

FREDERICKSBURG, VIRGINIA

*Annual
Comprehensive
Financial
Report . . .*

*. . . for fiscal
year ended*

JUNE 30, 2021



CITY OF FREDERICKSBURG, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Prepared By:

Department of Finance
Robyn E. Shugart, Director of Finance

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

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Timothy J. Baroody
City Manager

D. Mark Whitley
Assistant City Manager

David T. Brown
Assistant City Manager



City of Fredericksburg
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December 14, 2021

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

The City of Fredericksburg, Virginia (the City) hereby issues the Annual Comprehensive Financial Report (the ACFR) for the fiscal year ended June 30, 2021. This report complies with Generally Accepted Accounting Principles (GAAP), and has been audited in accordance with generally accepted auditing standards by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This report also complies with state law requirements that general-purpose governments, such as the City, publish within six months of the close of the fiscal year a complete set of financial statements that comply with GAAP.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of these financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits, and 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. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2021, are free from material misstatement. 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. The independent auditor has issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2021. An unmodified opinion is issued when the auditor concludes that the financial statements are presented fairly, in all material respects, and are in conformity with GAAP.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing federal Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's Single Audit report is included in the Compliance Section of the ACFR.

Sections of the ACFR

The City's ACFR consists of eight clearly marked tabular sectional dividers intended to enhance the reader's efficient review of this report. The sectional dividers are as follows:

Introductory Section

The Introductory Section consists of this transmittal letter, an organizational chart, and a listing of principal officials of the City. Also included is the City's Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the ACFR for the fiscal year ended June 30, 2020.

Financial Section

The Financial Section consists of the Independent Auditor's Report from Robinson, Farmer, Cox Associates. In addition, management has prepared a narrative introduction, overview, and analysis to accompany the basic financial statements. This narrative introduction is referred to as the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which is found in the Financial Section immediately following the report of the independent auditors.

Basic Financial Statements

The City's Basic Financial Statements follow immediately after the Management's Discussion and Analysis, and consist of the government-wide (based on the City as a whole) and fund financial statements.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide essential information to understanding the City's financial statements. They provide information about City accounting policies, additional details on City financial statements, and details on the City's capital assets, compensated absences, and retirement and other post-employment benefits, among other information.

Required Supplementary Information

Required Supplementary Information includes required budgetary comparison schedules and a variety of additional financial schedules that are essential to understanding the City's financial position.

Other Supplementary Information

Other Supplementary Information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Statistical Section

The Statistical Section which follows the Other Supplementary Information contains historical data on the City's underlying financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

Compliance Section

The Compliance Section includes the auditor's reports on the City's internal controls over financial reporting and compliance related to federal awards as well as other required information for the federal Single Audit.

City of Fredericksburg Profile

The City was incorporated as an independent city in 1782, after being initially established as a town in 1728. In 1912, the City became one of the first cities in the nation to adopt the Council-Manager form of government, and its current Charter was granted in 1942. The City is located at the geographic center of the "Chesapeake Golden Crescent," the area between Baltimore, Maryland and Norfolk-Virginia Beach, Virginia. The City is approximately an hour's drive from the nation's and state's capitals and serves as the commercial hub of a rapidly growing region in northern central Virginia. The City currently has a land area of 10.4 square miles and serves a population of approximately 29,144.

Legislative and policy-making authority are vested in the governing council, which consists of a mayor and a six-member council. Council members are elected to four-year staggered terms with the mayor and two council members elected-at-large and the other four members elected by wards. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. Other responsibilities of the governing council include hiring the City Manager, the City Attorney and the Clerk of Council. The City Manager is responsible for carrying out the policies and ordinances of the governing council, and for appointing the heads of the City's departments.

The City provides a full range of services including police and fire protection, the maintenance of streets, collection of residential refuse, court facilities, recreational activities and cultural events, and public education, among other services. The City is also a full partner in a variety of local government services that are provided on a regional basis, including the regional jail and the Central Rappahannock Regional Library. The City also operates water, sewer, and transit systems and a parking garage. The City has entered into an agreement with Spotsylvania County to purchase water from the County's Motts Run Treatment Plant. In addition, the City has an agreement with Spotsylvania County to share the responsibility for treatment of sanitary sewer.

Economic Condition and Outlook

The City's economy is based, to a large degree, on its strategic location along Interstate 95 approximately halfway between Richmond, Virginia and Washington, D.C. The City enjoys two major commercial development centers, Central Park and Celebrate Virginia South. Central Park is a primary retail and dining area of the City and houses more than 200 retailers including national big-box stores, restaurants and smaller local businesses. Celebrate Virginia South is home to several hotels, large apartment complexes, the Fredericksburg Expo and Conference Center, and a Wegmans

Economic Condition and Outlook(continued)

supermarket. A newly completed multi-use stadium at Celebrate Virginia South is now home to the Fredericksburg Nationals, a Minor League Baseball affiliate of the Washington Nationals that had their inaugural season in Fredericksburg in 2021. Non-baseball events now also regularly occur at the stadium, and that should increase as the impacts of the pandemic wane.

In addition to the major retail commercial development centers, the City is a hub for the provision of health care services to the Fredericksburg region. The center piece of health care in the City is Mary Washington Hospital, a division of Mary Washington Healthcare. Mary Washington Hospital is a 437-bed, full-service hospital that provides over 45 different medical specialties. As the region continues to grow, Mary Washington Hospital will continue to provide a majority of the increased hospital services.

The City's economy also benefits from the presence of a major higher-education institution, the University of Mary Washington (UMW). Founded in 1908, UMW is a state-supported, co-educational university with an enrollment of approximately 4,400 undergraduate students. The university offers over 60 different majors and programs of study as well as several different master's degree programs.

The City's nationally recognized 40-block Historic District continues to be a significant component of the local economy. The "Old Town" District – with its historical attractions, antique shops, hotels, charming restaurants, specialty retail shops and beautifully restored homes – is an attractive tourist destination. Its walkability, charm and array of entertainment options are increasingly attractive to visitors and residents. A number of higher-density mixed-use projects in and around the downtown are under way, and many (including Liberty Place and a new garage) are now open.

While tourism has been a mainstay of the City's economy, visionary downtown revitalization efforts in the form of various mixed-use developments continue to reflect economic potential for the City. Several projects that combine housing, retail and office uses have been recently completed or are in various stages of development. Some of the most notable projects include Amelia Square, Park View, Liberty Place, Hanover House, Winchester Place, William Square, The Lofts at Frederick Street and the Janney-Marshall project. These projects include luxury residences combined with tens of thousands of square feet of retail, office, restaurant and hotel space. The expanding mixed-use development activity in and around the downtown area has the potential to produce significant growth in property tax as well as local tax revenue, particularly meals tax and sales tax, and will help to grow and solidify the City's stable economic base. As the downtown approaches buildout, additional re-development work is likely along the Princess Anne Street and Lafayette Boulevard corridors, which are already tied into downtown through a network of highly regarded trails. Riverfront Park, which partially opened in 2021, will also take better advantage of the City's location on the Rappahannock River, which will drive more revenue-producing events. The newly opened Chatham Bridge will enhance downtown's connection to the pedestrian-friendly amenities of Falmouth and South Stafford.

Economic Condition and Outlook(continued)

To keep up with this growth, the City is working diligently to bring more parking to the downtown core. The City has adopted a “Parking Action Plan” that better manages the existing inventory of parking spaces. The City also entered into an agreement that helped create a 321-space above-ground garage at Liberty Place that is now available to the public.

Outside of downtown, Fredericksburg’s industrial park has experienced significant success in attracting a diverse group of businesses, and additional activity is likely in the year to come. A new development along U.S. 1 called Cowan Crossing brought in an attractive mix of retail, residential, office and restaurant space. Additional re-development along the U.S. 1 and State Route 3 corridors is likely in the years to come. The City continues to aggressively pursue additional amenities that can facilitate more events and opportunities for local residents. More than half of the City is in the Federal Opportunity Zone program, which is likely to help incentivize capital investment. As the region’s population grows, Fredericksburg’s status as the center of commerce for the entire region will continue to pay dividends and generate tax revenue for the City.

Major Capital Initiatives

During Fiscal Year 2021, the City continued planning for certain major capital initiatives, and progressed in construction on others. The City reduced its capital program somewhat as a response to the ongoing global pandemic, but continued investments in both new improvements and in ongoing maintenance projects.

The largest new capital improvement underway during FY 2021 was the construction of the Riverfront Park. The Park, which is located along Sophia Street between Hanover Street and Charlotte Street, is now open to the public. It features great views of the Rappahannock River, a children’s play area, an interactive water feature, and areas for small special events.

The City also began work during FY 2021 on major renovations to the Executive Plaza building, located at 601 Caroline Street. This seven-story building houses several City Departments or divisions, including the Fire Department administration, the Commonwealth’s Attorney’s Office, the Information Technology Department, the City Attorney’s Office, and the Voter Registrar. The project includes replacements for outdated heating, ventilation, and air conditioning systems, plus electrical renovations and other interior work. Work continues into FY 2022, but renovations have been completed for the fourth floor and the Department of Community Planning and Building has been relocated from City Hall to the renovated space.

Work continues on several utility and stormwater projects. The City’s Wastewater Treatment Plant will require extensive renovations over the next several years, and preliminary engineering is now underway. Other projects were under design during FY 2021 for future implementation, including a culvert replacement at Learning Lane and a now-completed culvert replacement in the 100 block of William Street. The pump station at Celebrate Virginia South is also now in the process of being upgraded to increase the capacity of the station.

Major Capital Initiatives(continued)

Major planning is also underway for a new school, and during FY 2021 the City Schools began the process of procuring a design-build team for the design and construction of a new school under the design-build procurement allowed by the Public-Private Education Facilities and Infrastructure Act of 2002. The City and Fredericksburg City School Board look to complete the required agreements and begin working on the design and construction of a new school during the upcoming calendar year.

Key Financial Policies

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of the current fiscal year. The City's practice is that the City Manager will release a Recommended Budget to City Council at their first meeting in March. After a required public hearing on the budget is held, the City Council may change any item in the budget (other than debt service or items required by law). The budget must be adopted by the City Council prior to June 30, or as soon thereafter as practicable. City Council must approve all budget revisions once the resolution has been adopted.

The annual budgets are prepared by fund and department. All appropriations lapse at year end; however, the unexpended funds may be reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund this comparison is presented in Exhibit 13. For all other governmental funds with appropriated annual budgets, this comparison is presented in Exhibit 39.

Fund Balance Policy

The City's adopted Financial Management Policy establishes guidelines aimed at maintaining the financial health of the City. The Financial Management Policy identifies the Unassigned General Fund balance as a source that will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The policy establishes a goal of maintaining a 12 percent Unassigned General Fund balance, but not less than 7 percent, of the actual General Fund revenues for the preceding fiscal year. The current level of Unassigned Fund Balance well exceeds the 12 percent target, at 18.03% of the fiscal year 2020 General Fund revenue total.

Long-Term Financial Planning

The City prepares a five-year Capital Improvement Plan annually. This plan is used as a tool to project future capital and financing needs over a five year period and seeks to maintain or enhance budgetary objectives of the City Council. The current Capital Improvements Plan calls for several major capital initiatives over the coming years. Future capital endeavors include development of a

Key Financial Policies(continued)

riverfront park, construction of a new fire station, several utility system infrastructure upgrades, and the expansion of school facilities. Financing for these projects will be provided through a combination of bonds, grants, and local funding.

Cash Management Policies and Practices

The City and Component Unit School Board cash and cash equivalents consist of pooled cash and investments. The Component Unit Economic Development Authority maintains its own accounts that are separate from the City's pooled funds. Cash temporarily idled during the year was invested in PFM Funds and the Arbitrage and Investment Management Fund. Investment income includes appreciation in the fair value of investments. Increases in fair value, however, do not represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The City has an adopted investment policy that establishes the investment and operation policies for the management of the public funds of the City. These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indicators.

The investment policy requires that the City's portfolio be managed to accomplish the following hierarchy of objectives: (1) preservation of principal, (2) maintenance of liquidity, and (3) maximization of return. Accordingly, deposits were either insured by federal depository insurance or deposits were collateralized in accordance with the Virginia Security for Public Deposits Act.

The accomplishment of the noted investment policy objectives is entrusted to the City's Investment Committee that serves in an advisory capacity. The City Treasurer is the chairperson of the Investment Committee. An outside investment advisor meets with the Treasurer and the other committee members to assist the committee in performing its duties.

Pension and Other Post-Employment Benefits

The City and Component Unit School Board participate in the Virginia Retirement System pension plans. A description of the plans and details of the actuarial report for both the City and Component Unit School Board can be found in Note 12 in the Notes to Basic Financial Statements section of this report.

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. During fiscal year 2016, the City Council established an Other Post-Employment Benefits (OPEB) Trust (the Trust) and funded \$1 million towards the City's liability for OPEB. Through a combination of additional contributions to the Trust and overall gains in the Trust's investments, the market value of the Trust has grown to \$2,180,527 as of June 30, 2021.

A description of the City's post-employment benefits program can be found in Notes 19 and 22 in the Notes to Basic Financial Statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the thirty-first consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

The preparation of this report was made possible by the efficient and dedicated services of the staff of the Finance Department. In addition, this report could not have been completed without the assistance from individuals in various other departments. We would like to express our appreciation to everyone in the City who assisted with and contributed to the preparation of this report. Management thanks the Mayor and the City Council for their unwavering support for maintaining the highest standards of professionalism in the management of the City finances.

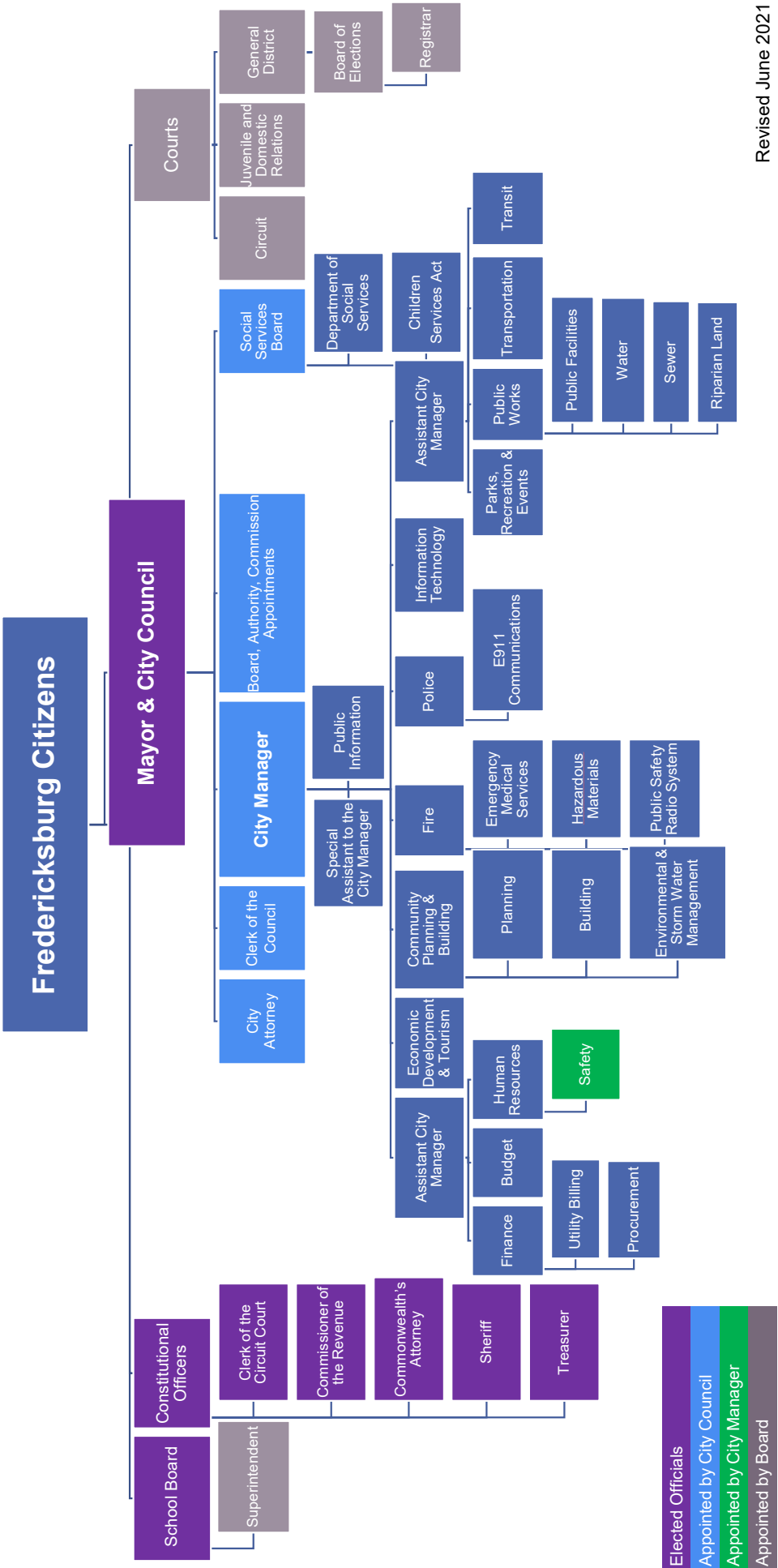
Sincerely,

A handwritten signature in blue ink that reads "Timothy J. Baroody". The signature is fluid and cursive, with the first name being more prominent.

Timothy J. Baroody
City Manager

A handwritten signature in blue ink that reads "Robyn E. Shugart". The signature is written in a cursive style with a clear, legible font.

Robyn E. Shugart
Director of Finance



CITY OF FREDERICKSBURG, VIRGINIA
PRINCIPAL OFFICIALS
JUNE 30, 2021

CITY COUNCIL

Mary Katherine Greenlaw Mayor, At-Large
Charlie L. Frye, Jr. Vice Mayor, Ward 4
William C. Withers, Jr. Ward 2
Kerry P. Devine At-Large
Matthew J. Kelly At-Large
Jason N. Graham Ward 1
Timothy P. Duffy, Ph.D. Ward 3

CONSTITUTIONAL OFFICERS

Jeff Small Clerk of the Circuit Court
Lois B. Jacob Commissioner of the Revenue
LaBravia J. Jenkins Commonwealth Attorney
Paul W. Higgs Sheriff
Brenda A. Wood Treasurer

CITY ADMINISTRATIVE OFFICERS

Timothy J. Baroody City Manager
D. Mark Whitley Assistant City Manager
VACANT Assistant City Manager
Kathleen A. Dooley City Attorney
Tonya B. Lacey Clerk of the City Council
Michael J. Jones Chief, Fire Department
Brian F. Layton Chief, Police Department
Robyn E. Shugart Director, Finance
William G. Freehling Director, Economic Development and Tourism
Lesley A. Moore Director, Human Resources
Suzanne R. Tills Chief Information Officer, Information Technology
Jane C. Shelhorse Director, Parks, Recreation and Events
Charles R. Johnston. Director, Community Planning and Building Development
Diane M. Beyer Director, Public Works
Christen C. Gallik Director, Social Services
Marc C. Hoffman General Registrar
Jamie T. Jackson Director, Transit

SCHOOL BOARD

Jannan W. Holmes Chairperson, At-Large
Reverend Jarvis E. Bailey Vice-Chairperson, At Large
Elizabeth R. Rehm Ward 1
Kathleen V. Pomeroy Ward 2
Jennifer L. Boyd Ward 3
Malvina Rollins Kay Ward 4

SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. Marceline R. Catlett Superintendent



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fredericksburg
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of City Council
City of Fredericksburg, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2021 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.

Auditors' 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*, 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 auditors' 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement Nos. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2021, the City restated beginning balances to reflect the requirements of GASB Statement No. 84 and to restate the investment in joint venture. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-17, 134-139, and 140-158 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fredericksburg, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section 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.

Other Matters: (Continued)

Supplementary and Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021 on our consideration of the City of Fredericksburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fredericksburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 10, 2021

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Management's Discussion and Analysis

As management of the City of Fredericksburg, Virginia (the "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, 2021. 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 i-viii of this report.

Financial Highlights

- Total net position for governmental activities was \$119,690,024 at the end of fiscal year 2021. This figure is based on assets and deferred outflows of resources totaling \$268,180,839 and liabilities and deferred inflows of resources of \$148,490,815.
- Total net position for business-type activities was \$81,512,871 at the end of fiscal year 2021. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at \$28,344,638; \$26,413,277; and \$21,755,818, respectively.
- Total net position for the primary government was \$201,202,895 at the end of fiscal year 2021. Current assets were \$112,585,313 as compared to total current and other liabilities of \$30,163,124. The resulting net working capital of \$84,422,189 represents a favorable liquidity position for the City.
- The City has an established Financial Management Policy that specifies a targeted goal of maintaining an unassigned General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2021 unassigned General Fund balance was 18.03% of the fiscal year 2020 General Fund revenue total of \$94,894,154.
- General Fund revenues increased \$4,631,334, or 5.0%, as compared to the preceding fiscal year.
- General Fund expenditures decreased \$4,009,004 or 4.9% as compared to fiscal year 2020.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events 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).

Overview of the Financial Statements: (Continued)

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, public safety, highways and streets, sanitation, economic development and tourism, and culture and recreation. The business-type activities of the City include water, sewer, transit, and parking operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate school district and a legally separate Economic Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 *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 the 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 the 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 17 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 balance for the General Fund, COVID-19 Relief Fund, and the Public Works Capital Fund, which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 29-32 of this report.

Proprietary funds. The City maintains two types of proprietary funds: enterprise and internal service. *Enterprise funds* are used to report the functions presented as *business-type activities* in government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, transit, and parking operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its

Overview of the Financial Statements: (Continued)

healthcare activities. These services have been included within *governmental activities* in the government-wide financial statements as they predominantly benefit governmental rather than business-type activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The proprietary fund financial statements provide separate information for the water, wastewater, transit, parking, and health insurance activities.

The proprietary funds' financial statements can be found on pages 33-35 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 statement 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 pages 36 and 37 of this report.

Notes to the 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 the financial statements can be found on pages 41-131 of this report.

Government-wide Financial Analysis

Statement of Net Position:

Under GASB 34, governmental entities are required to report on their net position. The Statement of Net Position presents the value of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of changes in 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 \$201,202,895 at the close of fiscal year 2021.

