rate is an annual average. The rate for 2015 has 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 2016			Fiscal Year 2007		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.23%	> 999	1	> 3.17%
Harrisonburg City Public Schools	> 999	2	> 3.23%	500 - 999	3	1.59% - 3.16%
Aramark Campus LLC	500 - 999	3	1.61% - 3.22%	-	-	n/a
City of Harrisonburg	500 - 999	4	1.61% - 3.22%	500 - 999	4	1.59% - 3.16%
Tenneco Inc.	500 - 999	5	1.61% - 3.22%	500 - 999	5	1.59% - 3.16%
George's Chicken, LLC	500 - 999	6	1.61% - 3.22%	-	-	n/a
Eastern Mennonite University	500 - 999	7	1.61% - 3.22%	-	-	n/a
Rosetta Stone Inc.	250 - 499	8	0.81% - 1.60%	-	-	n/a
Virginia Mennonite Retirement Community	250 - 499	9	0.81% - 1.60%	250 - 499	10	0.79% - 1.58%
Wal-Mart Stores, Inc.	250 - 499	10	0.81% - 1.60%	-	-	n/a
Rockingham Memorial Hospital	-	-	-	> 999	2	> 3.17%
Fairfield Language Technologies	-	-	-	250 - 499	6	0.79% - 1.58%
Tyson Foods, Inc.	-	-	-	250 - 499	7	0.79% - 1.58%
Graham Packaging Company, LP	-	-	-	250 - 499	8	0.79% - 1.58%
R.R. Donnelley & Sons Company	-	-	-	250 - 499	9	0.79% - 1.58%
Total City Employment	30,979			31,515		

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government administration	48.6	48.6	48.6	45.7	45.5	45.4	45.7	46.1	43.9	41.8
Public safety:										
Police ^a	118.4	114.4	114.2	107.6	107.4	108.5	108.8	110.8	107.8	101.6
Fire ^a	81.9	81.8	80.7	80.7	80.7	80.8	80.5	79.8	76.8	72.3
Other	14.0	14.0	14.0	14.0	13.0	13.0	13.0	13.0	12.0	12.0
Public works ^{b,c}	75.2	75.2	99.7	98.0	102.2	72.6	73.1	76.2	74.3	74.2
Education ^{b,e}	38.7	43.0	42.5	40.2	38.8	-	-	-	-	-
Parks, recreation and cultural	71.1	72.4	72.2	73.8	75.9	75.6	70.7	71.2	70.6	69.4
Planning and community development ^d	16.2	17.0	17.0	16.4	17.8	18.8	19.1	19.4	17.2	18.8
Water	34.5	33.9	33.9	32.6	32.6	33.1	33.2	33.2	31.4	30.1
Sewer	24.5	24.6	24.4	24.1	22.2	23.8	23.7	23.7	22.6	23.3
Public transportation ^{b,e}	60.0	58.8	50.9	47.1	49.8	87.8	87.1	86.4	78.6	79.8
Steam plant/sanitation ^{b,c,d}	25.2	58.9	31.0	31.0	31.0	56.9	60.9	61.5	60.9	56.9
Stormwater	3.7	-	-	-	-	-	-	-	-	-
Central garage	15.5	14.8	15.1	15.8	15.8	14.7	14.7	15.4	15.8	13.0
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	629.5	659.4	646.2	629.0	634.7	633.0	632.5	638.7	613.9	595.2

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

Notes: Full-time equivalent amounts are budgeted positions.

^aThe City has added additional police and fire department personnel over the past ten years as demand for services continue to increase.

^bIn 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.