A large portion of the City's net position, \$153,400,479, or 76.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire these assets. 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 its 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 are generally not sold or otherwise disposed of during their useful lives. The \$47,802,146 balance of *unrestricted net position* is a combination of both governmental activities and business-type activities and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in total net position in both the governmental and business-type activities.

Government-wide Financial Analysis: (Continued)

Statement of Net Position: (Continued)

The following table presents the condensed Statement of Net Position:

TABLE 1
Summary of Net Position
As of June 30, 2021
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 21	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21	FY 20
Assets:								
Current and other assets	\$ 79.72	\$ 68.73	\$ 40.65	\$ 37.50	\$ 120.37	\$ 106.23	\$ 14.49	\$ 10.97
Capital assets	178.78	183.63	71.08	72.00	249.86	255.63	29.50	28.60
Total assets	\$ 258.50	\$ 252.36	\$ 111.73	\$ 109.50	\$ 370.23	\$ 361.86	\$ 43.99	\$ 39.57
Deferred Outflow of Resources:								
Pension related items	\$ 7.90	\$ 6.74	\$ 0.89	\$ 0.76	\$ 8.79	\$ 7.50	\$ 10.03	\$ 7.80
OPEB related items	1.64	2.03	0.09	0.10	1.73	2.13	2.13	1.33
Deferred charge on refunding	0.14	0.17	0.30	0.36	0.44	0.53	-	-
Total Deferred Outflows of Resources	\$ 9.68	\$ 8.94	\$ 1.28	\$ 1.22	\$ 10.96	\$ 10.16	\$ 12.16	\$ 9.13
Liabilities:								
Current and other liabilities	\$ 14.26	\$ 12.00	\$ 6.35	\$ 4.19	\$ 20.61	\$ 16.19	\$ 4.08	\$ 2.44
Long-term liabilities	130.32	130.85	24.93	26.39	155.25	157.24	55.88	52.07
Total Liabilities	\$ 144.58	\$ 142.85	\$ 31.28	\$ 30.58	\$ 175.86	\$ 173.43	\$ 59.96	\$ 54.51
Deferred Inflows of Resources:								
Unavailable revenue - property taxes	\$ 1.17	\$ 0.52	\$ -	\$ -	\$ 1.17	\$ 0.52	\$ -	\$ -
Deferred gain on refunding	0.26	0.27	-	-	0.26	0.27	-	-
Pension related items	0.72	1.04	0.15	0.20	0.87	1.24	3.30	3.92
OPEB related items	1.76	2.04	0.07	0.09	1.83	2.12	0.86	0.38
Total Deferred Inflows of Resources	\$ 3.91	\$ 3.87	\$ 0.22	\$ 0.29	\$ 4.13	\$ 4.16	\$ 4.16	\$ 4.30
Net position:								
Net invested in capital assets	\$ 102.35	\$ 105.90	\$ 51.05	\$ 50.39	\$ 153.40	\$ 156.29	\$ 27.47	\$ 26.31
Net Pension Asset							0.15	
Unrestricted	17.34	8.68	30.46	29.47	47.80	38.15	(35.58)	(36.40)
Total net position	\$ 119.69	\$ 114.58	\$ 81.51	\$ 79.86	\$ 201.20	\$ 194.44	\$ (7.96)	\$ (10.09)

(1) Includes both the School Board and the Economic Development Authority (EDA).

Changes in Net Position:

Governmental Activities

Governmental activities net position experienced an increase of \$4,110,515. Governmental activities revenues were impacted from the relaxation of restrictions related to the COVID-19 pandemic. The largest source of impact was other local taxes that include: meals tax, lodging tax, admissions tax, and business license tax. General property taxes had continued strong performance in fiscal year 2021. Revenues from general property taxes rose \$2,277,446 in response to growth in the City's tax base and continued high collection rates.

A decrease in the charges for services was mainly due to decreases in revenue for Public Safety related to EMS service fees. This decrease was partially offset by an increase in Operating Grants and Contributions. Parks, Recreation and Cultural saw a slight rise in Charges for Services from last year's COVID impacted

Government-wide Financial Analysis: (Continued)

figures. Though these figures are not pre-pandemic level, we believe the ease of restrictions also assisted in this change.

Total governmental activities expenses experienced an increase of \$46,306 to a total expense amount of \$108,773,141. Of this amount, \$22,395,887, or 20.6%, was offset with program revenues consisting of \$3,708,128 in charges for services and \$17,877,117 for grants and contributions. The remaining funding for the City's expenses came from general property taxes, other local taxes, interest and investment earnings, and unrestricted grants from the state.

Education continues to be the City's largest program, with education expenses representing 28.9% of the total expenses for governmental activities in fiscal year 2021. The amount transferred from the City for School Board operations and capital improvements, to include joint tenancy asset transfers, totaled \$30,500,285.

Business-type Activities

The positive growth in net position in the Water Fund of \$92,961 and Sewer Fund of \$1,934,813 represent the most notable changes to the City's enterprise operations. During fiscal year 2021 there were several projects in the works that include installation of sewer lines increasing the construction in progress account in the Sewer Fund.

The revenues from availability and connection fees were \$583,319 in the Water Fund and \$902,450 in the Sewer Fund. This revenue helps to address the funding needed to replace aging water and sewer treatment and transmission facilities.

A rate study was conducted that provided recommendations on water and sewer rates over the next several years. The fiscal year 2021 budget did not include an increase in water and sewer rates due to fears of the impacts of the pandemic. Future rate increases anticipated as a result of the study to assist with funding that will be needed for increasing operational costs as well as for significant capital projects planned for the future.

Component Units

The School Board's net position increased \$1,990,729 for fiscal year 2021. Virginia Code §15.2-1800.1 states that local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation. Over time, as principal payments are made, the local government's share of a capital asset is reduced and the school board's portion is increased. The City has a tenancy in common relationship with the School Board for the construction of two schools and the renovation of a school/administration building. Accordingly, each year the City records an asset transfer to the School Board equal to the principal payments made on the debt issued to acquire those assets, less any accumulated depreciation. In fiscal year 2021 the City's asset transfer to the School Board was \$2,500,000.

The overall deficit net position of \$9,347,442 is related to the School Board's net pension liability totaling \$40,665,858 and net OPEB liability of \$12,063,327.

The net position of the Economic Development Authority decreased \$327,142 as economic development grants and other expenses outpaced interest revenue, bond issuance fees, and transfers from the City.

Component Units: (Continued)

The following table shows the revenues and expenses of the governmental activities, the business-type activities, and the component units:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 21	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21	FY 20
Revenues:								
Program Revenues:								
Charges for services	\$ 3.71	\$ 4.11	\$ 9.85	\$ 10.04	\$ 13.56	\$ 14.15	\$ 0.37	\$ 0.38
Operating grants and contributions	17.88	13.28	5.26	5.31	23.14	18.59	25.78	21.23
Capital grants and contributions	0.81	0.50	0.18	1.33	0.99	1.83	-	-
General Revenues:								
Property taxes	46.41	44.46	-	-	46.41	44.46	-	-
Other local taxes	38.67	35.43	0.55	0.78	39.22	36.21	-	-
Grants and contributions not restricted	3.36	3.75	-	-	3.36	3.75	30.58	32.70
Use of property	0.20	0.12	-	-	0.20	0.12	-	-
Investment earnings	0.18	1.95	0.03	0.36	0.21	2.31	-	0.02
Miscellaneous	1.04	0.66	0.54	0.58	1.58	1.24	0.52	0.46
Total Revenues	\$ 112.26	\$ 104.26	\$ 16.41	\$ 18.40	\$ 128.67	\$ 122.66	\$ 57.25	\$ 54.80
Expenses:								
General government	\$ 9.74	\$ 8.93	\$ -	\$ -	\$ 9.74	\$ 8.93	\$ -	\$ -
Judicial administration	6.39	6.37	-	-	6.39	6.37	-	-
Public safety	25.68	25.42	-	-	25.68	25.42	-	-
Public works	13.36	13.50	-	-	13.36	13.50	-	-
Health and welfare	9.75	9.68	-	-	9.75	9.68	-	-
Education	31.47	33.03	-	-	31.47	33.03	54.83	53.55
Parks, recreation, and cultural	5.05	5.28	-	-	5.05	5.28	-	-
Community development	4.71	3.47	-	-	4.71	3.47	0.76	0.51
Interest	2.63	3.05	-	-	2.63	3.05	-	0.05
Water	-	-	4.01	3.71	4.01	3.71	-	-
Sewer	-	-	4.89	5.09	4.89	5.09	-	-
Transit	-	-	4.83	5.20	4.83	5.20	-	-
Parking	-	-	0.40	0.43	0.40	0.43	-	-
Total Expenses	\$ 108.78	\$ 108.73	\$ 14.13	\$ 14.42	\$ 122.91	\$ 123.15	\$ 55.59	\$ 54.11
Excess (deficiency) of revenues over expenses before transfers	\$ 3.48	\$ (4.47)	\$ 2.28	\$ 3.98	\$ 5.76	\$ (0.49)	\$ 1.66	\$ 0.69
Transfers	0.63	0.64	(0.63)	(0.64)		-	-	-
Change in net position	\$ 4.11	\$ (3.83)	\$ 1.65	\$ 3.34	\$ 5.76	\$ (0.49)	\$ 1.66	\$ 0.69
Net Position, beginning of year, as restated	115.58	118.41	79.86	76.52	195.44	194.93	(9.62)	(10.78)
Net Position, end of year	\$ 119.69	\$ 114.58	\$ 81.51	\$ 79.86	\$ 201.20	\$ 194.44	\$ (7.96)	\$ (10.09)

Includes both the School Board and the Economic Development Authority (EDA).

Financial Analysis of the City's Governmental Funds

The City's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

Financial Analysis of the City's Governmental Funds: (Continued)

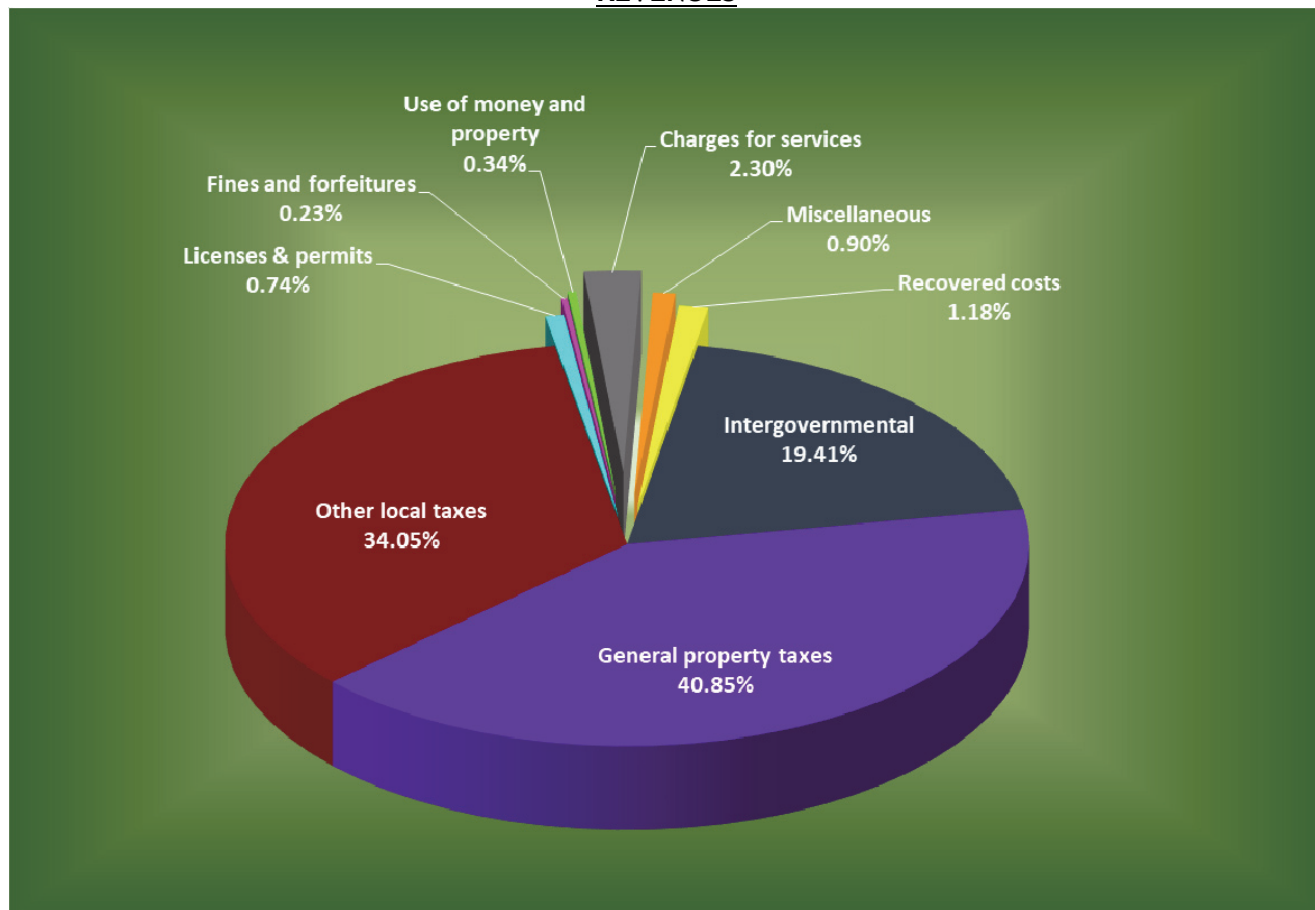
Revenues:

A summary of the general revenue sources for the governmental funds for fiscal years 2021 and 2020 is presented below:

TABLE 3
Governmental Funds - Revenues

	FY 2021	FY 2020	Percentage of Total Revenues FY 2021	Increase (Decrease) from FY 2020
General property taxes	\$ 46,389,239	\$ 44,111,793	40.86%	\$ 2,277,446
Other local taxes	38,665,411	35,423,281	34.05%	3,242,130
Licenses and permits	836,452	1,063,717	0.74%	(227,265)
Fines and forfeitures	260,986	473,741	0.23%	(212,755)
Use of money and property	385,329	2,072,245	0.34%	(1,686,916)
Charges for services	2,610,690	2,576,638	2.30%	34,052
Miscellaneous	1,027,644	582,125	0.90%	445,519
Recovered costs	1,341,410	1,379,306	1.18%	(37,896)
Intergovernmental	22,043,671	17,529,031	19.41%	4,514,640
Totals	\$ 113,560,832	\$ 105,211,877	100.00%	\$ 8,348,955

**FY2021 GOVERNMENTAL FUNDS -
REVENUES**



Financial Analysis of the City's Governmental Funds: (Continued)

Revenues: (Continued)

The City's total revenues in the governmental funds were \$113,560,832 in fiscal year 2021, an increase of \$8,348,955, or 7.9%, compared to fiscal year 2020. Much of the increase can be attributed to other local taxes, which increased by \$3,242,130 during the fiscal year. This is due to local taxes that include meals and lodging taxes increasing due to the relaxing of COVID-19 pandemic restrictions. The City's real estate tax impacting the General Fund increased to \$34,275,334, which was \$774,951 more than the prior year total. Included within that total are real estate collections for prior tax years. Real estate tax revenue accounted for 35.9% of General Fund revenue for fiscal year 2021.

For fiscal years 2018 and 2019, \$0.01 of the tax rate of \$0.80 per \$100 valuation was been dedicated for operating and capital costs of the Stormwater Management Fund, which is a special revenue fund. In fiscal year 2020, this amount increased to \$0.02 of the tax rate of \$0.85 per \$100 valuation. The fiscal year 2020 rate continued for the first half of fiscal year 2021, with a mid-year assessment moving the tax rate back to \$0.80 but maintaining the \$0.02 Stormwater Management portion. The additional revenue will enhance the City's ability to manage stormwater runoff. Real estate revenue allocated to that fund totaled \$846,140 during the fiscal year.

Revenue from other local taxes increased by \$3,192,215 during the fiscal year. State restrictions that were put in place to help combat the COVID-19 spread were relaxed throughout the year, allowing these tax sources to outpace the prior fiscal year. Sales tax revenue saw a strong increase and the total for the fiscal year was \$13,842,064. Sales tax revenue accounted for 13.9% of total General Fund revenues for fiscal year 2021.

Meals tax revenue, which accounted for 11.1% of General Fund revenues for the current fiscal year, totaled \$11,199,108 along with business license and rental tax accounting for 7.4% of general fund revenues totaling \$7,082,682 for the fiscal year.

The following table reflects other local tax revenue for the General Fund for fiscal years 2021 and 2020:

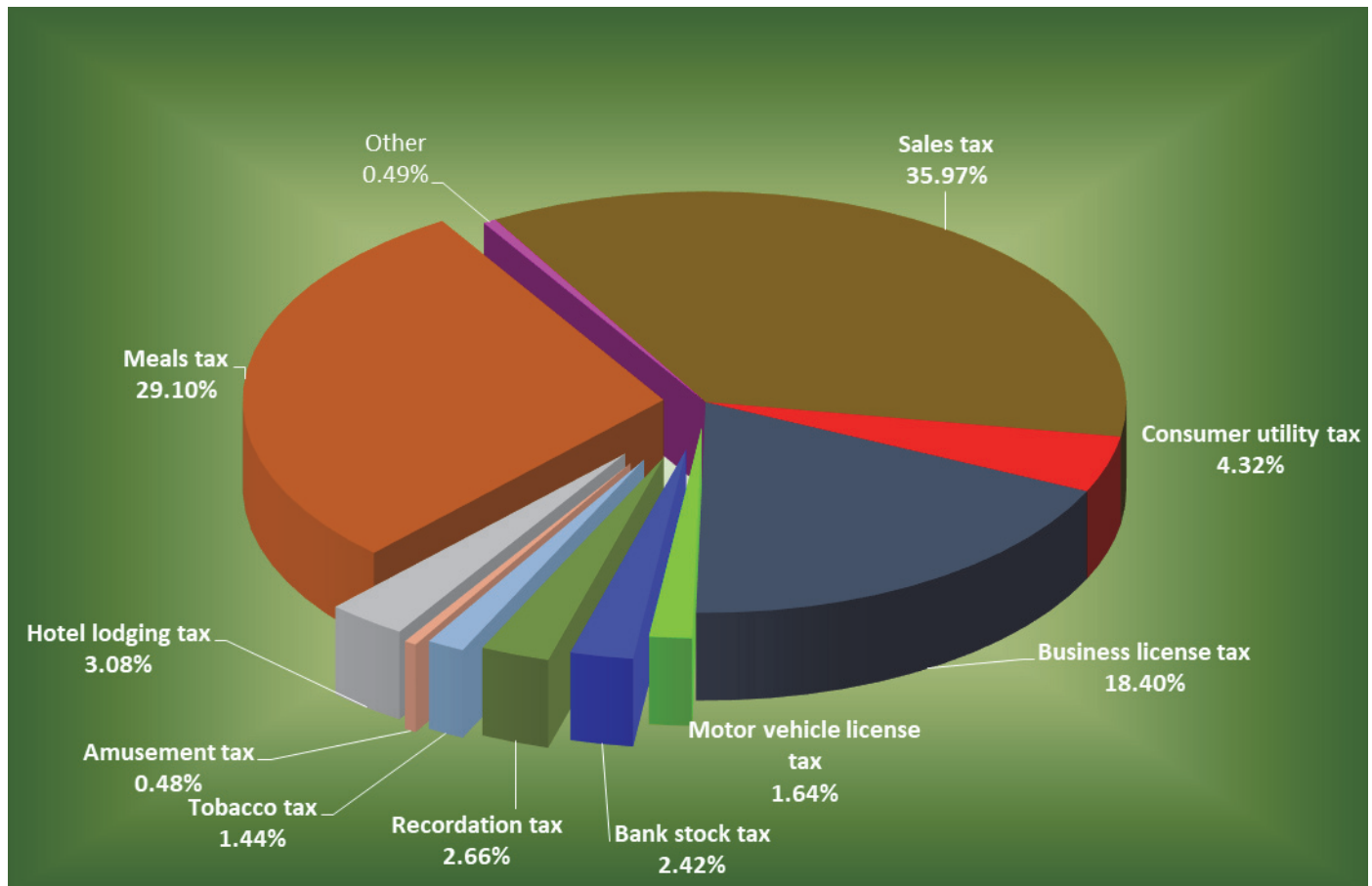
TABLE 4
Other Local Taxes - General Fund

	FY 2021	FY 2020	Percentage of Total Revenues FY 2021	Increase (Decrease) from FY 2020
Sales and use tax	\$ 13,842,064	\$ 11,986,572	35.96%	\$ 1,855,492
Consumer utility tax	1,663,159	1,810,370	4.32%	(147,211)
Business license tax	7,082,682	6,948,708	18.40%	133,974
Motor vehicle license tax	632,091	283,765	1.64%	348,326
Bank stock tax	929,913	723,129	2.42%	206,784
Recordation tax	1,024,161	585,624	2.66%	438,537
Tobacco tax	553,580	818,215	1.44%	(264,635)
Amusement tax	183,476	423,547	0.48%	(240,071)
Hotel lodging tax	1,183,455	1,181,901	3.08%	1,554
Meals tax	11,199,108	10,415,720	29.10%	783,388
Other	189,874	113,797	0.49%	76,077
Totals	\$ 38,483,563	\$ 35,291,348	100.00%	\$ 3,192,215

Financial Analysis of the City's Governmental Funds: (Continued)

Revenues: (Continued)

FY2021 OTHER LOCAL TAXES - GENERAL FUND



Expenditures:

The expenditures of governmental funds in fiscal year 2021 totaled \$107,361,672 which is in line with the totals from the previous year. The most significant changes occurred in education, capital projects, and debt service. Education expenditures decreased \$1,524,944 with the majority of that decrease occurring in the General Fund. Capital project expenditures decreased by \$1,460,495 with the largest majority being in the Public Facilities Capital Fund. These decreases were due to a reduction of projects budgeted to adequately prepare for the possible impacts of the COVID-19 pandemic on revenue sources. The Public Facilities Capital Fund saw decreased expenditures in the amount of \$1,256,480.

Increases to governmental expenditures occurred in general and financial administration, public safety, public works, and community development from fiscal year 2020 to fiscal year 2021. Public Safety saw minimal increased expenditures due to use of CARES Act funds for qualifying expenditures. Parks, recreation and cultural saw a decrease in expenditures from fiscal year 2020 to 2021.

Financial Analysis of the City's Governmental Funds: (Continued)

Expenditures: (Continued)

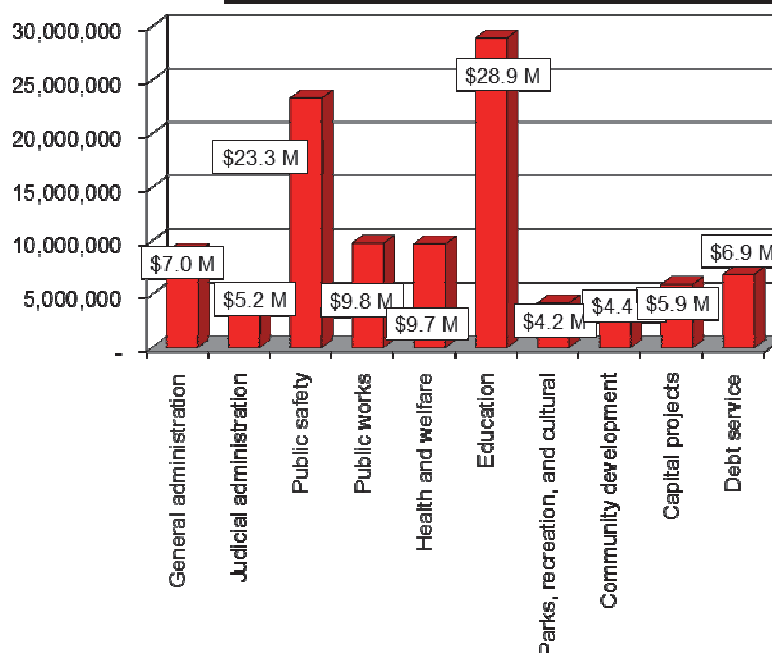
Expenditures in the Special Revenue Fund for Public Safety saw slight decreases due to less grant funding received compared to the prior year. The Children's Services Act Fund (CSA), expenditures remained steady in comparison from the previous fiscal year. Both the total premiums and the City share of health insurance premiums decreased in fiscal year 2021. Expenditures to the Virginia Retirement System saw a slight increase during the year as the City's required contribution percentage rose in fiscal year 2021.

Debt Service expenditures saw a decrease in fiscal year 2021 due to the refunding of the 2010 series issuance. The initial principal payments for the refunded debt will not begin until fiscal year 2022.

TABLE 5
Governmental Funds - Expenditures

	FY 2021	FY 2020	Percentage of Total Expenditures FY 2021	Increase (Decrease) from 2020
General administration	\$ 8,989,502	\$ 8,025,669	8.37%	\$ 963,833
Judicial administration	5,186,289	5,088,552	4.83%	97,737
Public safety	23,339,013	23,290,931	21.74%	48,082
Public works	9,770,892	9,579,697	9.10%	191,195
Health and welfare	9,732,153	9,720,362	9.06%	11,791
Education	28,933,557	30,458,501	26.95%	(1,524,944)
Parks, recreation, and cultural	4,210,394	4,347,256	3.92%	(136,862)
Community development	4,413,373	3,167,415	4.11%	1,245,958
Capital projects	5,931,715	7,392,210	5.52%	(1,460,495)
Debt service	6,854,784	9,371,063	6.38%	(2,516,279)
Totals	\$ 107,361,672	\$ 110,441,656	100.00%	\$ (3,079,984)

FY 2021 GOVERNMENTAL FUNDS - EXPENDITURES



General Fund Budgetary Highlights

Over the course of fiscal year 2021, the City Council amended the City budget. These budget changes included various budget adjustments for:

- Amendments and appropriations approved after the beginning of the year to reflect prior year encumbrances that must be re-authorized for expenditure in the new budget year.
- Increases in appropriations for budget items occurring during the year that were not part of the original budget.

For fiscal year 2021, total final General Fund budgeted expenditures and revenues increased by \$3,101,626 from the original adopted budget. City Council adopted the original budget but only appropriated seventy-five percent of the budget. These funds were held back from the original appropriation due to the uncertainties of the financial impact of the COVID-19 pandemic. City Council appropriated these funds in January, 2021 after monitoring and analysis of financial landscape.

Actual General Fund expenditures were \$78,547,946 compared to the final budgeted expenditures totaling \$83,572,729. The City reduced expenditures to offset potential reduction in revenue due to the impacts of the COVID-19 pandemic. This resulted in a favorable budget variance of \$5,024,783. General Government Administration, Public Safety and Public Works experienced the most significant favorable variance of \$718,892, \$2,263,117 and \$1,016,184, respectively.

Actual General Fund revenues were \$98,054,052 compared to the final budgeted revenues totaling \$91,703,877. This resulted in a budget variance of \$6,350,175. The largest source of budget variance was local taxes. This is mainly due to the categories of meals tax and sales tax. This revenue source was largely impacted by the effects of relaxed restrictions related to the COVID-19 pandemic.

The General Fund budget for fiscal year 2021 included a use of fund balance totaling \$4,104,416. During FY21, due to increased revenue and reduced expenditures, the City was able to increase its fund balance. A portion of these funds were committed to help offset costs of future capital projects. CARES Act funds also assisted with easing unexpected and large pandemic expenditures.

Capital Asset and Debt Administration

Capital Assets. The following is a table that summarizes the City's change in governmental Capital Assets:

TABLE 6
Change in Capital Assets
City Governmental Funds

	Balance June 30, 2020	Net Additions/ Deletions	Balance June 30, 2021
Capital assets not being depreciated:			
Land	\$ 26,406,725	\$ (33,600)	\$ 26,373,125
Construction in progress	4,686,937	2,047,376	6,734,312
Other capital assets:			
Land improvements	21,398,582	-	21,398,582
Buildings and building improvements	64,334,226	55,544	64,389,770
Joint tenancy assets	36,760,000	(2,500,000)	34,260,000
Machinery, equipment, and vehicles	28,860,890	1,992,921	30,853,811
Infrastructure	104,734,705	1,411,849	106,146,554
Accumulated depreciation	(103,611,253)	(7,763,934)	(111,375,187)
Totals	\$ 183,570,812	\$ (4,789,844)	\$ 178,780,967

Capital Asset and Debt Administration: (Continued)

The net decrease in capital assets during the fiscal year was \$4,789,844, mainly due to depreciation. Other increases to capital assets include \$1,411,849 for infrastructure improvements, and \$1,992,921 for furniture, equipment and vehicle purchases.

Additional information regarding capital assets is presented in the Notes to Financial Statements section of this report (Note 8).

Long-term Debt

The City is authorized to issue general obligation bonds to finance general capital improvement projects. These bonds are secured by a pledge of the City's full faith and credit. The City is currently rated AA+ by Fitch Investors Services, Aa2 by Moody's Investors Services and AA by Standard and Poor's Investor Services.

Governmental activities general obligation debt totaled \$74,469,700 at the end of the fiscal year. This debt includes projects such as the construction of two new schools, building renovation, and construction and renovation of court facilities, and construction of new parks. Business-type activities general obligation debt total outstanding balance is \$22,491,274.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2021, the City's outstanding long-term indebtedness amount totaled \$96,067,449. After an adjustment to reflect the reserve of \$1,862,449 for future debt service payments and \$780,000 of revenue bonded debt, the remaining net debt applicable to the debt limit of \$93,425,000 is below the policy debt limit of \$291,946,078.

During fiscal year 2021, the City completed the refunding of their Series 2010 A, B, and C bonds. The City will begin to make regular principal payments in fiscal year 2022.

The table below reflects a summary of the City's long-term debt outstanding for fiscal years 2021 and 2020:

TABLE 7
Long-Term Debt
As of June 30, 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
General obligation bonds	\$ 40,209,700	\$ 41,388,726	\$ 20,817,749	\$ 22,491,274	\$ 61,027,449	\$ 63,880,000
General obligation school bonds	34,260,000	36,760,000	-	-	34,260,000	36,760,000
Revenue bonds	780,000	1,015,000	-	-	780,000	1,015,000
Total long-term debt	\$ 75,249,700	\$ 79,163,726	\$ 20,817,749	\$ 22,491,274	\$ 96,067,449	\$ 101,655,000

Additional information regarding long-term debt is presented in the Notes to Financial Statements section of this report (Note 10).

Economic Factors and Next Year's Budget

The City government continues to maintain a stable financial condition as reflected by the financial statements and schedules in this report. Through fiscally responsible budget oversight, cost containment monitoring, and a stable economic base, the City continues to expand services to its citizens while maintaining appropriate General Fund reserves. The City's strategic location at the center of one of the fastest-growing regions in the Commonwealth, coupled with its established and expanding commercial centers, has provided the City stable economic traction moving forward. Fiscal year 2021 was not impacted as greatly as initially anticipated by the global pandemic. This was due to the City's proactive measures put in place to avoid large deficits due to potential reductions in revenue.

The City is setting the standard in the region for innovative, upscale and mixed-use development. These developments produce significantly higher property values and support the vitality of the downtown business climate. Downtown Fredericksburg has been transformed into a walkable, mixed-use environment that is attractive to residents, tourists and daytime workers alike. Many revitalization projects have been completed in recent years with several more projects in the pipeline.

The fiscal year 2022 budget represents a responsible spending plan which advances City Council's Vision and Priorities, strengthens public safety, and supports the City's workforce, all while meeting the needs of a growing community.

The fiscal year 2022 adopted budget includes expenditures of \$103,916,388, a 10.2% increase over the fiscal year 2021 original adopted budget. The fiscal year 2022 budget is significantly higher than the adopted fiscal year 2021 budget due to the brighter economic outlook provided after the height of the COVID-19 pandemic.

The revenue budget for fiscal year 2022 also reflect increases in revenue sources that have been the most impacted by the effects of COVID-19. One of the largest sources being meals tax. This budget was projected to be significantly higher for fiscal year 2021, bringing the totals closer to their historical values while remaining cautious about possible changes in the economic landscape. Other impacted revenues include: lodging taxes, amusement taxes, business license tax, and sales tax. Real estate tax revenue is budgeted to increase by a budgeted amount of \$35,420,000 for current tax collections. Personal property tax revenue is budgeted at a slightly higher budget in the amount of \$9,400,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Fredericksburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, P.O. Box 7447, Fredericksburg, Virginia, 22404 or visit our website at www.fredericksburgva.gov.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2021

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 63,151,731	\$ 36,182,079	\$ 99,333,810	\$ 10,152,185	\$ 1,209,478
Receivables, net of allowance for uncollectibles	3,812,346	2,323,111	6,135,457	14,464	71,802
Due from other governments	4,506,529	1,212,209	5,718,738	2,137,721	6,944
Inventory, at cost	24,801	184,540	209,341	-	-
Prepaid items	153,339	39,769	193,108	622,566	-
Due from component unit	260,000	-	260,000	-	-
Investment in joint venture	7,812,473	-	7,812,473	-	-
Loans receivable	-	-	-	-	122,742
Net pension asset	-	-	-	153,370	-
Restricted:					
Cash and cash equivalents	-	714,859	714,859	-	-
Capital assets:					
Land, construction in progress and other	33,107,437	4,109,525	37,216,962	803,053	-
Other capital assets, net of accumulated depreciation	145,673,530	66,967,648	212,641,178	28,694,198	-
Capital assets, net	\$ 178,780,967	\$ 71,077,173	\$ 249,858,140	\$ 29,497,251	\$ -
Total assets	\$ 258,502,186	\$ 111,733,740	\$ 370,235,926	\$ 42,577,557	\$ 1,410,966
Deferred Outflows of Resources:					
Pension related items	\$ 7,895,295	\$ 885,247	\$ 8,780,542	\$ 10,034,201	\$ -
OPEB related items	1,642,541	87,691	1,730,232	2,133,715	-
Deferred charge on refunding	140,817	307,775	448,592	-	-
Total deferred outflows of resources	\$ 9,678,653	\$ 1,280,713	\$ 10,959,366	\$ 12,167,916	\$ -
Liabilities:					
Accounts payable	\$ 1,899,446	\$ 3,486,591	\$ 5,386,037	\$ 1,377,466	\$ 21,482
Accrued liabilities	4,380,613	380,167	4,760,780	2,416,923	-
Unearned revenue	6,136,393	1,770,319	7,906,712	-	-
Claims payable	523,356	-	523,356	-	-
Amounts held for others	1,319,965	-	1,319,965	-	-
Due to primary government	-	-	-	260,000	-
Liabilities payable from restricted assets	-	714,859	714,859	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	2,514,760	222,648	2,737,408	586,655	-
Revenue bonds	245,000	-	245,000	-	-
General obligation bonds	4,525,392	1,801,742	6,327,134	-	-
Accrued landfill post-closure costs	90,000	-	90,000	-	-
Capital lease	151,873	-	151,873	272,000	-
Due in more than one year:					
Compensated absences	1,541,305	133,366	1,674,671	541,528	-
Net OPEB liability	16,003,418	716,920	16,720,338	12,063,327	-
Revenue bonds	535,000	-	535,000	-	-
General obligation bonds	75,354,103	19,274,543	94,628,646	-	-
Capital lease	308,007	-	308,007	1,753,000	-
Net pension liability	27,728,843	2,781,626	30,510,469	40,665,858	-
Accrued landfill post-closure costs	1,326,981	-	1,326,981	-	-
Total liabilities	\$ 144,584,455	\$ 31,282,781	\$ 175,867,236	\$ 59,936,757	\$ 21,482
Deferred Inflows of Resources:					
Deferred revenue - property taxes	\$ 1,168,611	\$ -	\$ 1,168,611	\$ -	\$ -
Deferred gain on refunding	255,216	-	255,216	-	-
Pension related items	725,356	148,509	873,865	3,298,045	-
OPEB related items	1,757,177	70,292	1,827,469	858,113	-
Total deferred inflows of resources	\$ 3,906,360	\$ 218,801	\$ 4,125,161	\$ 4,156,158	\$ -
Net Position:					
Net investment in capital assets	\$ 102,350,630	\$ 51,050,119	\$ 153,400,749	\$ 27,472,251	\$ -
Restricted:					
Net pension asset	-	-	-	153,370	-
Unrestricted	17,339,394	30,462,752	47,802,146	(36,973,063)	1,389,484
Total net position	\$ 119,690,024	\$ 81,512,871	\$ 201,202,895	\$ (9,347,442)	\$ 1,389,484

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 9,733,301	\$ 111,040	\$ 1,177,226	\$ -
Judicial administration	6,393,909	114,866	1,017,856	-
Public safety	25,683,080	1,850,688	4,724,016	49,016
Public works	13,359,399	1,189,612	3,580,231	399,246
Health and welfare	9,749,342	-	6,804,811	-
Education	31,472,243	-	-	-
Parks, recreation and cultural	5,044,351	282,911	21,982	-
Community development	4,708,131	159,011	550,995	362,380
Interest on long-term debt	2,629,385	-	-	-
Total governmental activities	\$ 108,773,141	\$ 3,708,128	\$ 17,877,117	\$ 810,642
Business-type activities				
Water	\$ 4,007,845	\$ 3,548,785	\$ 600,689	\$ -
Sewer	4,889,931	6,051,806	947,085	50,220
Transit	4,832,837	136,666	3,709,661	127,655
Parking	404,398	120,401	-	-
Total business-type activities	\$ 14,135,011	\$ 9,857,658	\$ 5,257,435	\$ 177,875
Total Primary Government	\$ 122,908,152	\$ 13,565,786	\$ 23,134,552	\$ 988,517
Component Units				
Fredericksburg City Public Schools	\$ 54,828,971	\$ 71,354	\$ 25,741,617	\$ -
Fredericksburg Economic Development Authority	758,099	296,850	43,242	-
Total Component Units	\$ 55,587,070	\$ 368,204	\$ 25,784,859	\$ -
General Revenues				
Taxes:				
General property taxes, real and personal				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Hotel/lodging taxes				
Meals taxes				
Other local taxes				
Payment from City of Fredericksburg:				
Education				
Grants and contributions not restricted to specific programs				
Use of property				
Interest and investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (8,445,035)	\$ -	\$ (8,445,035)	\$ -	
(5,261,187)	-	(5,261,187)	-	
(19,059,360)	-	(19,059,360)	-	
(8,190,310)	-	(8,190,310)	-	
(2,944,531)	-	(2,944,531)	-	
(31,472,243)	-	(31,472,243)	-	
(4,739,458)	-	(4,739,458)	-	
(3,635,745)	-	(3,635,745)	-	
(2,629,385)	-	(2,629,385)	-	
<u>\$ (86,377,254)</u>	<u>\$ -</u>	<u>\$ (86,377,254)</u>	<u>\$ -</u>	
\$ -	\$ 141,629	\$ 141,629	\$ -	
-	2,159,180	2,159,180	-	
-	(858,855)	(858,855)	-	
-	(283,997)	(283,997)	-	
<u>\$ -</u>	<u>\$ 1,157,957</u>	<u>\$ 1,157,957</u>	<u>\$ -</u>	
<u>\$ (86,377,254)</u>	<u>\$ 1,157,957</u>	<u>\$ (85,219,297)</u>	<u>\$ -</u>	
			\$ (29,016,000)	
			(418,007)	
			<u>\$ (29,434,007)</u>	
\$ 46,412,095	\$ -	\$ 46,412,095	\$ -	
13,842,064	-	13,842,064	-	
1,663,159	-	1,663,159	-	
7,082,682	-	7,082,682	-	
1,183,455	-	1,183,455	-	
11,199,108	-	11,199,108	-	
3,694,943	552,918	4,247,861	-	
-	-	-	30,584,176	
3,355,912	-	3,355,912	-	
202,974	-	202,974	-	
182,355	29,292	211,647	3,740	
1,039,022	539,437	1,578,459	509,678	
630,000	(630,000)	-	-	
<u>\$ 90,487,769</u>	<u>\$ 491,647</u>	<u>\$ 90,979,416</u>	<u>\$ 31,097,594</u>	
\$ 4,110,515	\$ 1,649,604	\$ 5,760,119	\$ 1,663,587	
115,579,509	79,863,267	195,442,776	(9,621,545)	
<u>\$ 119,690,024</u>	<u>\$ 81,512,871</u>	<u>\$ 201,202,895</u>	<u>\$ (7,957,958)</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2021

	General	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 34,529,055	\$ 7,000,437	\$ 5,346,083	\$ 14,534,888	\$ 61,410,463
Receivables (net of allowances for uncollectibles):					
Property taxes	1,349,840	-	-	24,580	1,374,420
Accounts	292,328	-	-	-	292,328
Accrued revenue	1,997,960	34,180	-	113,458	2,145,598
Inventory, at cost	24,801	-	-	-	24,801
Prepaid items	148,677	-	-	4,662	153,339
Due from other governments	3,429,289	-	69,787	1,007,453	4,506,529
Due from component unit	-	260,000	-	-	260,000
Total assets	<u>\$ 41,771,950</u>	<u>\$ 7,294,617</u>	<u>\$ 5,415,870</u>	<u>\$ 15,685,041</u>	<u>\$ 70,167,478</u>
Liabilities:					
Accounts payable	\$ 812,434	\$ 362,132	\$ 15,079	\$ 709,801	\$ 1,899,446
Accrued liabilities	2,726,710	156,905	-	244,718	3,128,333
Amounts held for others	1,319,965	-	-	-	1,319,965
Unearned revenue	77,639	636,880	5,391,374	30,500	6,136,393
Total liabilities	<u>\$ 4,936,748</u>	<u>\$ 1,155,917</u>	<u>\$ 5,406,453</u>	<u>\$ 985,019</u>	<u>\$ 12,484,137</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	<u>\$ 1,903,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,363</u>	<u>\$ 1,922,242</u>
Fund Balances:					
Nonspendable	\$ 173,478	\$ -	\$ -	\$ 4,662	\$ 178,140
Restricted	-	-	-	95,250	95,250
Committed	13,957,175	542,283	9,417	7,085,910	21,594,785
Assigned	3,691,004	5,596,417	-	7,495,837	16,783,258
Unassigned	17,109,666	-	-	-	17,109,666
Total fund balances	<u>\$ 34,931,323</u>	<u>\$ 6,138,700</u>	<u>\$ 9,417</u>	<u>\$ 14,681,659</u>	<u>\$ 55,761,099</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,771,950</u>	<u>\$ 7,294,617</u>	<u>\$ 5,415,870</u>	<u>\$ 15,685,041</u>	<u>\$ 70,167,478</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2021

Total fund balances for governmental funds (Exhibit 3)	\$	55,761,099
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	26,373,125	
Construction in progress		6,734,312	
Land improvements, net of accumulated depreciation		15,020,076	
Buildings and improvements, net of accumulated depreciation		40,784,989	
Joint tenancy assets, net of accumulated depreciation		26,953,354	
Infrastructure, net of accumulated depreciation		49,995,719	
Machinery, vehicles, and equipment, net of accumulated depreciation		<u>12,919,392</u>	
 Total capital assets			 178,780,967

Internal service funds are used by the City to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		1,217,912
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Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Investment in joint venture		7,812,473
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Deferred charge on refunding	\$	140,817	
Pension related items		7,895,295	
OPEB related items		<u>1,642,541</u>	9,678,653

Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures and, therefore, are reported as deferred revenue in the funds.		753,631
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Accrued interest on debt	\$	(1,252,280)	
Bonds and notes payable		(75,709,589)	
Premium on long-term debt, net of accumulated amortization		(5,409,786)	
Net pension liability		(27,728,843)	
Net OPEB liability		(16,003,418)	
Landfill post-closure costs		<u>(1,416,981)</u>	(127,520,897)

Compensated absences not reported as fund liabilities		(4,056,065)
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Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(725,356)	
Deferred gain on refunding		(255,216)	
OPEB related items		<u>(1,757,177)</u>	<u>(2,737,749)</u>

Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>119,690,024</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2021

	General Fund	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 45,496,737	\$ -	\$ -	\$ 892,502	\$ 46,389,239
Other local taxes	38,483,563	50,000	-	131,848	38,665,411
Permits, privilege fees and regulatory licenses	792,342	-	-	44,110	836,452
Fines and forfeitures	259,516	-	-	1,470	260,986
Use of money and property	98,285	38,014	82	248,948	385,329
Charges for services	2,571,495	-	-	39,195	2,610,690
Miscellaneous	249,985	-	-	777,659	1,027,644
Recovered costs	509,328	438,860	-	393,222	1,341,410
Intergovernmental:					
Revenue from the Commonwealth	9,487,926	397,121	-	3,814,160	13,699,207
Revenue from the Federal Government	104,875	-	4,967,704	3,271,885	8,344,464
Total revenues	\$ 98,054,052	\$ 923,995	\$ 4,967,786	\$ 9,614,999	\$ 113,560,832
Expenditures					
Current:					
General government administration	\$ 8,114,356	\$ -	\$ 875,146	\$ -	\$ 8,989,502
Judicial administration	4,950,917	-	741	234,631	5,186,289
Public safety	20,393,970	-	2,603,914	341,129	23,339,013
Public works	8,822,314	-	341,504	607,074	9,770,892
Health and welfare	1,077,417	-	442,522	8,212,214	9,732,153
Education - local community college and other	34,291	-	-	-	34,291
Education - public school system	28,899,266	-	-	-	28,899,266
Parks, recreation and cultural	4,129,370	-	12,682	68,342	4,210,394
Community development	2,126,045	-	681,860	1,605,468	4,413,373
Capital projects	-	4,243,311	-	1,688,404	5,931,715
Debt service:					
Principal payments	-	-	-	3,914,017	3,914,017
Interest and fiscal charges	-	-	-	2,940,767	2,940,767
Total expenditures	\$ 78,547,946	\$ 4,243,311	\$ 4,958,369	\$ 19,612,046	\$ 107,361,672
Excess (deficiency) of revenues over (under) expenditures	\$ 19,506,106	\$ (3,319,316)	\$ 9,417	\$ (9,997,047)	\$ 6,199,160
Other financing sources (uses)					
Issuance of capital lease	\$ -	\$ 455,380	\$ -	\$ 4,500	\$ 459,880
Proceeds from the sale of capital assets	11,378	-	-	-	11,378
Transfers in	630,000	2,826,693	-	10,515,059	13,971,752
Transfers out	(13,052,564)	-	-	(289,188)	(13,341,752)
Total other financing sources (uses)	\$ (12,411,186)	\$ 3,282,073	\$ -	\$ 10,230,371	\$ 1,101,258
Net change in fund balance	\$ 7,094,920	\$ (37,243)	\$ 9,417	\$ 233,324	\$ 7,300,418
Fund balances, beginning of year	27,836,403	6,175,943	-	14,448,335	48,460,681
Fund balances, end of year	\$ 34,931,323	\$ 6,138,700	\$ 9,417	\$ 14,681,659	\$ 55,761,099

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds (Exhibit 5) \$ 7,300,418

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.