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

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

^eThe 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Calls answered	42,686	40,099	39,132	34,935	33,021	41,070	43,634	40,321	26,658	28,232
Traffic citations	8,442	7,648	10,683	7,900	6,268	9,359	8,437	8,177	5,326	6,295
Fire										
Calls answered	5,574	5,246	4,708	4,923	4,789	4,514	4,473	4,381	4,314	3,991
Inspections	2,987	1,351	1,568	1,893	2,135	1,868	1,927	1,983	1,218	1,387
Public works										
Streets repaved (total miles)	8.22	11.69	9.98	5.10	5.58	5.47	6.90	9.47	10.42	7.47
Parks and recreation										
Pool admissions	51,519	47,548	49,553	50,388	52,489	47,417	48,304	43,872	41,229	30,736
Rounds of golf played	30,001	29,488	28,995	27,275	27,068	21,906	20,812	21,896	21,024	19,235
Planning and community development										
Building permits issued	664	691	651	1,035	810	739	748	961	1,747	829
Water										
Daily consumption (millions of gallons)	5.74	5.61	5.38	5.37	5.36	5.44	5.17	5.38	5.50	5.40
New customer connections	44	61	59	67	40	151	110	528	509	347
Sewer										
Daily consumption (millions of gallons)	4.68	4.57	4.40	4.27	4.29	4.33	4.20	4.12	3.95	4.26
New customer connections	13	15	12	14	8	132	8	13	36	52
Public transportation										
Transit bus passengers	2,807,730	2,820,419	2,773,561	2,749,235	2,535,828	2,063,301	1,862,500	1,709,558	1,489,770	1,492,276
Sanitation										
Avg. daily steam plant intake (tons) ^a	-	-	67.8	125.1	111.7	138.5	149.6	148.3	130.4	128.5
Materials recycled (tons)	-	737.0	709.5	754.4	757.8	827.8	722.6	1,048.3	942.3	1,234.2
Solid waste collected (tons)	10,113.0	-	-	-	-	-	-	-	-	-

Source: Various City of Harrisonburg departments.

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

^aIn 2015, the City discontinued operations at the resource recovery facility.

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

Table 17

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	48	49	48	48	48	46	47	43	43	42
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	12	12	12	13	13	13	13	12	12
Public works:										
Streets (centerline miles)	139.44	140.27	138.99	137.92	137.92	137.92	137.92	135.34	134.07	134.07
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	11	11	10
Parks acreage	877	877	877	877	877	877	877	869	869	869
Golf course acreage ^a	205	215	215	215	215	215	215	215	215	215
Water:										
Water lines (linear feet)	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193	1,467,840	1,469,084	1,443,140	1,441,109
Storage capacity (millions of gallons) ^{b,c,d}	25.25	25.25	25.25	25.25	25.25	25.25	25.25	23.25	38.25	33.25
Sewer:										
Sewer lines (linear feet)	1,059,020	1,024,320	1,024,591	1,077,694	1,078,563	1,075,233	1,071,840	1,063,710	1,018,647	1,007,810
Public transportation:										
Transit buses	50	48	44	42	42	36	36	36	36	31
Sanitation:										
Steam plant capacity (tons per day) ^e	-	-	200	200	200	200	200	200	200	200
Refuse collection trucks	7	8	7	7	7	7	7	7	6	6
Recycling collection trucks	4	2	4	3	3	3	3	3	3	4

Source: Various City of Harrisonburg departments.

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

^aIn 2016, the City transferred approximately ten acres of golf course property to the Harrisonburg City School Board for the construction of a new elementary school.

^bIn 2008, the City completed construction of a new 5 million gallon water tank on Ramblewood Road.

^cIn 2009, the City took out of service a 15 million gallon reservoir on Tower Street in preparations for constructing a new water tank.

^dIn 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.

^eIn 2015, the City discontinued operations at the resource recovery facility.

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 U.S. Office of Management and Budget's Uniform Guidance.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2016, 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 29, 2016.

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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Harrisonburg, Virginia's compliance with the types of compliance requirements described in the *OMB 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, 2016. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 its major federal program for the year ended June 30, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2016