Capital outlays	\$ 6,018,839	
Depreciation	(8,712,340)	(2,693,501)

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board (1,601,019)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (553,600)

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis. 22,856

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in joint venture investment 266,759

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
Capital lease	\$ (459,880)	
Amortization of premium on long-term debt	577,707	
Repayments of long-term debt:		
General obligation bonds	3,914,017	
Net adjustment		4,031,844

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$ 55,513	
OPEB expense	324,691	
Pension expense	(2,487,865)	
Accrued interest on bonds and loans	(253,748)	
Amortization of deferred charge/gain on refunding	(12,577)	
Accrued landfill post-closure costs	(16,803)	
Net adjustment		(2,390,789)

Internal service funds are used by the City to charge the cost of health insurance to individual funds. The net expense of the internal service fund is reported with governmental activities. (272,453)

Change in net position of governmental activities (Exhibit 2) \$ 4,110,515

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

Statement of Net Position
 Proprietary Funds
 At June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 12,053,004	\$ 11,773,591	\$ 12,005,687	\$ 349,797	\$ 36,182,079	\$ 1,741,268
Accounts receivable, net of allowance for uncollectibles	851,654	1,421,009	-	-	2,272,663	-
Accrued revenue	9,545	8,545	21,016	11,342	50,448	-
Inventory, at cost	154,522	30,018	-	-	184,540	-
Prepaid items	1,000	1,942	19,656	17,171	39,769	-
Due from other governments	-	196,774	713,925	301,510	1,212,209	-
Restricted assets:						
Cash and cash equivalents	714,859	-	-	-	714,859	-
Total current assets	\$ 13,784,584	\$ 13,431,879	\$ 12,760,284	\$ 679,820	\$ 40,656,567	\$ 1,741,268
Capital Assets:						
Land	\$ 701,345	\$ 114,880	\$ 560,686	\$ 782,125	\$ 2,159,036	\$ -
Construction in progress	-	1,947,139	3,350	-	1,950,489	-
Land improvements	-	-	976,403	-	976,403	-
Dams and reservoirs	2,531,502	-	-	-	2,531,502	-
Buildings and systems	25,378,081	46,927,765	10,185,298	6,854,669	89,345,813	-
Furniture, machinery and equipment	608,802	5,216,191	4,553,634	374,252	10,752,879	-
Intangible assets	7,245,296	1,556,496	-	-	8,801,792	-
Total property, plant and equipment	\$ 36,465,026	\$ 55,762,471	\$ 16,279,371	\$ 8,011,046	\$ 116,517,914	\$ -
Accumulated depreciation	(12,140,236)	(25,080,360)	(5,953,067)	(2,267,078)	(45,440,741)	-
Capital assets, net	\$ 24,324,790	\$ 30,682,111	\$ 10,326,304	\$ 5,743,968	\$ 71,077,173	\$ -
Total assets	\$ 38,109,374	\$ 44,113,990	\$ 23,086,588	\$ 6,423,788	\$ 111,733,740	\$ 1,741,268
Deferred Outflows of Resources:						
Pension related items	\$ 164,181	\$ 256,196	\$ 450,777	\$ 14,093	\$ 885,247	\$ -
OPEB related items	18,625	43,458	24,858	750	87,691	-
Deferred charge on refunding	13,925	254,128	-	39,722	307,775	-
Total deferred outflows of resources	\$ 196,731	\$ 553,782	\$ 475,635	\$ 54,565	\$ 1,280,713	\$ -
Liabilities:						
Current liabilities:						
Accounts payable	\$ 1,232,648	\$ 2,133,003	\$ 112,556	\$ 8,384	\$ 3,486,591	\$ -
Accrued liabilities	46,275	36,434	103,830	2,959	189,498	-
Interest payable	81,136	109,533	-	-	190,669	-
Compensated absences, current portion	48,843	111,461	59,307	3,037	222,648	-
Claims payable	-	-	-	-	-	523,356
Unearned revenue, current portion	155,935	192,069	7,920	-	355,924	-
General obligation bonds, current portion	766,290	766,614	-	268,838	1,801,742	-
Current liabilities payable from restricted assets:						
Customer deposits	714,859	-	-	-	714,859	-
Total current liabilities	\$ 3,045,986	\$ 3,349,114	\$ 283,613	\$ 283,218	\$ 6,961,931	\$ 523,356
Noncurrent liabilities:						
Unearned revenue, noncurrent portion	\$ -	\$ 1,414,395	\$ -	\$ -	\$ 1,414,395	\$ -
Compensated absences, noncurrent portion	29,936	19,669	81,899	1,862	133,366	-
Net OPEB liability	153,572	402,342	157,610	3,396	716,920	-
Net pension liability	577,554	914,721	1,239,400	49,951	2,781,626	-
General obligation bonds, noncurrent portion	6,115,540	12,020,406	-	1,138,597	19,274,543	-
Total noncurrent liabilities	\$ 6,876,602	\$ 14,771,533	\$ 1,478,909	\$ 1,193,806	\$ 24,320,850	\$ -
Total liabilities	\$ 9,922,588	\$ 18,120,647	\$ 1,762,522	\$ 1,477,024	\$ 31,282,781	\$ 523,356
Deferred Inflows of Resources:						
Pension related items	\$ 23,731	\$ 91,065	\$ 31,658	\$ 2,055	\$ 148,509	\$ -
OPEB related items	15,148	42,783	12,225	136	70,292	-
Total deferred inflows of resources	\$ 38,879	\$ 133,848	\$ 43,883	\$ 2,191	\$ 218,801	\$ -
Net Position:						
Net investment in capital assets	\$ 17,737,340	\$ 18,610,220	\$ 10,326,304	\$ 4,376,255	\$ 51,050,119	\$ -
Unrestricted	10,607,298	7,803,057	11,429,514	622,883	30,462,752	1,217,912
Total net position	\$ 28,344,638	\$ 26,413,277	\$ 21,755,818	\$ 4,999,138	\$ 81,512,871	\$ 1,217,912

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 3,548,785	\$ 6,051,806	\$ 136,666	\$ 120,401	\$ 9,857,658	\$ 5,157,426
Operating expenses:						
Personal services	\$ 607,834	\$ 848,674	\$ 2,103,436	\$ 70,103	\$ 3,630,047	\$ -
Fringe benefits	282,310	393,271	701,143	25,523	1,402,247	4,496,748
Contractual services	1,665,083	1,287,641	484,098	13,803	3,450,625	-
Other operating expenses	354,307	538,138	703,594	73,069	1,669,108	934,155
Depreciation expense	893,459	1,375,276	840,566	175,475	3,284,776	-
Total operating expenses	\$ 3,802,993	\$ 4,443,000	\$ 4,832,837	\$ 357,973	\$ 13,436,803	\$ 5,430,903
Total operating income (loss)	\$ (254,208)	\$ 1,608,806	\$ (4,696,171)	\$ (237,572)	\$ (3,579,145)	\$ (273,477)
Nonoperating revenues (expenses):						
Interest income	\$ 7,323	\$ 7,323	\$ 7,323	\$ 7,323	\$ 29,292	\$ -
Gasoline tax receipts	-	-	131,554	421,364	552,918	-
Availability/connection fees	583,319	902,450	-	-	1,485,769	-
Miscellaneous	259,009	83,310	197,118	-	539,437	1,024
Utility relief program	(17,370)	(31,455)	-	-	(48,825)	-
State and local grant funds	-	-	1,077,704	-	1,077,704	-
Federal grant funds	17,370	44,635	2,631,957	-	2,693,962	-
Interest expense	(187,482)	(415,476)	-	(46,425)	(649,383)	-
Total nonoperating revenues (expenses)	\$ 662,169	\$ 590,787	\$ 4,045,656	\$ 382,262	\$ 5,680,874	\$ 1,024
Income (loss) before contributions and transfers	\$ 407,961	\$ 2,199,593	\$ (650,515)	\$ 144,690	\$ 2,101,729	\$ (272,453)
Capital grants and contributions:						
State and local grant funds	\$ -	\$ 50,220	\$ 21,276	\$ -	\$ 71,496	\$ -
Federal grant funds	-	-	106,379	-	106,379	-
Total capital grants and contributions	\$ -	\$ 50,220	\$ 127,655	\$ -	\$ 177,875	\$ -
Transfers:						
Transfers out	\$ (315,000)	\$ (315,000)	\$ -	\$ -	\$ (630,000)	\$ -
Change in net position	\$ 92,961	\$ 1,934,813	\$ (522,860)	\$ 144,690	\$ 1,649,604	\$ (272,453)
Net position, beginning of year	28,251,677	24,478,464	22,278,678	4,854,448	79,863,267	1,490,365
Net position, end of year	\$ 28,344,638	\$ 26,413,277	\$ 21,755,818	\$ 4,999,138	\$ 81,512,871	\$ 1,217,912

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 3,427,528	\$ 5,795,175	\$ 292,560	\$ 119,996	\$ 9,635,259	\$ 5,158,450
Other miscellaneous receipts	309,009	83,310	328,672	421,364	1,142,355	-
Payments to suppliers	(1,338,214)	(619,488)	(1,272,795)	(90,179)	(3,320,676)	(934,155)
Payments to and for employees	(872,465)	(1,211,885)	(2,685,052)	(89,498)	(4,858,900)	(4,459,029)
Net cash provided by (used for) operating activities	\$ 1,525,858	\$ 4,047,112	\$ (3,336,615)	\$ 361,683	\$ 2,598,038	\$ (234,734)
Cash flows from noncapital financing activities:						
Availability and connection fees	\$ 583,319	\$ 902,450	\$ -	\$ -	\$ 1,485,769	\$ -
State, federal and local grant funds	173,305	186,484	4,354,275	-	4,714,064	-
Transfers	(315,000)	(315,000)	-	-	(630,000)	-
Net cash provided by (used for) noncapital financing activities	\$ 441,624	\$ 773,934	\$ 4,354,275	\$ -	\$ 5,569,833	\$ -
Cash flows from investing activities:						
Interest income	\$ 7,323	\$ 7,323	\$ 7,323	\$ 7,323	\$ 29,292	\$ -
Cash flows from capital and related financing activities:						
Purchase of capital assets	\$ (98,560)	\$ (2,331,106)	\$ (129,535)	\$ -	\$ (2,559,201)	\$ -
State, federal and local grant funds	-	-	127,655	-	127,655	-
Proceeds from issuance of debt	-	3,684,000	-	-	3,684,000	-
Premium on issuance of debt	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	(3,677,149)	-	-	(3,677,149)	-
Principal payment on debt	(392,300)	(1,030,351)	-	(264,896)	(1,687,547)	-
Interest paid on debt	(187,394)	(327,441)	-	(36,494)	(551,329)	-
Net cash provided by (used for) capital and related financing activities	\$ (678,254)	\$ (3,682,047)	\$ (1,880)	\$ (301,390)	\$ (4,663,571)	\$ -
Increase (decrease) in cash and cash equivalents for the year	\$ 1,296,551	\$ 1,146,322	\$ 1,023,103	\$ 67,616	\$ 3,533,592	\$ (234,734)
Cash and cash equivalents (including restricted), beginning of year	11,471,312	10,627,269	10,982,584	282,181	33,363,346	1,976,002
Cash and cash equivalents (including restricted), end of year	\$ 12,767,863	\$ 11,773,591	\$ 12,005,687	\$ 349,797	\$ 36,896,938	\$ 1,741,268
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (254,208)	\$ 1,608,806	\$ (4,696,171)	\$ (237,572)	\$ (3,579,145)	\$ (273,477)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	893,459	1,375,276	840,566	175,475	3,284,776	-
Other miscellaneous receipts	259,009	83,310	328,672	421,364	1,092,355	1,024
Changes in assets and liabilities:						
Accounts receivable	(130,696)	(250,502)	-	-	(381,198)	-
Inventory	(38,105)	(5,463)	-	-	(43,568)	-
Accrued revenue	1,901	8,446	147,974	1,448	159,769	-
Prepaid items	(748)	(1,047)	(19,296)	(11,133)	(32,224)	-
Due from other governments	50,000	(14,575)	-	(1,853)	33,572	-
Deferred outflows of resources - pension related items	(22,719)	(23,298)	(80,141)	(2,043)	(128,201)	-
Deferred outflows of resources - OPEB related items	3,113	10,386	381	(72)	13,808	-
Accounts payable	735,751	1,292,144	(79,473)	7,826	1,956,248	-
Accrued liabilities	(15,722)	(79,343)	13,666	677	(80,722)	-
Net OPEB liability	(6,340)	(19,650)	(369)	79	(26,280)	-
Net pension liability	77,222	95,998	198,605	7,142	378,967	-
Unearned revenue	-	-	7,920	-	7,920	-
Claims payable	-	-	-	-	-	37,719
Compensated absences	(10,570)	3,233	11,053	1,295	5,011	-
Deferred inflows of resources - pension related items	(19,636)	(28,459)	(5,949)	(830)	(54,874)	-
Deferred inflows of resources - OPEB related items	(3,391)	(8,150)	(4,053)	(120)	(15,714)	-
Deposits payable from restricted assets	7,538	-	-	-	7,538	-
Net cash provided by (used for) operating activities	\$ 1,525,858	\$ 4,047,112	\$ (3,336,615)	\$ 361,683	\$ 2,598,038	\$ (234,734)

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2021

	Custodial Funds	Other Postemployment Benefit Plan Fund	Private Purpose Trust Fund
Assets:			
Cash and cash equivalents	\$ 1,919,814	\$ -	\$ 1,707,966
Accounts receivable	103,563	-	9,424
Prepaid items	50,092	-	-
Pension asset	234,621	-	-
Investments at fair value:			
Investment in pooled funds	-	2,180,527	-
Capital assets net of accumulated depreciation	2,376,586	-	3,849
Total assets	\$ 4,684,676	\$ 2,180,527	\$ 1,721,239
Deferred Outflows of Resources:			
Pension related items	\$ 219,385	\$ -	\$ 27,404
OPEB related items	18,391	-	2,132
Total deferred outflows of resources	\$ 237,776	\$ -	\$ 29,536
Liabilities:			
Accounts payable	\$ 68,804	\$ -	\$ 177
Accrued liabilities	190,266	-	22,613
Unearned revenue	2,000	-	-
Notes payable	566,039	-	-
Net OPEB liability	86,373	-	16,834
Net pension liability	630,626	-	78,047
Amounts held for others	831,108	-	-
Total liabilities	\$ 2,375,216	\$ -	\$ 117,671
Deferred Inflows of Resources:			
Pension related items	\$ 33,598	\$ -	\$ 1,994
OPEB related items	4,886	-	1,636
Total deferred inflows of resources	\$ 38,484	\$ -	\$ 3,630
Net Position:			
Net position restricted for OPEB and other purposes	\$ 2,508,752	\$ 2,180,527	\$ 1,629,474

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2021

	<u>Custodial Funds</u>	<u>Other Post-employment Benefit Plan Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:			
Contributions:			
Contributions	\$ 1,188,303	\$ -	\$ 87,400
Investment income:			
Interest earned on investments		504,449	722
Miscellaneous	<u>2,989,991</u>	<u>-</u>	<u>-</u>
Total additions	\$ <u>4,178,294</u>	\$ <u>504,449</u>	\$ <u>88,122</u>
Deductions:			
Payments for property management	\$ -	\$ -	\$ 106,671
Other charges	<u>4,343,394</u>	<u>2,401</u>	<u>-</u>
Total deductions	\$ <u>4,343,394</u>	\$ <u>2,401</u>	\$ <u>106,671</u>
Net increase (decrease) in plan assets	\$ (165,100)	\$ 502,048	\$ (18,549)
Net position held in trust for OPEB benefits and other purposes:			
Balance, beginning of year, as restated	<u>2,673,852</u>	<u>1,678,479</u>	<u>1,648,023</u>
Balance, end of year	\$ <u><u>2,508,752</u></u>	\$ <u><u>2,180,527</u></u>	\$ <u><u>1,629,474</u></u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Component Units
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 54,782,922	\$ 71,354	\$ 25,741,617	\$ -
Interest on long-term debt	46,049	-	-	-
Total School Board	\$ 54,828,971	\$ 71,354	\$ 25,741,617	\$ -
Economic Development Authority				
Community development	\$ 758,099	\$ 296,850	\$ 43,242	\$ -
Total Component Units	\$ 55,587,070	\$ 368,204	\$ 25,784,859	\$ -

General revenues

Payment from/(to) City of Fredericksburg
Interest and investment income
Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Exhibit 12

Net (Expense) Revenue and Changes in Net Position		
School Board	Economic Development Authority	Totals
\$ (28,969,951)	\$ -	\$ (28,969,951)
(46,049)	-	(46,049)
\$ (29,016,000)	\$ -	\$ (29,016,000)
\$ -	\$ (418,007)	\$ (418,007)
\$ (29,016,000)	\$ (418,007)	\$ (29,434,007)
\$ 30,500,285	\$ 83,891	\$ 30,584,176
503	3,237	3,740
505,941	3,737	509,678
\$ 31,006,729	\$ 90,865	\$ 31,097,594
\$ 1,990,729	\$ (327,142)	\$ 1,663,587
(11,338,171)	1,716,626	(9,621,545)
\$ (9,347,442)	\$ 1,389,484	\$ (7,957,958)

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 1—Summary of Significant Accounting Policies:

Narrative Profile

The City of Fredericksburg, Virginia (the “City”) was incorporated in 1782 and its current Charter was granted in 1942. The City operates under a Council/Manager form of government. The Council consists of a Mayor and six (6) council members. The Mayor and two (2) council members are elected at large and four (4) council members are elected by wards. The Council is responsible for appointing the City Manager. The City provides a full range of services as authorized by its Charter. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; cultural events; education; social services and water and sewer. The City is located in Northeastern Virginia and is bordered by the Counties of Spotsylvania and Stafford.

The financial statements of the City of Fredericksburg, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB), and specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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, effects of interfund activity have been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. 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.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Statement of Activities: (Continued)

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.

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.

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Governments provide budgetary comparison information in their annual reports. This information includes presenting the government's original budget as well as a comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity:

1. Component Units:

a. Fredericksburg City School Board:

Fredericksburg City School Board members are elected to four-year terms by the City voters. The School Board may hold property and issue debt subject to approval by the City Council. However, the City is responsible for the repayment of the debt. The School Board provides public primary and secondary education services to the City residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the City, which are significant since the School Board does not have separate taxing authority. The City also approves the School Board budget. The School Board does not issue separate financial statements.

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Inclusions in the Reporting Entity: (Continued)

1. Component Units: (Continued)

b. Fredericksburg Economic Development Authority:

The Fredericksburg Economic Development Authority was created by a City Council resolution pursuant to state statute and is legally separate from the City. The Council appoints seven (7) board members; however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. However, the Authority performs economic development services exclusively to the City as an administrative entity for the City through the authorization of industrial development revenue bonds and recruitment of potential businesses for location in the City, and City Council must approve the issuance of all revenue bonds. The Authority does not provide specific benefits for other governments or others that are not part of the reporting entity. Accordingly, the Authority is reported as a discretely presented component unit of the City.

A copy of the Authority's financial statements may be obtained from the City of Fredericksburg, Virginia, Department of Finance, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

a. Rappahannock Security Center

The Rappahannock Security Center is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Center provides adult detention services for its participant localities. The Counties of Spotsylvania, Stafford and King George and the City provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints three (3) of the nine (9) members of the Board. No one locality contributes more than 50% of the Center's funding. The City provided \$3,528,306 in operating and other funds to the Center in 2021.

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

b. Rappahannock Regional Library

The Rappahannock Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Counties of Westmoreland, Stafford and Spotsylvania and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints two (2) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding. The City provided \$1,363,835 in operating funds to the Library in 2021.

c. Rappahannock Regional Solid Waste Management Board

The Rappahannock Regional Solid Waste Management Board (the Board) is a joint venture of the County of Stafford and the City. The Board was formed under an agreement dated December 9, 1987, for the purpose of operating and maintaining the Regional Landfill for the use and benefit of the citizens of the County and the City. The Board is administered by a six-member board currently comprised of three members from the County and three members from the City made up as follows:

- The County Administrator of the County of Stafford
- Two members of the Board of Supervisors of the County of Stafford, to be appointed by the Board of Supervisors
- The City Manager of the City of Fredericksburg
- Two members of the City Council of Fredericksburg, to be appointed by the City Council

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The City's equity interest as of June 30, 2021 was \$7,812,473.

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

c. Rappahannock Regional Solid Waste Management Board: (Continued)

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7.3 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2021 represents the cumulative amount reported to date based on the percentage of use method for the estimated capacity of the landfill. One hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and post-closure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

Complete financial statements for the Board can be obtained from the Director of Solid Waste Management, Rappahannock Regional Solid Waste Management Board, P.O. Box 339, Stafford, Virginia 22555-0339.

d. Rappahannock Area Community Services Board

The Board was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Mayor appoints the three (3) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Board provides mental health, mental retardation and substance abuse services to residents of the participant localities. The City provided operating grants of \$286,306 to the Board in 2021.

e. Rappahannock Area Agency on Aging

The Agency was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Agency is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$7,880 in operating grants to the Agency in 2021.

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

f. George Washington Regional Commission

The Commission was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the four (4) commissioners; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$24,073 in operating grants to the Commission in 2021.

g. Rappahannock Juvenile Detention Center

The Center was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Center provides juvenile detention services for its participant localities. The City provided operating funds of \$238,292 to the Center in 2021.

h. Spotsylvania - Stafford - Fredericksburg (Regional) Group Home

The Home was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$88,951 in operating funds to the Home in 2021.

i. Stafford Regional Airport Commission

The Commission was created by City Council resolution pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$21,430 in operating funds to the Commission in 2021.

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

Obtaining of Financial Statements for Jointly Governed Organizations

Complete financial statements of the jointly governed organizations may be obtained by contacting the City of Fredericksburg, Virginia, Department of Finance, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. If applicable, internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and custodial). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2021.

1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds:

- a. General Fund - The General Fund is the primary operating fund of the City and accounts for and reports all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds 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. Special Revenue Funds include the following funds:

COVID-19 Relief Fund - This fund accounts for revenues and expenditures of federal grants related to the COVID-19 pandemic. The COVID-19 Relief Fund is a major fund.

Virginia Public Assistance Fund - This fund accounts for the operations of the City's Department of Social Services. Funding is primarily from state and federal grants and local match appropriations.

State, Federal and Local Grants Fund - This fund accounts for revenues and expenditures of state, federal, and local grants which function on a reimbursement basis.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

1. Governmental Funds: (Continued)

Central Park Special Tax District Fund - This fund accounts for the revenues, expenditures, and other financing resources of the Central Park Special Service District.

Children's Services Act Fund - This fund accounts for the Children's Services Act grant funds which provide assistance primarily for foster care and related services and the prevention of foster care. Services provided include education, housing, health and food. Funding is primarily from state grants and local match appropriations.

Stormwater Management Fund - This fund accounts for the revenues, expenditures, and other financing resources for stormwater management and other environmental purposes.

Forfeited Asset Sharing Program Fund - This fund accounts for the revenues, expenditures, and other financing resources of the forfeited asset sharing program.

Blight Abatement Fund - This fund accounts for the revenues, expenditures and other financing resources of the blight abatement program.

Fredericksburg Opportunity Fund - This fund accounts for the revenues, expenditures and other financing resources for economic development opportunities.

Multi Purpose Stadium Fund - This fund accounts for revenues, expenditures, and other financing resources related to the multi purpose stadium.

- c. Debt Service Funds - The Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Funds consist of the following:

General Obligation Bond Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges.

Education Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges for school debt.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

1. Governmental Funds: (Continued)

- d. Capital Projects Funds - The Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by Proprietary Funds or for assets held in trust for individuals, private organizations, or other governments. Capital Projects Funds include the following funds:

Public Works Capital Fund - This fund accounts for resources and expenditures for the construction of and reconstruction of City streets, sidewalks, and bridges. Primary revenues consist of taxes, grants, investment earnings and transfers from the General Fund. The Public Works Capital Fund is a major fund.

Public Facilities Capital Fund - This fund accounts for the construction, renovation, and improvements of the City's buildings and facilities. Financing is provided primarily by investment earnings and transfers from the General Fund.

Public Safety Capital Fund - This fund accounts for the police and fire department projects. Financing is provided primarily by investment earnings and transfers from the General Fund.

New Court Capital Fund - This fund accounts for resources and expenditures for the renovation and improvements of the City's court facilities. Financing is provided by bond proceeds and transfers from the General Fund.

2. Proprietary Funds:

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. The Enterprise Funds consist of the following:

Water Fund - This fund accounts for income and expenses of the City-owned water utility.

Wastewater Fund - This fund accounts for income and expenses of the City-owned wastewater utility.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

2. Proprietary Funds: (Continued)

Transit Fund - This fund accounts for income and expenses of the City-owned transit system.

Parking Fund - This fund accounts for income and expenses of the City-owned parking garage and the City-leased parking lots.

Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City government. The Internal Service Funds consists of the following fund:

Health Insurance Fund - This fund accounts for the health insurance program activities of the City.

3. Fiduciary Funds (Trust and Custodial Funds):

Fiduciary Funds (Trust and Custodial Funds) account for assets held by a governmental unit in a trustee capacity or as custodial or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Custodial Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Custodial Funds also utilize the accrual basis of accounting. Custodial Funds consist of the following:

Criminal Justice Academy Fund - This fund accounts for the revenue and expenditures of the Regional Criminal Justice Training Academy.

Special Welfare Fund - This fund accounts for the principal and income of the Special Welfare bequests and contributions.

Court Service Unit Fund - This fund accounts for the revenue and expenditures of the Court Service Unit.

Rappahannock Area Youth Services Fund - This fund accounts for revenue and expenditures of the Rappahannock Area Youth Services and Group Home Commission delinquency prevention program.

Revenue Maximization Fund - This fund accounts for revenue and expenditures of the Revenue Maximization Program.

Community Development Authority Fund - This fund accounts for the real estate tax collections made on behalf of the Community Development Authority.

Private Purpose Trust Fund - This fund accounts for increases and decreases in net position held for land conservation.

Other Postemployment Benefit Plan Fund - This fund accounts for increases and decreases in net position held for other postemployment benefits.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

4. Component Units:

a. Fredericksburg City School Board:

The Discretely Presented Component Unit-School Board is used to account for the school related activities and to emphasize that they are legally separate from the primary government. School Board Funds consist of the following:

Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City of Fredericksburg and state and federal grants.

Special Revenue Fund: Special Revenue Funds 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.

Special School Fund - This fund accounts for the revenues, expenditures, and other financial resources of the school regional programs, school cafeteria and state and federal programs. Revenues are derived primarily from charges for services and state and federal grants.

School Activity Fund - This fund accounts for and reports funds collected at the schools in connection with student athletics, clubs, various fundraising activities, and private donations.

Capital Projects Fund: Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

School Capital Projects Fund - This fund accounts for school construction and related expenditures of the public school system. Funding is primarily from state grants and appropriations from the City of Fredericksburg.

b. Economic Development Authority:

The Economic Development Authority operates on an enterprise fund basis where revenues and expenses are recognized on the accrual basis of accounting as more fully described in Note 1, B. 2.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Position and Statement of Activities, all Proprietary Funds, and Private Purpose Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Position, Statement of Activities, financial statements of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects Funds (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred and all other grant requirements have been satisfied. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of each fiscal year.

A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable.

Annual budgets, prepared on a basis consistent with generally accepted accounting principles, are approved by the City Council for all Governmental Funds except for the Central Park Special Tax District Fund. All appropriations lapse at year-end; however, the unexpended funds may be reappropriated in the following fiscal year.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Budgets and Budgetary Accounting: (Continued)

All operating budgets included proposed expenditures and the means of financing them. City Council must approve all budget revisions once the appropriation ordinance has been adopted. Budgets are approved and may not exceed appropriations at the department level. Budgeted amounts as presented in the financial statements reflect budget revisions through June 30, 2021. Budgetary and appropriation control is maintained at the department level. Encumbrances outstanding at year-end are reappropriated in the following fiscal year.

There were no additional appropriations that would have a material effect on the financial statements at June 30, 2021.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2021, the allowance totaled \$1,642,358 with \$1,189,220 in the General Fund and \$453,138 in the Enterprise Funds.

H. Inventory

Inventory consists of expendable supplies which are valued at cost (specific identification) using the consumption method.

I. Prepaid Items

Prepaid expenses are reported on the consumption method.

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the City’s and School Board’s capitalization threshold of \$10,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Land improvements	20 to 50 years
Buildings and improvements	20 to 40 years
Furniture and other equipment	5 to 20 years
Infrastructure	10 to 50 years
Joint tenancy assets	40 years

To the extent the City’s capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the following estimated useful lives:

Land improvements	20 to 50 years
Buildings	10 to 50 years
Furniture, machinery, and equipment	2 to 10 years
Water and wastewater systems	30 to 50 years
Intangible Assets	30 to 50 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their acquisition value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. Compensated Absences

The City and School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Another item is comprised of certain items related to the measurement of the net pension and OPEB assets or liabilities. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension and OPEB plan investments. Lastly, the City reports contributions to the pension and OPEB plans made during the current year and subsequent to the net pension and OPEB asset or liability measurement date, which will be recognized as a reduction of the net pension or OPEB asset or liability next fiscal year. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension and OPEB liabilities are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension or OPEB plan investments. For more detailed information on these items, reference the related notes.

M. Pensions

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

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Unbilled Revenue

The City bills service charges to utility customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing and reported in the financial statements as billed receivables and revenues.

P. Bond Premium

Bond premiums are amortized over the life of the respective bond issues using the effective interest method. Bond premium amortization for fiscal year ended June 30, 2021 was \$577,707 and \$27,105 for the governmental and business-type activities, respectively.

Q. Long-term Obligations

The City reports long-term obligations at face value. The face value of the debt is believed to approximate fair value.

R. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Note 1—Summary of Significant Accounting Policies: (Continued)

S. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

T. Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is a designation or commitment of the fund (such as for special incentives or contractual obligations). Assigned fund balance is established by City Council or the City Manager as amounts intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). Amounts are recorded in the accounting system to reflect assignment.

The City has a policy to have an unassigned fund balance goal of 12% but not less than 7% of the actual General Fund revenues for the preceding fiscal year.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 1—Summary of Significant Accounting Policies: (Continued)

T. Fund Equity: (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 24,801	\$ -	\$ -	\$ -	\$ 24,801
Prepays	148,677	-	-	4,662	153,339
Total Nonspendable Fund Balance	<u>\$ 173,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,662</u>	<u>\$ 178,140</u>
Restricted:					
Housing initiatives	\$ -	\$ -	\$ -	95,250	95,250
Committed:					
Social services	\$ -	\$ -	\$ -	728,998	728,998
Comprehensive services	-	-	-	985,360	985,360
Cowan Boulevard debt service	-	-	-	35,611	35,611
Public safety construction projects	-	-	-	142,113	142,113
Public facilities construction projects	-	-	-	1,128,767	1,128,767
Public works construction projects	-	542,283	-	-	542,283
Blight abatement	-	-	-	217,502	217,502
Economic development opportunities	-	-	-	439,252	439,252
Grant related expenditures	-	-	9,417	1,022,742	1,032,159
Forfeited asset sharing program	-	-	-	117,745	117,745
Stormwater management	-	-	-	401,795	401,795
Education debt service	-	-	-	1,403,858	1,403,858
Debt service	-	-	-	458,589	458,589
City capital projects	6,128,926	-	-	-	6,128,926
School capital projects	6,000,000	-	-	-	6,000,000
Health insurance claims	800,000	-	-	-	800,000
Other purposes	1,028,249	-	-	3,578	1,031,827
Total Committed Fund Balance	<u>\$ 13,957,175</u>	<u>\$ 542,283</u>	<u>\$ 9,417</u>	<u>\$ 7,085,910</u>	<u>\$ 21,594,785</u>
Assigned:					
Public works construction projects	\$ -	\$ 5,596,417	\$ -	\$ -	\$ 5,596,417
Public facilities construction projects	-	-	-	5,431,934	5,431,934
Public safety construction projects	-	-	-	1,002,062	1,002,062
Court facilities construction projects	-	-	-	1,061,841	1,061,841
Detention stabilization	1,571,004	-	-	-	1,571,004
Pandemic response	2,000,000	-	-	-	2,000,000
Economic development opportunities	75,000	-	-	-	75,000
Telling our story	45,000	-	-	-	45,000
Total Assigned Fund Balance	<u>\$ 3,691,004</u>	<u>\$ 5,596,417</u>	<u>\$ -</u>	<u>\$ 7,495,837</u>	<u>\$ 16,783,258</u>
Unassigned	<u>\$ 17,109,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,109,666</u>
Total Fund Balances	<u><u>\$ 34,931,323</u></u>	<u><u>\$ 6,138,700</u></u>	<u><u>\$ 9,417</u></u>	<u><u>\$ 14,681,659</u></u>	<u><u>\$ 55,761,099</u></u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 1—Summary of Significant Accounting Policies: (Continued)

U. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported.

W. Restatement:

Beginning balances were restated as follows:

	<u>Governmental Activities Net Position</u>	<u>Component Unit School Board Net Position</u>	<u>Fund Balance</u>
July 1, 2020, as previously reported	\$ 114,576,996	\$ (11,803,317)	\$ 6,463,855
Restatement of Investment in Joint Venture	1,002,513	-	-
Implementation of GASB 84	-	465,146	465,146
July 1, 2020, as restated	<u>\$ 115,579,509</u>	<u>\$ (11,338,171)</u>	<u>\$ 6,929,001</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 2—Deposits and Investments:

Deposits - Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the 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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments - Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments) - The City’s investments at June 30, 2021 were held by the City or in the City’s name by the City’s custodial banks; except for U.S. Agency investments, U.S. Treasuries, Corporate Debt investments, municipal public bonds, and commercial paper, where the underlying securities were uninsured and held by an investment broker.

Credit Risk of Debt Securities

The City’s investment policies authorize the City to invest in U.S. Government Obligations, Commercial Paper with a rating of at least A-1 by at least two of the following: Moody’s Investor’s Service, Standard and Poor’s and Fitch Investor’s Service; Corporate Debt with a minimum Aa long term debt rating by Moody’s Investor’s Service and a minimum of AA long term debt rating by Standard and Poor’s; State Pool; mutual funds with a rating of AAm or better by Standard and Poor’s or an equivalent rating by other rating agencies; and Virginia municipal bonds rated in either of the two highest categories by a nationally recognized rating agency.

The City’s rated debt investments as of June 30, 2021 were rated by Standard and Poor’s or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

City’s Rated Debt Investments’ Values

Rated Debt Investments	Fair Quality Ratings			
	AAAm	AA+	AA	AA-
U.S. Agencies	\$ -	\$ 27,752,620	\$ -	\$ -
Corporate Debt	-	1,720,308	1,288,690	1,943,229
Virginia State Non-Arbitrage Program	5,166,766	-	-	-
Money Market Mutual Fund	50,964,285	-	-	-
Total	\$ 56,131,051	\$ 29,472,928	\$ 1,288,690	\$ 1,943,229

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

The City's investment policies authorize the City to invest in Commercial Paper with a maturity no greater than two hundred-seventy (270) days, Corporate Debt with a maturity no greater than five (5) years at the time of purchase, Municipal Bonds with a maturity no greater than five (5) years, and U.S. Government Obligations with a maximum maturity of five (5) years at the time of purchase.

Investment Maturities (in years)			
Investment Type	Fair Value	Within 1 Year	1-5 Years
U.S. Agencies	\$ 27,752,619	\$ 4,453,449	\$ 23,299,170
U.S. Treasuries	21,198,274	323,350	20,874,924
Virginia State Non-Arbitrage Program	5,166,766	5,166,766	-
Corporate Debt	4,952,227	3,505,633	1,446,594
Total	\$ 59,069,886	\$ 13,449,198	\$ 45,620,688

External Investment Pool

The value of the positions in the external investment pools (State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Note 3—Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 3—Fair Value Measurements: (Continued)

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The City has the following recurring fair value measurements as of June 30, 2021:

<u>Investment</u>	<u>June 30, 2021</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
U.S. Agencies	\$ 27,752,619	\$ 27,752,619
U.S. Treasuries	21,198,274	21,198,274
Money Market Mutual Fund	50,964,285	50,964,285
Corporate Debt	4,952,227	4,952,227
Total	<u>\$ 104,867,405</u>	<u>\$ 104,867,405</u>

Note 4—Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	May 15/November 15 (50% each date)	May 15/November 15 (50% each date)
Lien Date	May 16/November 16	May 16/November 16

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 5—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2021 consist of the following:

Primary Government:

	Governmental Activities					Business- Type Activities
	General	Public Works Capital Fund	Special Revenue	Capital Projects	Total	
Property taxes	\$ 2,480,179	\$ -	\$ 24,580	\$ -	\$ 2,504,759	\$ -
Water charges	-	-	-	-	-	1,035,981
Wastewater charges	-	-	-	-	-	1,689,819
EMS fees	122,654	-	-	-	122,654	-
Meals tax	1,403,535	-	-	-	1,403,535	-
Refuse disposal fees	206,543	-	-	-	206,543	-
Investment earnings	34,180	34,180	-	68,360	136,720	34,180
Other	582,257	-	42,984	2,114	627,355	16,269
Total	\$ 4,829,348	\$ 34,180	\$ 67,564	\$ 70,474	\$ 5,001,566	\$ 2,776,249
Allowance for uncollectibles	(1,189,220)	-	-	-	(1,189,220)	(453,138)
Net receivables	<u>\$ 3,640,128</u>	<u>\$ 34,180</u>	<u>\$ 67,564</u>	<u>\$ 70,474</u>	<u>\$ 3,812,346</u>	<u>\$ 2,323,111</u>

Component Units and Fiduciary Activities:

	School Board	Economic Development Authority
Other	\$ 14,464	\$ 71,802
Total	\$ 14,464	\$ 71,802
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 14,464</u>	<u>\$ 71,802</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 6—Due From Other Governmental Units:

	Governmental Activities				Business- Type Activities	Component Unit School Board	Component Unit EDA
	General	Special Revenue	Capital Projects	Total			
Primary Government:							
Commonwealth of Virginia:							
Local sales taxes	\$ 2,283,670	\$ -	\$ -	\$ 2,283,670	\$ -	\$ -	\$ -
Telecommunication sales tax	119,067	-	-	119,067	-	-	-
PPTRA	676,647	-	-	676,647	-	-	-
Children's Services Act	-	312,542	-	312,542	-	-	-
Shared expenses and grants	161,165	-	-	161,165	-	-	-
Virginia Department of Emergency Management	-	10,680	2,125	12,805	-	-	-
Virginia Department of Criminal Justice Services	-	78,962	-	78,962	-	-	-
Social services grants	-	514,494	-	514,494	-	-	-
Other	60,660	41,559	-	102,219	-	-	-
Federal government:							
Transit grants	-	-	-	-	582,371	-	-
Department of Housing and and Community Development	-	115,812	-	115,812	-	-	-
Others:							
Potomac and Rappahannock Transportation Commission	107,189	-	-	107,189	432,934	-	-
Other	20,891	1,066	-	21,957	130	-	6,944
Local government reimbursements:							
County of Spotsylvania	-	-	-	-	196,774	-	-
Component Unit School Board:							
Commonwealth of Virginia:							
State sales taxes	-	-	-	-	-	645,401	-
State school funds	-	-	-	-	-	2,111	-
Federal pass-through: School funds	-	-	-	-	-	1,376,717	-
Federal government:							
Head Start	-	-	-	-	-	113,492	-
Total	\$ 3,429,289	\$ 1,075,115	\$ 2,125	\$ 4,506,529	\$ 1,212,209	\$ 2,137,721	\$ 6,944

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 7—Interfund Balances and Activity:

Primary Government:

Balances due To/From other funds at June 30, 2021:

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

Transfers to the Virginia Public Assistance Fund for the local share of social services program costs	\$ 920,976
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	247,000
Transfer to the Children's Services Act Fund for the local share of the program costs	1,175,000
Transfers to the Multi Purpose Stadium Fund for community development	570,000
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,477,421
Transfers to the Education Debt Service Fund to pay school debt service and related costs	4,065,113
Transfers to the Public Works Capital Fund to fund infrastructure and related capital projects	2,826,693
Transfers to the Public Safety Capital Fund to fund capital projects	392,249
Transfers to the Public Facilities Capital Fund to fund building improvements and related costs	667,300
Total transfers in - other governmental funds	<u>\$ 13,341,752</u>
Transfers to the General Fund for various programs	<u>\$ 630,000</u>
Total transfers	<u>\$ 13,971,752</u>

Reconciliation of transfers:

Transfers out from governmental funds	\$ 13,341,752
Transfers from enterprise funds to governmental funds	630,000
Total transfers	<u>\$ 13,971,752</u>

Component Unit School Board:

Due to the Primary Government	<u>\$ 260,000</u>
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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 8—Capital Assets:

The following is a summary of the changes in capital assets for the year:

Primary Government:

Governmental Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 26,406,725	\$ 520,000	\$ 553,600	\$ 26,373,125
Construction in progress:				
Infrastructure	\$ 1,014,056	\$ 3,742	\$ 1,014,728	\$ 3,070
Land improvements	3,152,417	2,803,571	-	5,955,988
Buildings	578,739	196,515	-	775,254
Total construction in progress	\$ 4,745,212	\$ 3,003,828	\$ 1,014,728	\$ 6,734,312
Total capital assets not being depreciated	\$ 31,151,937	\$ 3,523,828	\$ 1,568,328	\$ 33,107,437
Other capital assets:				
Land improvements	\$ 21,398,582	\$ -	\$ -	\$ 21,398,582
Buildings and improvements	64,334,226	55,544	-	64,389,770
Joint tenancy assets	36,760,000	-	2,500,000	34,260,000
Infrastructure	104,734,705	1,411,849	-	106,146,554
Machinery, equipment and vehicles	28,860,890	2,042,346	49,425	30,853,811
Total other capital assets	\$ 256,088,403	\$ 3,509,739	\$ 2,549,425	\$ 257,048,717
Accumulated depreciation:				
Land improvements	\$ 5,753,826	\$ 624,680	\$ -	\$ 6,378,506
Buildings and improvements	21,826,009	1,778,772	-	23,604,781
Joint tenancy assets	7,267,960	937,667	898,981	7,306,646
Infrastructure	52,426,980	3,723,855	-	56,150,835
Machinery, equipment and vehicles	16,336,478	1,647,366	49,425	17,934,419
Total accumulated depreciation	\$ 103,611,253	\$ 8,712,340	\$ 948,406	\$ 111,375,187
Other capital assets, net	\$ 152,477,150	\$ (5,202,601)	\$ 1,601,019	\$ 145,673,530
Net capital assets	\$ 183,629,087	\$ (1,678,773)	\$ 3,169,347	\$ 178,780,967
Depreciation is allocated to:				
General government administration		\$ 467,973		
Judicial administration		997,844		
Public safety		1,184,936		
Public works		4,250,921		
Health and welfare		100,560		
Education		937,667		
Parks and recreation		765,121		
Community development		7,318		
Total		\$ 8,712,340		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 8—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 2,149,036	\$ 10,000	\$ -	\$ 2,159,036
Construction in progress	3,101,468	2,069,109	3,220,088	1,950,489
Total capital assets not being depreciated	\$ 5,250,504	\$ 2,079,109	\$ 3,220,088	\$ 4,109,525
Other capital assets:				
Land improvements	\$ 976,403	\$ -	\$ -	\$ 976,403
Buildings and systems	86,067,326	3,278,487	-	89,345,813
Dams and reservoirs	2,531,502	-	-	2,531,502
Intangible assets	8,801,792	-	-	8,801,792
Furniture, machinery and equipment	10,831,706	219,767	298,594	10,752,879
Total other capital assets	\$ 109,208,729	\$ 3,498,254	\$ 298,594	\$ 112,408,389
Accumulated depreciation:				
Land improvements	\$ 215,922	\$ 35,987	\$ -	\$ 251,909
Buildings and systems	32,195,063	1,967,299	-	34,162,362
Dams and reservoirs	372,181	88,076	-	460,257
Intangible assets	3,051,950	284,098	-	3,336,048
Furniture, machinery and equipment	6,619,443	909,316	298,594	7,230,165
Total accumulated depreciation	\$ 42,454,559	\$ 3,284,776	\$ 298,594	\$ 45,440,741
Other capital assets, net	\$ 66,754,170	\$ 213,478	\$ -	\$ 66,967,648
Net capital assets	\$ 72,004,674	\$ 2,292,587	\$ 3,220,088	\$ 71,077,173
Depreciation is allocated to:				
Water operations		\$ 893,459		
Wastewater operations		1,375,276		
Parking garage operations		840,566		
Transit operations		175,475		
Total		\$ 3,284,776		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 8—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 472,679	\$ -	\$ -	\$ 472,679
Construction in progress	70,374	260,000	-	330,374
Total capital assets not being depreciated	\$ 543,053	\$ 260,000	\$ -	\$ 803,053
Other capital assets:				
Land improvements	\$ 303,302	\$ 265,972	\$ -	\$ 569,274
Buildings and improvements	48,528,183	2,710,653	-	51,238,836
Machinery, equipment and vehicles	7,585,920	692,506	7,800	8,270,626
Total other capital assets	\$ 56,417,405	\$ 3,669,131	\$ 7,800	\$ 60,078,736
Accumulated depreciation:				
Land improvements	\$ 86,597	\$ 15,165	\$ -	\$ 101,762
Buildings and improvements	23,579,069	2,414,122	-	25,993,191
Machinery, equipment and vehicles	4,690,133	607,252	7,800	5,289,585
Total accumulated depreciation	\$ 28,355,799	\$ 3,036,539	\$ 7,800	\$ 31,384,538
Other capital assets, net	\$ 28,061,606	\$ 632,592	\$ -	\$ 28,694,198
Net capital assets	\$ 28,604,659	\$ 892,592	\$ -	\$ 29,497,251
Depreciation allocated to education		\$ 3,036,539		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 9—Deferred/Unearned Revenue:

Deferred/unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred/unearned revenue is comprised of the following:

	Unearned Revenue	
	Government-wide Statements	
	Governmental Activities	Business-Type Activities
County of Spotsylvania share of wastewater improvements in exchange for continued wastewater capacity.	\$ -	\$ 1,464,615
Unspent grant funds and other items	6,136,393	305,704
Total unearned revenue	\$ 6,136,393	\$ 1,770,319
	Deferred/Unavailable Revenue	
	Balance Sheet	Government-wide Statements
	Governmental Funds	Governmental Activities
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 1,168,611	\$ 1,168,611
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	753,631	-
Total deferred/unavailable revenue	\$ 1,922,242	\$ 1,168,611

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 10—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021	Current Portion
Primary Government:					
Long-term obligations payable from governmental activities:					
General obligation bonds	\$ 36,342,845	\$ -	\$ 450,950	\$ 35,891,895	\$ 468,799
Direct borrowings and placements:					
General obligation bonds	5,045,881	-	728,067	4,317,814	743,712
General obligation school bonds	36,760,000	-	2,500,000	34,260,000	2,630,000
Revenue bonds	1,015,000	-	235,000	780,000	245,000
Add: Unamortized bond premium	5,987,493	-	577,707	5,409,786	682,881
Other liabilities:					
Capital lease	-	459,880	-	459,880	151,873
Landfill post-closure costs	1,400,178	16,803	-	1,416,981	90,000
Compensated absences	4,111,578	2,493,665	2,549,178	4,056,065	2,514,760
Net pension liability	23,767,044	10,863,198	6,901,399	27,728,843	-
Net OPEB liability	16,435,968	1,682,804	2,115,354	16,003,418	-
Total	\$ 130,865,987	\$ 15,516,350	\$ 16,057,655	\$ 130,324,682	\$ 7,527,025
Long-term obligations payable from business-type activities:					
General obligation bonds	\$ 12,652,155	\$ -	\$ 599,050	\$ 12,053,105	\$ 626,201
Direct borrowings and placements:					
General obligation bonds	9,839,119	3,684,000	4,758,486	8,764,633	1,149,020
Add: Unamortized bond premium	348,287	-	89,740	258,547	26,521
Other liabilities:					
Compensated absences	351,003	226,019	221,008	356,014	222,648
Net pension liability	2,402,659	1,111,148	732,181	2,781,626	-
Net OPEB liability	743,200	94,192	120,472	716,920	-
Total	\$ 26,336,423	\$ 5,115,359	\$ 6,520,937	\$ 24,930,845	\$ 2,024,390
Total primary government	\$ 157,202,410	\$ 20,631,709	\$ 22,578,592	\$ 155,255,527	\$ 9,551,415
Component Unit School Board:					
Long-term obligations payable from component unit School Board activities:					
Capital lease	\$ 2,291,000	\$ -	\$ 266,000	\$ 2,025,000	\$ 272,000
Compensated absences	1,259,052	523,838	654,707	1,128,183	586,655
Net pension liability	37,274,678	14,247,208	10,856,028	40,665,858	-
Net OPEB liability	11,241,382	2,607,051	1,785,106	12,063,327	-
Total component unit School Board	\$ 52,066,112	\$ 17,378,097	\$ 13,561,841	\$ 55,882,368	\$ 858,655

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 10—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2021:

Year Ending June 30,	Direct Borrowings and Direct Placements							
	General Obligation Bonds		Revenue Bonds		General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,522,732	\$ 1,866,139	\$ 245,000	\$ 33,697	\$ 1,095,000	\$ 1,712,675	\$ 423,873	\$ 43,998
2023	4,705,345	1,679,709	260,000	20,756	2,230,000	1,643,870	431,289	37,744
2024	4,907,471	1,484,511	275,000	7,047	2,335,000	1,544,333	437,718	30,728
2025	5,105,386	1,280,246	-	-	2,440,000	1,439,939	289,000	23,959
2026	5,317,869	1,071,079	-	-	2,550,000	1,330,572	295,000	18,150
2027	4,539,263	871,511	-	-	2,675,000	1,215,607	301,000	12,221
2028	4,730,170	678,458	-	-	2,785,000	1,102,210	307,000	6,170
2029	4,111,170	488,924	-	-	2,890,000	991,165	-	-
2030	4,303,041	301,881	-	-	2,970,000	876,897	-	-
2031	645,000	188,547	-	-	3,085,000	759,131	-	-
2032	670,000	159,100	-	-	3,205,000	635,811	-	-
2033	700,000	130,744	-	-	3,335,000	511,643	-	-
2034	730,000	103,525	-	-	3,435,000	406,133	-	-
2035	755,000	75,272	-	-	3,400,000	318,175	-	-
2036	785,000	45,959	-	-	2,775,000	228,878	-	-
2037	815,000	15,509	-	-	2,840,000	152,625	-	-
2038	-	-	-	-	2,925,000	74,678	-	-
2039	-	-	-	-	975,000	1,767	-	-
	\$ 47,342,447	\$ 10,441,114	\$ 780,000	\$ 61,500	\$ 47,945,000	\$ 14,946,109	\$ 2,484,880	\$ 172,970

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 10—Long-term Obligations: (Continued)

At June 30, 2021, the City's long-term obligations consisted of the following:

Details of Long-term Obligations:

	Issued	Due Date	Rate(s)	Amount Outstanding	Current Portion
Primary Government:					
General obligation bonds:					
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	\$ 24,520,000	\$ 2,210,000
2014A General Obligation Refunding Bonds	2015	2026	2.37%	3,560,000	680,000
2014B General Obligation Refunding Bonds	2015	2028	2.55%	5,175,000	685,000
2015A General Obligation Bonds	2015	2035	2.32%	8,545,000	525,000
2016A General Obligation Bonds	2016	2037	3.8-5.125%	10,715,000	595,000
2018A General Obligation Bonds	2018	2039	3.125%-5.0%	14,285,000	570,000
2020 General Obligation Refunding Bonds	2020	2038	2.0%-5.0%	25,115,000	-
2020B General Obligation Refunding Bonds	2021	2030	1.58%	3,372,447	352,732
Total general obligation bonds				\$ 95,287,447	\$ 5,617,732
Revenue bonds:					
Virginia Resources Authority Revenue Bonds	2016	2024	3.125-5.125%	\$ 780,000	\$ 245,000
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 292,661	\$ 58,445
2015D Virginia Resources Authority Revenue Bonds				39,359	21,565
2016A General Obligation Bonds				1,292,491	160,036
2018A General Obligation Bonds				817,068	90,598
2020 General Obligation Refunding Bonds				3,226,754	378,758
Total unamortized bond premium				\$ 5,668,333	\$ 709,402
Other liabilities:					
Net pension liability				\$ 30,510,469	\$ -
Compensated absences				\$ 4,412,079	\$ 2,737,408
Capital lease	2021	2024	0.93%	\$ 459,880	\$ 151,873
Net OPEB liability				\$ 16,720,338	\$ -
Landfill post-closure costs				\$ 1,416,981	\$ 90,000
Total primary government				\$ 155,255,527	\$ 9,551,415
Component Unit School Board:					
Capital lease	2013	2028	2.0%	\$ 2,025,000	\$ 272,000
Compensated absences				\$ 1,128,183	\$ 586,655
Net pension liability				\$ 40,665,858	\$ -
Net OPEB liability				\$ 12,063,327	\$ -
Total component unit School Board				\$ 55,882,368	\$ 858,655

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 10—Long-term Obligations: (Continued)

The City's general long-term obligations are guaranteed by the full faith and credit of the City.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant bond covenants.

Conduit Debt. There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Outstanding obligations at June 30, 2021 totaled approximately \$119,237,512. The City has no responsibility for the repayment of these debt obligations.

Federal Arbitrage Regulations. The City is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

Note 11—Compensated Absences:

The City and School Board record liabilities for accrued vacation pay and other compensated absences. The following describes the City and School Board policies.

Full-time permanent employees of the City and administrative employees of the School Board are granted vacation benefits in varying amounts to specified maximums depending on tenure.

Sick leave is accrued for each permanent full-time employee of the City and administrative employees of the School Board at the rate of one day for each month of employment in the calendar year.

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Current Portion
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 4,111,578	\$ 2,493,665	\$ 2,549,178	\$ 4,056,065	\$ 2,514,760
Business-type activities	351,003	226,019	221,008	356,014	222,648
Total primary government	\$ 4,462,581	\$ 2,719,684	\$ 2,770,186	\$ 4,412,079	\$ 2,737,408
Component Unit School Board	1,259,052	523,838	654,707	1,128,183	586,655
Total	\$ 5,721,633	\$ 3,243,522	\$ 3,424,893	\$ 5,540,262	\$ 3,324,063

The General Fund is used to liquidate compensated absences, net pension liabilities and net OPEB liabilities for the City's governmental activities and the School Fund is used to liquidate the School Board's compensated absences and net OPEB liability. The enterprise funds are used to liquidate the compensated absences and net OPEB liability arising from those operations.

Note 12—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through City of Fredericksburg, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City's contractually required employer contribution rate for the year ended June 30, 2021 was 13.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,351,421 and \$3,045,310 for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 12—Pension Plan: (Continued)

Net Pension Liability

At June 30, 2021, the City reported a liability of \$30,510,469 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. In order to allocate the net pension liability to all employers included in the plan, the City is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2020 and 2019 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2020 and 2019, the City's proportion was 97.73% and 97.81%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan and the City Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 12—Pension Plan: (Continued)***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 12—Pension Plan: (Continued)***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the City Retirement Plan Net Pension Liability (Asset)	\$ 47,443,192	\$ 30,510,469	\$ 16,390,274

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$6,017,417. Since there was a change in 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.

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 716,424	\$ 779,322
Change in assumptions	1,310,485	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,522	94,543
Net difference between projected and actual earnings on pension plan investments	3,310,690	-
Employer contributions subsequent to the measurement date	3,351,421	-
Total	<u>\$ 8,780,542</u>	<u>\$ 873,865</u>

\$3,351,421 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2022	\$ 1,574,473
2023	790,603
2024	1,127,524
2025	1,062,656

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	4
Non-vested inactive members	9
Inactive members active elsewhere in VRS	4
Total inactive members	33
Active members	34
Total covered employees	67

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 3.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$38,961 and \$31,801 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position.

The Component Unit School Board's (nonprofessional) net pension liability (asset) was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 5,120,267	\$ 5,465,254	\$ (344,987)
Changes for the year:			
Service cost	\$ 131,151	\$ -	\$ 131,151
Interest	339,026	-	339,026
Differences between expected and actual experience	(75,974)	-	(75,974)
Contributions - employer	-	31,753	(31,753)
Contributions - employee	-	70,262	(70,262)
Net investment income	-	104,257	(104,257)
Benefit payments, including refunds of employee contributions	(195,309)	(195,309)	-
Administrative expenses	-	(3,563)	3,563
Other changes	-	(123)	123
Net changes	\$ 198,894	\$ 7,277	\$ 191,617
Balances at June 30, 2020	\$ 5,319,161	\$ 5,472,531	\$ (153,370)

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 406,476	\$ (153,370)	\$ (631,603)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Component Unit School Board (nonprofessional) recognized pension expense of \$69,757. At June 30, 2021, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,931	\$ 64,650
Change in assumptions	57,897	-
Net difference between projected and actual earnings on pension plan investments	163,566	-
Employer contributions subsequent to the measurement date	38,961	-
Total	\$ 295,355	\$ 64,650

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$38,961 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2022	\$ 27,149
2023	64,738
2024	47,582
2025	52,275

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,858,174 and \$3,713,243 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the school division reported a liability of \$40,665,858 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .27940% as compared to .28323% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$4,562,653. Since there was a change in 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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,383,647
Change in assumptions	2,775,955	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,628	849,748
Net difference between projected and actual earnings on pension plan investments	3,093,089	-
Employer contributions subsequent to the measurement date	3,858,174	-
Total	<u>\$ 9,738,846</u>	<u>\$ 3,233,395</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$3,858,174 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2022	\$ (192,292)
2023	838,291
2024	1,156,012
2025	913,708
2026	(68,442)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		<u>Rate</u>		
		<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$	59,665,947	\$ 40,665,858	\$ 24,950,383

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 12—Pension Plan: (Continued)

Aggregate Pension Information

VRS Pension Plans:				
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
Primary Government	\$ 8,780,542	\$ 873,865	\$ 30,510,469	\$ 6,017,417
Totals	<u>\$ 8,780,542</u>	<u>\$ 873,865</u>	<u>\$ 30,510,469</u>	<u>\$ 6,017,417</u>
Component Unit School Board				
School Board Nonprofessional	\$ 295,355	\$ 64,650	\$ (153,370)	\$ 69,575
School Board Professional	9,738,846	3,233,395	40,665,858	4,562,653
Totals	<u>\$ 10,034,201</u>	<u>\$ 3,298,045</u>	<u>\$ 40,512,488</u>	<u>\$ 4,632,228</u>

Note 13—Deferred Compensation Plan:

The City and School Board offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and School employees, permits them to defer the payment of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of the City's general creditors.

Note 14—Commitments and Contingencies:

State and Federal Programs

Federal programs in which the City and all discretely presented component units participate are audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements*, Cost Principles, and Audit Requirements for Federal Awards. Pursuant to the provisions of this code all major programs are tested for compliance with applicable grant requirements.

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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 14—Commitments and Contingencies: (Continued)

Environmental Matters

The City has been named as a potentially responsible party for a portion of the cost of possible remediation of the site of the old City gas plant. The plant was sold in 1959 and has since been sold by the purchaser to another party. In August 1995, a settlement was reached between the City and the current owner which relieved both parties from past actions and did not involve compensation to either party. However, the agreement did hold open the possibility that either party could pursue future claims against the other if third parties should seek further investigation or remediation of the site.

Counsel believes that it could face material potential liability for this site in the foreseeable future due to the continuing evolution of state and federal laws and policies regarding the remediation of Superfund sites and the liability of third parties.

Construction Commitments

At June 30, 2021, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$1,268,116 at June 30, 2021.

Note 15—Litigation:

The City has been named as defendant in various matters. It is not known what liability, if any, the City faces.

Note 16—Landfill Post-closure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to post-closure monitoring. The estimated post-closure care cost for the next five years has been recorded as a liability at June 30, 2021. The \$1,416,981 reported as landfill post-closure liability at June 30, 2021 represents the estimated liability for post-closure monitoring as well as corrective action costs. All post-closure care and monitoring cost amounts are based on what it would cost to perform all post-closure care based on 2021 costs. These may change depending on the result of monitoring activities and future laws and regulations governing landfill monitoring.

A summary of the change in this liability is as follows:

Balance at July 1, 2020	\$	1,400,178
Increase/(Decrease) in estimate		16,803
Balance at June 30, 2021	\$	<u>1,416,981</u>

The City demonstrated financial assurance requirements for closure and post-closure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 17—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia, Division of Risk Management:	
Public Officials and Law Enforcement, Excess General Liability/Legal Liability	\$ 1,000,000
City Employees - Blanket Bond	300,000
Brenda Wood, Treasurer - Blanket Bond:	
Cash and Securities	750,000
Department of Social Services - Blanket Bond	400,000
Department of Social Services - Public Officials, General Liability	1,000,000
Faithful Performance of Duty Bond:	
Treasurer (Does not include loss of City funds)	500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	3,000,000
Sheriff	30,000
Fredericksburg City School Board:	
Clerk of the School Board	10,000
Deputy Clerk of the School Board	10,000

Note 18—Self Insurance/Risk Management:

The City and School Board administer employee health and unemployment insurance programs. The health insurance programs are accounted for in the City's Health Insurance Fund and the School Fund. The unemployment programs are accounted for in the City's General Fund and School Fund.

There were no reductions in insurance coverages from the prior year, and there were no settlements in excess of insurance coverages for the last three years.

Employee Health Insurance

The City and School Board have contracted with private carriers to administer this activity. The City's Health Insurance Fund recognizes revenue from other fund charges and from agencies which participate in the City program. The interfund charges are reported as fund expenditures in the funds that have employees participating in the program. The Health Insurance Fund expenses represent claim payments to the private carrier as well as administrative and reinsurance fees.

The School Board expenditures reflect premium payments to the private carrier. The premium payments are based on the number insured and benefits. The City School Board changed its policy from a self-insured plan to a fully insured plan during fiscal year 1997.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 18—Self Insurance/Risk Management: (Continued)

The insurance carrier informed the City of the estimated benefits incurred but not reported. The City has recorded a liability in the Health Insurance Fund for these estimated benefits incurred but not reported for mature claims. In addition, the City has committed fund balance to cover the additional estimated reserves, as detailed in the following:

Internal Service Fund: Liability for estimated claims incurred but not reported	\$ 523,356
City General Fund: Committed Fund Balance for estimated reserves	<u>800,000</u>
Total	<u>\$ 1,323,356</u>

The change in aggregate liabilities for the past three fiscal years is as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims and Payments	End of Fiscal Year Liability
2019	\$ 526,779	\$ 3,898,542	\$ 3,968,228	\$ 457,093
2020	457,093	5,856,538	5,827,994	485,637
2021	485,637	5,791,210	5,753,491	523,356

Unemployment Insurance

The City and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the City and School Board for all unemployment claims. The liability for billed but unpaid claims has been accrued in the respective City and School Board funds. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

Property and Casualty Insurance

The City and School Board contract with private insurance carriers to provide coverages for property damage, employee crime and dishonesty, and general liability. The property coverages are for specific amounts based on values assigned to the insured properties. Liability coverages range from \$1,000,000 to \$10,000,000 depending on the type of coverage.

The City and School Board also contract with the Virginia Municipal League Pool and the School Systems of Virginia Self Insurance Pool, respectively, for workers compensation coverages. In the event of a loss deficit and depletion of all assets and available insurance of a pool, members may be assessed in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Primary Government were \$140,284 and \$133,135 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to School Professional Plan were \$130,100 and \$126,815 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the School Nonprofessional Plan were \$8,159 and \$7,975 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB

At June 30, 2021, the Primary Government, School Board (Professional) and School Board (Nonprofessional) reported liabilities of \$2,076,108, \$1,977,571, and \$124,328, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, School Board (Professional) and School Board (Nonprofessional)'s proportion were .11850% and .00750% respectively, as compared to .12149% and .00668% at June 30, 2019.