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2016

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, 2016

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 the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Child Nutrition Cluster – Summer Food Service Program	10.559
8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
Department of Agriculture:					
Pass-through payments:					
Child Nutrition Cluster:					
Department of Education:					
School Breakfast Program	10.553	405910	\$ -	\$ 135,078	\$
School Breakfast Program	10.553	402530	-	594,475	
National School Lunch Program	10.555	406230	-	383,618	
National School Lunch Program	10.555	402540	-	1,627,083	
Department of Health:					
Summer Food Service Program for Children	10.559	Not Provided	-	53,312	
Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	207,003	
Total Child Nutrition Cluster				3,000,569	3,000,569
Department of Education:					
Fresh Fruit and Vegetable Program	10.582	406010	-	-	10,270
Fresh Fruit and Vegetable Program	10.582	402510	-	-	93,161
Department of Commerce:					
Pass-through payments:					
Chesapeake Bay Trust:					
Unallied Management Projects	11.454	13349	-	-	4,514
Department of Housing and Urban Development:					
Direct payments:					
Community Development Block Grants/Entitlement Grants	14.218		187,683	-	385,777
Department of Justice:					
Direct payments:					
Public Safety Partnership and Community Policing Grants	16.710		-	-	71,257
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	-	27,498
Equitable Sharing Program	16.922		-	-	74,802
Pass-through payments:					
Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	16-A3245VA15	-	-	24,019
Department of Transportation:					
Direct payments:					
Federal Transit_Formula Grants	20.507		-	-	1,652,264
Pass-through payments:					
Department of Transportation:					
Highway Planning and Construction	20.205	SRTS-115-244	-	-	188,223
Highway Planning and Construction	20.205	EN15-115-106	-	-	17,285
Department of Rail and Public Transportation:					
Formula Grants for Rural Areas	20.509	Not Provided	-	-	2,590
Formula Grants for Rural Areas	20.509	42016-99	-	-	8,525
Department of Motor Vehicles:					
State and Community Highway Safety	20.600	SC-2015-55153-5892	-	-	1,271
State and Community Highway Safety	20.600	SC-2016-56087-6287	-	-	1,813
Alcohol Open Container Requirements	20.607	154AL-2015-55155-5894	-	-	3,352
Alcohol Open Container Requirements	20.607	154AL-2016-56088-6288	-	-	11,008
Department of Education:					
Pass-through payments:					
Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A140046	-	-	574,902
Title I Grants to Local Educational Agencies	84.010	S010A150046	-	-	759,704
Career and Technical Education - Basic Grants to States	84.048	V048A140046	-	-	16,183
Career and Technical Education - Basic Grants to States	84.048	V048A150046	-	-	80,818
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)					
	84.330	609570	-	-	5,740
English Language Acquisition State Grants	84.365	S365A140046	-	-	122,629
English Language Acquisition State Grants	84.365	S365A150046	-	-	135,333
English Language Acquisition State Grants	84.365	S365B150046	-	-	10,299

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through Payments to Subrecipients</u>	<u>Cluster Expenditures</u>	<u>Federal Expenditures</u>
Department of Education: (continued)					
Pass-through payments: (continued)					
Department of Education: (continued)					
Improving Teacher Quality State Grants	84.367	S367A140044	-	-	29,035
Improving Teacher Quality State Grants	84.367	S367A150044	-	-	147,691
Special Education Cluster:					
Special Education_Grants to States	84.027	H027A140107	-	195,564	
Special Education_Grants to States	84.027	H027A150107	-	870,327	
Special Education_Preschool Grants	84.173	H173A140112	-	10,917	
Special Education_Preschool Grants	84.173	H173A150112	-	25,678	
Total Special Education Cluster				<u>1,102,486</u>	1,102,486
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	63,547
Department of Homeland Security:					
Pass-through payments:					
Department of Emergency Management:					
Emergency Management Performance Grants	97.042	Not Provided	-	-	30,770
Homeland Security Grant Program	97.067	Not Provided	160,921	-	178,985
Homeland Security Grant Program	97.067	6858	-	-	47,365
Homeland Security Grant Program	97.067	15VA-HSGP-0603	-	-	34,937
Department of Defense:					
Direct payments:					
JROTC Funds	12.VA 170853				<u>89,785</u>
Total expenditures of federal awards					\$ <u>9,008,407</u>

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, 2016

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 the U.S. Office of Management and Budget's Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Indirect Cost Allocation Rate

The City of Harrisonburg has not elected to use the de minimis indirect cost allocation rate.

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed as determined by the U.S. Department of Agriculture. At June 30, 2016, the School Board, a component unit, had food commodities totaling \$36,748 in inventory.

Note 4. Loan Programs

Included in prior year schedules were loan proceeds obtained through the Virginia Water Supply Revolving Fund in the total amount of \$1,136,000. The following is the federal award program and the outstanding balance on the loan at June 30, 2016.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 908,801

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