The City of Fredericksburg proportionate share was .12719% at June 30, 2020 compared to .12684% at June 30, 2019. However, there are other entities not reported in these financial statements which are included in the employer proportionate share. The Primary Government's proportionate share of the overall City share was 97.73% at June 30, 2020 compared to 97.622% at June 30, 2019.

For the year ended June 30, 2021, the Primary Government, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of \$79,609, \$66,038, and \$6,549, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB: (Continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		School Professional		School Nonprofessional	
	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	\$ 133,164	\$ 18,648	\$ 126,843	\$ 17,761	\$ 7,975	\$ 1,118
Net difference between projected and actual earnings on GLI OPEB program investments	62,364	-	59,404	-	3,735	-
Change in assumptions	103,829	43,350	98,901	41,293	6,218	2,596
Changes in proportionate share	18,501	20,531	4,956	60,967	9,825	868
Employer contributions subsequent to the measurement date	140,284	-	130,100	-	8,159	-
Total	\$ 458,142	\$ 82,529	\$ 420,204	\$ 120,021	\$ 35,912	\$ 4,582

\$140,284, \$130,100, and \$8,159 reported as deferred outflows of resources related to the GLI OPEB resulting from the respective Primary Government, School Board (Professional) and School Board (Nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	School Professional	School Nonprofessional
2022	\$ 31,709	\$ 20,411	\$ 3,680
2023	49,322	37,187	4,735
2024	67,933	51,389	5,698
2025	68,133	53,691	5,741
2026	16,861	7,955	2,812
Thereafter	1,371	(550)	505

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportionate share of the GLI Plan Net OPEB Liability:			
Primary Government	\$ 2,729,204	\$ 2,076,108	\$ 1,545,733
School Professional	2,599,669	1,977,571	1,472,369
School Nonprofessional	163,439	124,328	92,567

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees are governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$291,308 and \$292,279 for the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2021, the school division reported a liability of \$3,624,339 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC was .27783% as compared to .28217% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$279,213. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 48,402
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	16,062	-
Change in assumptions	71,648	19,802
Change in proportionate share	-	110,304
Employer contributions subsequent to the measurement date	<u>291,308</u>	<u>-</u>
Total	<u>\$ 379,018</u>	<u>\$ 178,508</u>

\$291,308 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (17,597)
2023	(16,005)
2024	(16,538)
2025	(14,103)
2026	(11,217)
Thereafter	(15,338)

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%
-------------------------------------------------------------------------------------------------	-------

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 20—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,057,069	\$ 3,624,339	\$ 3,256,549

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 21—Health Insurance - Pay-as-you-Go (OPEB Plan) - School Board:

Plan Description

In addition to the pension benefits described in Note 12, the School Board administers a single-employer defined benefit healthcare plan, The Fredericksburg City Public Schools OPEB Plan. Retired employees, who were employed by Fredericksburg Public Schools with at least 26 years of service, who have attained the age of 50, and who retire under the VRS plan are eligible to receive a subsidy from the post-retirement medical plan. The plan has no separate financial report.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 21—Health Insurance - Pay-as-you-Go (OPEB Plan) - School Board: (Continued)

Benefits Provided

Postemployment benefits provided to eligible retirees include Medical, Dental, and Vision. The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For participating retirees the School Board pays 75% of the premium for retirees with 26-29 years of service at the School Board and 100% of the premium for retirees with 30 or more years of service. For retirees with 26-29 years of service the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses can stay in the plan but must pay the full premium.

Plan Membership

At January 1, 2020 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	484
Total retirees and surviving spouses with coverage	<u>8</u>
Total	<u><u>492</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2021 was \$128,076.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50% to 5.35% based on years of service
Discount Rate	2.16% for accounting and funding disclosures as of June 30, 2021
	2.21% for accounting and funding disclosures as of June 30, 2020

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 21—Health Insurance - Pay-as-you-Go (OPEB Plan) - School Board: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Mortality rates for retired employees were based on RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; female's setback 1 year with 1.5% increase compounded from ages 70 to 85.

The date of the most recent actuarial experience study for which significant assumptions were based was June 30, 2016.

Discount Rate

The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates. The final equivalent single discount rate used for this year's valuation is 2.16% as of the end of the fiscal year with the expectation that the School Board will continue paying the pay-go cost.

Changes in Total OPEB Liability

Changes in Net OPEB Liability - School Board		
		Component Unit School Board Total OPEB Liability
Balances at June 30, 2020	\$	5,461,835
Changes for the year:		
Service cost		332,750
Interest		126,653
Difference between expected and actual experience		(562,964)
Changes in assumptions		1,033,472
Benefit payments		(128,076)
Net changes	\$	801,835
Balances at June 30, 2021	\$	6,263,670

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

Rate		
1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
\$ 6,834,264	\$ 6,263,670	\$ 5,724,333

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 21—Health Insurance - Pay-as-you-Go (OPEB Plan) - School Board: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70% increasing to an ultimate rate of 3.00%) or one percentage point higher (6.70% increasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.70% increasing to 3.00%)	Healthcare Cost Trend (5.70% decreasing to 4.00%)	1% Increase (6.70% decreasing to 5.00%)
\$ 5,346,901	\$ 6,263,670	\$ 7,375,826

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

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$643,879. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 487,902
Changes in assumptions	1,291,480	67,100
Total	\$ 1,291,480	\$ 555,002

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ 184,476
2023	184,476
2024	147,954
2025	62,734
2026	62,734
Thereafter	94,104

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 22—Health Insurance - (OPEB Plan) - City:

Plan Description

In addition to the pension benefits described in Note 12, the City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed before July 1, 1996, and who retire from City service with full VRS benefits (e.g. 50 years of age and 30 years of continuous service) and complete 10 years of service at the City will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the City will provide 100% supplemental insurance benefits. Individuals employed on or after July 1, 1996, and who retire from City service with full VRS benefits (e.g. 50 years of age and 30 years of continuous service) and complete 15 years of service at the City, will receive \$1.50 per month per year of service (up to a maximum of 30 years of service) towards the individual's cost of coverage. Disabled individuals must complete 5 years of service and be eligible for both VRS and Social Security disability to be eligible for these benefits. The Plan is a single-employer plan. There is not a separate, audited GAAP basis post-employment plan report.

The City participates in the Virginia OPEB Trust Fund (Trust Fund), an irrevocable trust established for the purpose of accumulating assets to fund post-employment benefits other than pension. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML), P.O. Box 12164, Richmond, Virginia, 23241.

Plan Administration

The City of Fredericksburg, Virginia administers the City of Fredericksburg, Virginia OPEB Plan (the Plan), a single-employer defined benefit plan that is used to provide post-employment benefits other than pensions (OPEB) for all employees who are eligible for retirement benefits of the City. Management of the Plan is vested in the Plan Trustees, which consists of the City Manager, City Treasurer, and a citizen of the City appointed by the City Manager and the City Treasurer.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Vision. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees.

Plan Membership

At January 1, 2020 (valuation date), the following employees were covered by the benefit terms:

Active plan members	438
Retirees and surviving spouses	159
Spouses of current retirees	14
Total	<u>611</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 22—Health Insurance - (OPEB Plan) - City: (Continued)

Contributions

The City pre-funds benefits through contributions to the trust. The current funding policy is to contribute the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed period. For FY 2021, the City contributed \$1,223,976 towards health plans.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Percentage</u>
US Core Fixed Income	21.00%
Private Equity	5.00%
Large Cap US Equities	26.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Hedge FOF Strategic	10.00%
Private Real Estate Property	7.00%
Commodities	3.00%
Total	<u>100%</u>

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return of the City's OPEB investments, net of investment expense was 30.08%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

Note 22—Health Insurance - (OPEB Plan) - City: (Continued)

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies based on years of service
Discount Rate	6.50%
Investment Rate of Return	6.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

The Long-Term Expected Rate of Return on OPEB Plan investments is 6.50%.

Discount Rate

The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year tax-exempt municipal bond yield or index rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. The final equivalent single discount rate used for this year’s valuation is 6.50% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 22—Health Insurance - (OPEB Plan) - City: (Continued)

Changes in Net OPEB Liability

Changes in Net OPEB Liability - Total City Plan			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2020	\$ 16,855,308	\$ 1,678,479	\$ 15,176,829
Changes for the year:			
Service cost	140,044	-	140,044
Interest	1,065,545	-	1,065,545
Assumption changes or inputs	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Contributions - employer	-	1,223,976	(1,223,976)
Net investment income	-	504,449	(504,449)
Administrative expenses	-	(2,401)	2,401
Benefit payments	(1,223,976)	(1,223,976)	-
Net changes	(18,387)	502,048	(520,435)
Balances at June 30, 2021	\$ 16,836,921	\$ 2,180,527	\$ 14,656,394

Note the Changes in Net OPEB Liability presented above is for the entire plan. The Primary Government's proportionate share at June 30, 2021 was 99.92% compared to 99.92% at June 30, 2020. The Primary Government's proportionate share of Net OPEB Liability at June 30, 2021 totaled \$14,644,230.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

	Rate		
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government Porportionate Share of Net OPEB Liability	\$ 16,281,069	\$ 14,644,230	\$ 13,243,933

Note 22—Health Insurance - (OPEB Plan) - City: (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.00% decreasing to an ultimate rate of 3.00% for pre-65 benefits, 4.00% decreasing to an ultimate rate of 3.00% for post-65 benefits) or one percentage point higher (6.00% decreasing to an ultimate rate of 5.00%, 6.00% decreasing to an ultimate rate of 5.00% or post-65 benefits) than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government Porportionate Share of Net OPEB Liability	\$ 12,978,546	\$ 14,644,230	\$ 16,596,108

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

For the year ended June 30, 2021, the City recognized OPEB expense in the amount of \$927,429. At June 30, 2021, the Primary Government reported deferred outflows of resources and deferred inflows of resources related to OPEB on its proportionate share from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 974,646	\$ 460,804
Changes in assumptions	297,444	1,006,126
Net difference between projected and actual earnings on OPEB plan investments	-	278,010
Total	\$ 1,272,090	\$ 1,744,940

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 22—Health Insurance - (OPEB Plan) - City: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (170,651)
2023	(140,032)
2024	(75,882)
2025	(86,285)
2026	-
Thereafter	-

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>-</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>-</u>
Active members	<u>34</u>
Total covered employees	<u><u>34</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of 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. The Fredericksburg City School Board's contractually required employer contribution rate for the year ended June 30, 2021 was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Fredericksburg City School Board to the HIC Plan were \$7,101 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net HIC OPEB Liability

The Fredericksburg City School Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - General Employees****Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	\$ -	\$ -	\$ -
Interest	-	-	-
Benefit changes	73,419	-	73,419
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	\$ 73,419	\$ -	\$ 73,419
Balances at June 30, 2020	\$ 73,419	\$ -	\$ 73,419

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 23—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Sensitivity of the Fredericksburg City School Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Fredericksburg City School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Fredericksburg City School Board's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board's			
Net HIC OPEB Liability	\$ 81,055	\$ 73,419	\$ 66,811

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the Fredericksburg City School Board recognized HIC Plan OPEB expense of \$73,419. At June 30, 2021, the Fredericksburg City School Board reported deferred outflows of resources and deferred inflows of resources related to the Fredericksburg City School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 7,101	\$ -
Total	\$ 7,101	\$ -

\$7,101 reported as deferred outflows of resources related to the HIC OPEB resulting from the Fredericksburg City School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022.

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 24—Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:

City OPEB Pension Plans				
	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Primary Government				
City OPEB Plan (Note 22)	\$ 14,644,230	\$ 1,272,090	\$ 1,744,940	\$ 927,429
Group Life - City (Note 19)	2,076,108	458,142	82,529	79,609
Total	<u>\$ 16,720,338</u>	<u>\$ 1,730,232</u>	<u>\$ 1,827,469</u>	<u>\$ 1,007,038</u>
Component Unit School Board				
School Board Pay-as-you-go (Note 21)	\$ 6,263,670	\$ 1,291,480	\$ 555,002	\$ 643,879
Nonprofessional HIC Program (Note 23)	73,419	7,101	-	73,419
Teacher HIC Program (Note 20)	3,624,339	379,018	178,508	279,213
Group Life - School Professional (Note 19)	1,977,571	420,204	120,021	66,038
Group Life - School Nonprofessional (Note 19)	124,328	35,912	4,582	6,549
Total	<u>\$ 12,063,327</u>	<u>\$ 2,133,715</u>	<u>\$ 858,113</u>	<u>\$ 1,069,098</u>

Note 25—Contributions-In-Aid of Construction:

During fiscal year 2017, the City and Stafford County, co-owners of the Rappahannock Regional Solid Waste Management Board (R-Board), each advanced \$1,175,535 to the R-Board for the purpose of closing three landfill cells and to finance the purchase of equipment. The R-Board has pledged to reimburse the City and County for the capital contributions with interest over a period of seven years. Although the intent of the R-Board is to reimburse these contributions, this amount is not shown as an asset of the City since repayment is not guaranteed. The outstanding balance of the City's advance as of June 30, 2021 is \$522,796.

Note 26—Tax Abatement Disclosures - GASB Statement No. 77:

The City of Fredericksburg at times enters into tax incentive agreements with new businesses/projects locating to the City as well as with existing City businesses expanding within the City to provide a stimulus to the City's economy. Certain areas of priority within the City have been targeted for economic development through the establishment of technology and tourism zones. New or expanding businesses locating in one of the zones and meeting the criteria may be eligible for tax incentives. Generally, the incentive agreements provide a reduction or a reimbursement of taxes paid to include business license tax, real estate tax, personal property tax, sales tax and meals tax. The level of incentives is determined based on the size of the capital investment, the number of jobs created, and other criteria to include the level of taxes generated.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 26—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Technology Zones

Virginia Code §58.1-3850 authorizes Virginia localities to establish, by ordinance, one or more technology zones for the purpose of granting incentives and providing regulatory flexibility to qualifying businesses. The Fredericksburg Technology Zone has been established and encompasses all of the land within the corporate limits, including new territory which comes within the city limits by annexation, boundary adjustment, or otherwise. The purpose of the technology zone is to attract new businesses and to encourage the expansion of existing businesses that will make a substantial investment and create new technology-related jobs for the benefit of City taxpayers, residents, and businesses. The eligibility requirements for the technology zone are as follows:

- Existing technology businesses in the City that are expanding: A minimum of five new jobs or at least a \$125,000 capital investment.
- New technology businesses locating in the City: a minimum of ten jobs or at least a \$250,000 capital investment.

An eligible technology business may be awarded tax incentives for up to ten years. The tax incentives may include, but not limited to, reduction of permit fees, reduction in user fees, and reduction of the business license tax. The extent and duration of such incentive proposals shall conform to the requirements of the Constitutions of Virginia and the United States.

The City Council may also provide for regulatory flexibility within the technology zone, which may include, but not limited to, special zoning, permit process reform, exemption from ordinances, and any other incentives adopted by the ordinance, which shall be binding upon the City for a period of up to 10 years.

For the fiscal year ended June 30, 2021, the City's tax incentives totaled \$136,919 under the technology zone program, including the following tax incentive agreements that exceeded a threshold of \$10,000:

Business/Zone/ Incentive Term/Opening Date	Performance Measures	Incentive/Cap Amount	2021 Incentive
New business locates to City 3/1/19 - 3/1/23 (5 Years) June 30, 2018	Executed lease along with complete relocation and obtain a Certificate of Occupancy by 6/30/18	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit \$ 14,658.81
Existing business remains in City 3/1/19 - 3/1/23 (5 Years) December 31, 2018	\$2,000,000 Capital Investment and Certificate of Occupancy by 12/31/18	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit \$ 122,259.91

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 26—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Tourism Zones

Virginia Code §58.1-3851 authorizes localities to establish, by ordinance, one or more tourism zones for the purpose of granting incentives and providing regulatory flexibility to qualifying businesses. The City has established three tourism zones: Eagle Village, Central Park/Celebrate Virginia South, and Downtown/Princess Anne Street. The purpose of the tourism zones is to attract new businesses and to encourage the expansion of existing businesses that will make a substantial investment and create new jobs for the benefit of City taxpayers, residents, and businesses. The eligibility requirements for the tourism zones are as follows:

Eagle Village and Central Park/Celebrate Virginia South:

- New or expanding businesses in the City must make a capital investment of at least \$500,000 or create at least 25 jobs.

Downtown/Princess Anne Street:

- Existing businesses in the City that are expanding: A minimum of five new jobs or at least a \$125,000 capital investment.
- New businesses locating in the City: A minimum of ten jobs or at least a \$250,000 capital investment.

Economic incentives may be provided for up to ten years through the performance agreement. In the case of multi-year agreements, the business shall establish its qualification for the incentives on an annual basis. The incentive value is generated from a reduction or waiver of business license tax and performance grants on tax revenue generation for meals, lodging, sales, admissions, and business personal property, as applicable.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 26—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Tourism Zones: (Continued)

For the fiscal year ended June 30, 2021, the City's tax incentives totaled \$162,649 under the tourism zones, including the following tax incentive agreements that exceeded a threshold of \$10,000:

Business/Zone/ Incentive Term/Opening Date	Performance Measures	Incentive/Cap Amount	2021 Incentive	
New business locates to City Eagle Village Tourism Zone 10 yrs. from Opening, December 13, 2014	20 FTE Jobs \$130,000/yr. in Lodging, Meals, Sales and BPOL Taxes \$11M Capital Investment	100% Reimbursement of 1% Local Sales Tax and 1% State Sales Tax \$620,000 Limit (\$310K from city)	Sales Tax	\$ 18,654
			Total	\$ 18,654
Existing business remains in City Downtown Tourism Zone 7/1/14 - 7/1/20 (6 Years) May 1, 2015	58,500 Working Hours (35 Jobs) Annual Meals/Sales Taxes of \$2,000,000/yr. \$1,800,000 Capital Investment	EDA shall award an annual performance grant of \$40,000 for five years beginning July 1, 2016 through July 1, 2020	Performance Grant	\$ 40,000
			Total	\$ 40,000
New business locates to City Downtown Tourism Zone 3/1/19 - 3/1/23 (5 Years) June 30, 2018	Executed lease along with complete relocation and obtain a Certificate of Occupancy by 6/30/2018	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit	\$ 95,733
			Total	\$ 95,733

Arts and Cultural District

In addition to the technology and tourism Zones, the City has established, under Virginia Code §15.2-1129.1, an Arts and Cultural District to attract new arts and cultural venues, support existing arts and cultural venues, and to encourage the expansion of existing venues in the downtown area. These new, existing, and expanded venues will increase the City's reputation and market presence as a regional destination for arts and cultural activities, as well as the opportunities and benefits to City residents of arts and cultural offerings.

Qualifying business include visual arts, dance, media arts, music studios, places of instruction, museums, art galleries, and various performing arts venues. Available incentives include permit fee relief and a reduction to business license tax.

Note 27—New Accounting Standards:

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note 27—New Accounting Standards: (Continued)

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 28—Debt Refunding:

On August 25, 2020 the City of Fredericksburg, Virginia issued \$3,684,000 in General Obligation Refunding Bonds with an effective interest rate of 1.58%. The bonds were issued to refund \$3,670,000 of Bonds. The bonds will be repaid in various installments from February 15, 2021 to February 15, 2030. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$7,149. The advance refunding reduced the total debt service payments over the next 19 years by \$386,020 and resulted in an economic gain of \$359,182. At June 30, 2021, the defeased bonds had balances outstanding of \$3,670,000.

Note 29—COVID-19:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

Note 29—COVID-19: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. During fiscal year 2021 the City received total CRF funding of \$2,879,888. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$631,663. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$297,784 are reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the City received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$5,391,374 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 32,900,000	\$ 32,900,000	\$ 34,275,334	\$ 1,375,334
Public service corporations	970,000	970,000	965,838	(4,162)
Personal property	9,035,000	9,035,000	9,323,356	288,356
Machinery and tools	116,000	116,000	426,761	310,761
Penalties	252,000	252,000	368,507	116,507
Interest	162,000	162,000	136,941	(25,059)
Total general property taxes	\$ 43,435,000	\$ 43,435,000	\$ 45,496,737	\$ 2,061,737
Other local taxes:				
Local sales and use taxes	\$ 11,200,000	\$ 12,643,500	\$ 13,842,064	\$ 1,198,564
Utility taxes	1,850,000	1,850,000	1,663,159	(186,841)
Business licenses and rental tax	5,932,500	5,932,500	7,082,682	1,150,182
Motor vehicle licenses	500,000	500,000	632,091	132,091
Bank stock taxes	840,000	840,000	929,913	89,913
Recordation taxes	540,000	540,000	1,024,161	484,161
Tobacco tax	600,000	600,000	553,580	(46,420)
Amusement tax	280,000	280,000	183,476	(96,524)
Hotel/lodging taxes	1,000,000	1,000,000	1,183,455	183,455
Meals taxes	9,000,000	9,570,000	11,199,108	1,629,108
Gasoline taxes	100,000	100,000	107,189	7,189
Other	90,000	90,000	82,685	(7,315)
Total other local taxes	\$ 31,932,500	\$ 33,946,000	\$ 38,483,563	\$ 4,537,563
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 759,950	\$ 759,950	\$ 785,303	\$ 25,353
Animal licenses	10,000	10,000	7,039	(2,961)
Total permits, privilege fees and licenses	\$ 769,950	\$ 769,950	\$ 792,342	\$ 22,392
Fines and forfeitures	\$ 469,500	\$ 469,500	\$ 259,516	\$ (209,984)
Revenue from use of money and property:				
Revenue from use of money	\$ 350,000	\$ 350,000	\$ 77,865	\$ (272,135)
Revenue from use of property	1,000	1,000	20,420	19,420
Total revenue from use of money and property	\$ 351,000	\$ 351,000	\$ 98,285	\$ (252,715)
Charges for services:				
Court costs	\$ 116,800	\$ 116,800	\$ 67,712	\$ (49,088)
Commonwealth's Attorney	14,000	14,000	8,084	(5,916)
Sanitation and waste removal	1,202,500	1,202,500	1,159,282	(43,218)
Parks and recreation	263,000	263,000	282,786	19,786
Planning and community development	100	100	-	(100)
Fire and rescue services	920,000	920,000	942,741	22,741
Administrative charges	155,000	155,000	110,890	(44,110)
Total charges for services	\$ 2,671,400	\$ 2,671,400	\$ 2,571,495	\$ (99,905)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Payments in-lieu of taxes	\$ 31,000	\$ 31,000	\$ 30,716	\$ (284)
Souvenir sales	5,000	5,000	13,900	8,900
Donations - parks and recreation	30,000	70,000	20,000	(50,000)
Other	21,375	92,296	185,369	93,073
Total miscellaneous	\$ 87,375	\$ 198,296	\$ 249,985	\$ 51,689
Recovered costs:				
Health department	\$ 115,000	\$ 115,000	\$ 135,577	\$ 20,577
Social services	125,000	125,000	105,638	(19,362)
Transit	125,000	125,000	125,000	-
Other	118,500	118,500	143,113	24,613
Total recovered costs	\$ 483,500	\$ 483,500	\$ 509,328	\$ 25,828
Total revenue from local sources	\$ 80,200,225	\$ 82,324,646	\$ 88,461,251	\$ 6,136,605
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Grantors tax	\$ 155,000	\$ 155,000	\$ -	\$ (155,000)
Motor vehicle rental tax	108,750	108,750	168,499	59,749
Communication sales tax	1,400,000	1,400,000	1,335,079	(64,921)
Personal property relief	1,728,800	1,728,800	1,728,833	33
Other	15,000	15,000	123,501	108,501
Total noncategorical aid	\$ 3,407,550	\$ 3,407,550	\$ 3,355,912	\$ (51,638)
Categorical aid - shared expenses:				
Commonwealth's Attorney	\$ 672,494	\$ 672,494	\$ 660,004	\$ (12,490)
Sheriff	582,019	582,019	580,976	(1,043)
Commissioner of Revenue	144,611	144,611	143,527	(1,084)
Treasurer	114,230	114,230	111,778	(2,452)
Registrar	41,500	41,500	46,775	5,275
Clerk of the Circuit Court	355,827	355,827	345,029	(10,798)
Total categorical aid - shared expenses	\$ 1,910,681	\$ 1,910,681	\$ 1,888,089	\$ (22,592)
Categorical aid - other:				
Street and highway maintenance	\$ 3,080,000	\$ 3,080,000	\$ 3,102,717	\$ 22,717
Law enforcement assistance	765,000	765,000	865,845	100,845
Wireless E-911 grants	126,000	126,000	141,408	15,408
Other	-	-	133,955	133,955
Total categorical aid - other	\$ 3,971,000	\$ 3,971,000	\$ 4,243,925	\$ 272,925
Total revenue from the Commonwealth	\$ 9,289,231	\$ 9,289,231	\$ 9,487,926	\$ 198,695

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Intergovernmental: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance - cost allocation	\$ 90,000	\$ 90,000	\$ 104,875	\$ 14,875
Total revenue from the Federal Government	\$ 90,000	\$ 90,000	\$ 104,875	\$ 14,875
Total revenues	\$ 89,579,456	\$ 91,703,877	\$ 98,054,052	\$ 6,350,175
Expenditures				
General government administration:				
Legislative:				
City Council	\$ 220,142	\$ 345,142	\$ 336,906	\$ 8,236
Clerk of Council	116,121	116,121	110,326	5,795
Total legislative	\$ 336,263	\$ 461,263	\$ 447,232	\$ 14,031
General and financial administration:				
City manager	\$ 962,025	\$ 979,534	\$ 975,533	\$ 4,001
Insurance program	961,000	951,000	797,822	153,178
Risk management	122,826	122,998	100,437	22,561
Human resources	462,220	475,882	474,377	1,505
Independent auditor	96,100	96,100	91,290	4,810
Commissioner of the revenue	1,080,075	986,144	954,712	31,432
Board of Real Estate Assessors	-	100,086	99,610	476
Equalization Board	8,000	8,000	2,136	5,864
Treasurer	878,281	879,833	832,926	46,907
Finance	812,220	797,397	739,627	57,770
Information technology	1,965,284	1,987,664	1,799,563	188,101
Public information	91,582	96,754	96,637	117
Copying and postage	25,500	20,500	13,507	6,993
Legal services	403,270	439,615	408,647	30,968
Total general and financial administration	\$ 7,868,383	\$ 7,941,507	\$ 7,386,824	\$ 554,683
Board of elections:				
Registrar and electoral board	\$ 469,533	\$ 430,568	\$ 280,300	\$ 150,268
Total general government administration	\$ 8,674,179	\$ 8,833,338	\$ 8,114,356	\$ 718,982
Judicial administration:				
Courts:				
Circuit Court	\$ 106,221	\$ 106,221	\$ 102,123	\$ 4,098
General District Court	26,300	26,300	17,294	9,006
Special magistrate	3,000	3,000	-	3,000
Juvenile and Domestic Relations District Court	20,760	20,760	15,014	5,746
Clerk of the Circuit Court	822,856	822,856	783,407	39,449
Sheriff	2,423,080	2,489,577	2,459,077	30,500
JDR services	118,274	118,274	118,274	-
Juries	30,000	30,000	19,413	10,587
Drug Court	30,000	30,000	30,000	-
Court appointed attorney	10,000	10,000	-	10,000
Total courts	\$ 3,590,491	\$ 3,656,988	\$ 3,544,602	\$ 112,386

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth Attorney:				
Commonwealth Attorney	\$ 1,538,036	\$ 1,540,622	\$ 1,406,315	\$ 134,307
Total judicial administration	\$ 5,128,527	\$ 5,197,610	\$ 4,950,917	\$ 246,693
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 8,653,046	\$ 8,835,795	\$ 8,351,291	\$ 484,504
Fire and rescue:				
Fire department	\$ 5,431,615	\$ 5,190,926	\$ 4,249,693	\$ 941,233
Rescue services	108,416	108,416	77,784	30,632
Emergency medical services	1,840,870	1,669,318	1,152,130	517,188
Hazardous materials	62,548	65,360	31,399	33,961
E-911 communications	1,466,675	1,466,981	1,424,930	42,051
Total fire and rescue	\$ 8,910,124	\$ 8,501,001	\$ 6,935,936	\$ 1,565,065
Correction and detention:				
Juvenile Detention Center	\$ 400,790	\$ 364,790	\$ 238,292	\$ 126,498
Rappahannock Security Center	3,595,162	3,570,162	3,528,306	41,856
Total correction and detention	\$ 3,995,952	\$ 3,934,952	\$ 3,766,598	\$ 168,354
Inspections:				
Building and development services	\$ 712,338	\$ 713,717	\$ 707,889	\$ 5,828
Other protection:				
Animal control	\$ 130,327	\$ 130,327	\$ 126,800	\$ 3,527
Public safety radio system	540,295	540,295	504,976	35,319
Medical Examiner	1,000	1,000	480	520
Total other protection	\$ 671,622	\$ 671,622	\$ 632,256	\$ 39,366
Total public safety	\$ 22,943,082	\$ 22,657,087	\$ 20,393,970	\$ 2,263,117
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 949,239	\$ 1,045,157	\$ 1,009,360	\$ 35,797
Street maintenance	1,238,805	1,143,356	968,500	174,856
Street lights	417,500	417,500	388,044	29,456
Snow removal	122,530	152,979	123,808	29,171
Industrial park rail spur	15,500	36,195	11,816	24,379
Traffic engineering	857,661	859,534	692,908	166,626
Shop and garage	1,249,391	1,254,655	1,238,383	16,272
Total maintenance of streets, highways, bridges and sidewalks	\$ 4,850,626	\$ 4,909,376	\$ 4,432,819	\$ 476,557

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 1,030,924	\$ 1,013,924	\$ 852,106	\$ 161,818
Urban forestry program	105,000	105,000	67,129	37,871
Refuse collection	655,900	630,900	527,291	103,609
Refuse disposal	364,150	364,150	355,694	8,456
Recycling collection	187,400	172,400	149,567	22,833
Total sanitation and waste removal	\$ 2,343,374	\$ 2,286,374	\$ 1,951,787	\$ 334,587
Maintenance of buildings and grounds:				
Public facilities	\$ 2,127,649	\$ 2,169,914	\$ 2,062,055	\$ 107,859
Courthouse maintenance	337,734	379,234	337,307	41,927
Commuter rail	115,100	93,600	38,346	55,254
Total maintenance of buildings and grounds	\$ 2,580,483	\$ 2,642,748	\$ 2,437,708	\$ 205,040
Total public works	\$ 9,774,483	\$ 9,838,498	\$ 8,822,314	\$ 1,016,184
Health and welfare:				
Health:				
Supplement to local health department	\$ 414,280	\$ 414,280	\$ 414,280	\$ -
Mental health and mental retardation:				
Rappahannock Area Community Services Board	\$ 286,306	\$ 286,306	\$ 286,306	\$ -
Social services:				
Other contributions	\$ 378,831	\$ 378,831	\$ 376,831	\$ 2,000
Total health and welfare	\$ 1,079,417	\$ 1,079,417	\$ 1,077,417	\$ 2,000
Education:				
Community colleges	\$ 34,291	\$ 34,291	\$ 34,291	\$ -
Appropriations to public school system	28,899,266	28,899,266	28,899,266	-
Total education	\$ 28,933,557	\$ 28,933,557	\$ 28,933,557	\$ -
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 634,214	\$ 634,559	\$ 549,501	\$ 85,058
Supervision	616,673	608,673	490,401	118,272
Maintenance	1,363,116	1,411,467	1,260,765	150,702
Motts Run	103,537	132,609	85,387	47,222
Dixon Park swimming pool	155,998	168,013	94,372	73,641
Total parks and recreation	\$ 2,873,538	\$ 2,955,321	\$ 2,480,426	\$ 474,895
Library:				
Regional library	\$ 1,363,835	\$ 1,363,835	\$ 1,363,835	\$ -
Downtown library	232,250	232,250	185,109	47,141
Total library	\$ 1,596,085	\$ 1,596,085	\$ 1,548,944	\$ 47,141
Cultural:				
Museums	\$ 85,000	\$ 100,000	\$ 100,000	\$ -
Total parks, recreation and cultural	\$ 4,554,623	\$ 4,651,406	\$ 4,129,370	\$ 522,036

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Community development:				
Planning and community development:				
Planning	\$ 714,861	\$ 704,723	\$ 614,947	\$ 89,776
Zoning Appeals Board	1,100	1,100	690	410
Transportation division	162,789	157,789	123,838	33,951
Community development	149,266	149,266	149,266	-
Historic resources	87,395	103,567	103,468	99
Clean and Green Commission	6,400	6,400	973	5,427
Economic development and tourism	1,100,752	1,256,971	1,130,863	126,108
Total planning and community development	\$ 2,222,563	\$ 2,379,816	\$ 2,124,045	\$ 255,771
Environmental management:				
Soil and water conservation district	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total community development	\$ 2,224,563	\$ 2,381,816	\$ 2,126,045	\$ 255,771
Total expenditures	\$ 83,312,431	\$ 83,572,729	\$ 78,547,946	\$ 5,024,783
Excess (deficiency) of revenues over expenditures	\$ 6,267,025	\$ 8,131,148	\$ 19,506,106	\$ 11,374,958
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	\$ 37,000	\$ 37,000	\$ 11,378	\$ (25,622)
Issuance of bonds	150,000	150,000	-	(150,000)
Transfers in	630,000	630,000	630,000	-
Transfers out	(10,569,064)	(13,052,564)	(13,052,564)	-
Total other financing sources (uses)	\$ (9,752,064)	\$ (12,235,564)	\$ (12,411,186)	\$ (175,622)
Net change in fund balance	\$ (3,485,039)	\$ (4,104,416)	\$ 7,094,920	\$ 11,199,336
Fund balance, beginning of year	3,485,039	4,104,416	27,836,403	23,731,987
Fund balance, end of year	\$ -	\$ -	\$ 34,931,323	\$ 34,931,323

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Budgetary Comparison Schedule
COVID-19 Relief Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 82	\$ 82
Revenue from the Federal Government:				
Noncategorical aid:				
Coronavirus Relief Fund (CRF)	\$ -	\$ 4,781,848	\$ 4,781,849	\$ 1
Categorical aid:				
Election assistance	\$ -	\$ 55,919	\$ 51,302	\$ (4,617)
DOJ emergency supplemental funding	-	52,612	2,612	(50,000)
Community development block grants	-	321,168	131,941	(189,227)
Total revenue from the Federal Government	\$ -	\$ 5,211,547	\$ 4,967,704	\$ (243,843)
Total revenues	\$ -	\$ 5,211,547	\$ 4,967,786	\$ (243,761)
Expenditures				
General government administration:				
City manager CARES	\$ -	\$ 40,473	\$ 40,473	\$ -
Election assistance CARES	-	55,919	51,385	4,534
Human resources CARES	-	50,770	50,769	1
Assessors CARES	-	52,934	52,934	-
Information technology CARES	-	641,941	639,256	2,685
Risk management CARES	-	39,957	39,957	-
Public information officer CARES	-	372	372	-
Total general government administration	\$ -	\$ 882,366	\$ 875,146	\$ 7,220
Judicial administration:				
Clerk of Circuit Court CARES	\$ -	\$ 2,573	\$ 741	\$ 1,832
Total judicial administration	\$ -	\$ 2,573	\$ 741	\$ 1,832
Public safety:				
Sheriff CARES	\$ -	\$ 246,792	\$ 246,791	\$ 1
Police CARES	-	275,321	275,321	-
Byrne JAG CARES	-	52,612	2,612	50,000
Fire department CARES	-	1,296,250	1,296,249	1
EMS CARES	-	782,943	782,941	2
Total public safety	\$ -	\$ 2,653,918	\$ 2,603,914	\$ 50,004
Public works:				
Facilities CARES	\$ -	\$ 343,087	\$ 338,274	\$ 4,813
General engineering and administration CARES	-	3,230	3,230	-
Total public works	\$ -	\$ 346,317	\$ 341,504	\$ 4,813
Health and welfare:				
Social services CARES	\$ -	\$ 42,522	\$ 42,522	\$ -
Individual assistance grants	-	400,000	400,000	-
Total health and welfare	\$ -	\$ 442,522	\$ 442,522	\$ -
Parks, recreation and cultural:				
Parks supervision CARES	\$ -	\$ 12,683	\$ 12,682	\$ 1
Total parks, recreation, and cultural	\$ -	\$ 12,683	\$ 12,682	\$ 1
Community development:				
Economic development CARES	\$ -	\$ 550,000	\$ 549,919	\$ 81
CDBG CARES	-	321,168	131,941	189,227
Total community development	\$ -	\$ 871,168	\$ 681,860	\$ 189,308
Total expenditures	\$ -	\$ 5,211,547	\$ 4,958,369	\$ 253,178
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 9,417	\$ 9,417
Net change in fund balance	\$ -	\$ -	\$ 9,417	\$ 9,417
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 9,417	\$ 9,417

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Employer's Proportionate Share of the Net Pension Liability
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
2021	97.73% \$	30,510,469 \$	25,561,127	119.36%	78.41%
2019	97.81%	26,169,703	24,262,627	107.86%	81.10%
2018	97.62%	20,408,343	24,252,928	84.15%	84.19%
2017	97.82%	19,534,142	23,232,269	84.08%	84.23%
2016	97.29%	26,367,292	22,977,066	114.75%	78.31%
2015	96.83%	20,719,184	22,635,550	91.53%	82.01%
2014	96.57%	22,917,333	21,420,920	106.99%	79.85%
Component Unit School Board (professional)					
2020	0.2794% \$	40,665,858 \$	24,356,562	166.96%	71.47%
2019	0.2832%	37,274,678	23,815,635	156.51%	73.51%
2018	0.2877%	33,837,000	23,210,637	145.78%	74.81%
2017	0.2887%	35,499,000	22,743,104	156.09%	72.92%
2016	0.2894%	40,555,000	22,065,166	183.80%	68.28%
2015	0.2883%	36,284,000	21,447,563	169.18%	70.68%
2014	0.2730%	32,995,000	19,966,621	165.25%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 131,151	\$ 120,840	\$ 124,345	\$ 133,150	\$ 125,309	\$ 130,660	\$ 132,328
Interest	339,026	319,835	309,215	303,206	283,678	273,318	255,208
Changes of assumptions	-	128,935	-	(96,351)	-	-	-
Differences between expected and actual experience	(75,974)	77,789	(51,746)	(62,000)	(17,054)	(143,981)	-
Benefit payments	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Net change in total pension liability	\$ 198,894	\$ 454,984	\$ 114,040	\$ 161,439	\$ 282,587	\$ 145,346	\$ 244,549
Total pension liability - beginning	5,120,267	4,665,283	4,551,243	4,389,804	4,107,217	3,961,871	3,717,322
Total pension liability - ending (a)	\$ 5,319,161	\$ 5,120,267	\$ 4,665,283	\$ 4,551,243	\$ 4,389,804	\$ 4,107,217	\$ 3,961,871
Plan fiduciary net position							
Contributions - employer	\$ 31,753	\$ 29,680	\$ 48,893	\$ 50,600	\$ 85,248	\$ 84,468	\$ 76,354
Contributions - employee	70,262	61,523	60,950	62,163	60,997	60,507	59,538
Net investment income	104,257	346,765	364,338	549,409	79,053	191,424	567,330
Benefit payments	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Administrator charges	(3,563)	(3,455)	(3,213)	(3,117)	(2,671)	(2,558)	(3,030)
Other	(123)	(218)	(324)	(491)	(33)	(41)	30
Net change in plan fiduciary net position	\$ 7,277	\$ 241,880	\$ 202,870	\$ 541,998	\$ 113,248	\$ 219,149	\$ 557,235
Plan fiduciary net position - beginning	5,465,254	5,223,374	5,020,504	4,478,506	4,365,258	4,146,109	3,588,874
Plan fiduciary net position - ending (b)	\$ 5,472,531	\$ 5,465,254	\$ 5,223,374	\$ 5,020,504	\$ 4,478,506	\$ 4,365,258	\$ 4,146,109
School Division's net pension liability(asset) - ending (a) - (b)	\$ (153,370)	\$ (344,987)	\$ (558,091)	\$ (469,261)	\$ (88,702)	\$ (258,041)	\$ (184,238)
Plan fiduciary net position as a percentage of the total pension liability	102.88%	106.74%	111.96%	110.31%	102.02%	106.28%	104.65%
Covered payroll	\$ 1,527,529	\$ 1,309,930	\$ 1,285,885	\$ 1,284,705	\$ 1,249,950	\$ 1,235,088	\$ 1,191,588
School Division's net pension liability as a percentage of covered payroll	10.04%	26.34%	43.40%	36.53%	7.10%	20.89%	15.46%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Pension

Pension Plans

Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 3,351,421	\$ 3,351,421	\$ -	\$ 25,927,730	12.93%
2020	3,045,310	3,045,310	-	25,561,127	11.91%
2019	2,921,413	2,921,413	-	24,262,627	12.04%
2018	2,983,944	2,983,944	-	24,252,928	12.30%
2017	2,915,650	2,915,650	-	23,232,269	12.55%
2016	3,662,544	3,662,544	-	22,977,066	15.94%
2015	3,608,107	3,608,107	-	22,635,550	15.94%
2014	3,138,165	3,138,165	-	21,420,920	14.65%
2013	3,070,145	3,070,145	-	20,956,620	14.65%
2012	2,193,209	2,193,209	-	20,307,488	10.80%
Component Unit School Board (nonprofessional)					
2021	\$ 38,961	\$ 38,961	\$ -	\$ 1,510,953	2.58%
2020	31,801	31,801	-	1,527,529	2.08%
2019	30,068	30,068	-	1,309,930	2.30%
2018	49,268	49,268	-	1,285,885	3.83%
2017	53,315	53,315	-	1,284,705	4.15%
2016	86,747	86,747	-	1,249,950	6.94%
2015	85,715	85,715	-	1,235,088	6.94%
2014	86,152	86,152	-	1,191,588	7.23%
2013	84,302	84,302	-	1,166,004	7.23%
2012	49,855	49,855	-	1,105,427	4.51%
Component Unit School Board (professional)					
2021	\$ 3,858,174	\$ 3,858,174	\$ -	\$ 24,075,035	16.03%
2020	3,713,243	3,713,243	-	24,356,562	15.25%
2019	3,628,291	3,628,291	-	23,815,635	15.23%
2018	3,717,961	3,717,961	-	23,210,637	16.02%
2017	3,334,139	3,334,139	-	22,743,104	14.66%
2016	3,100,340	3,100,340	-	22,065,166	14.05%
2015	3,526,396	3,526,396	-	21,447,563	16.44%

Schedule is intended to show information for 10 years. Information for the School Board (professional) plan prior to 2015 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - Pension
Pension Plans
Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of City of Fredericksburg, Virginia's Share of Net OPEB Liability
Group Life Insurance Program (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2020	0.12719% \$	2,076,108 \$	25,602,618	8.11%	52.64%
2019	0.12684%	2,014,936	24,262,627	8.30%	52.00%
2018	0.12771%	1,896,690	24,284,801	7.81%	51.22%
2017	0.12611%	1,856,586	23,262,335	7.98%	48.86%
Component Unit School Board (nonprofessional)					
2020	0.00745% \$	124,328 \$	1,533,662	8.11%	52.64%
2019	0.00668%	108,701	1,309,930	8.30%	52.00%
2018	0.00676%	102,000	1,285,885	7.93%	51.22%
2017	0.00697%	105,000	1,284,705	8.17%	48.86%
Component Unit School Board (professional)					
2020	0.11850% \$	1,977,571 \$	24,387,548	8.11%	52.64%
2019	0.12149%	1,976,966	23,815,635	8.30%	52.00%
2018	0.12232%	1,857,000	23,258,958	7.98%	51.22%
2017	0.12382%	1,863,000	22,839,725	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program (GLI) Plan
 Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 140,284	\$ 140,284	\$ -	\$ 26,242,152	0.54%
2020	133,135	133,135	-	25,602,618	0.52%
2019	125,933	125,933	-	24,262,627	0.52%
2018	126,281	126,281	-	24,284,801	0.52%
2017	120,964	120,964	-	23,262,335	0.52%
2016	110,329	110,329	-	22,985,223	0.48%
2015	108,783	108,783	-	22,663,195	0.48%
2014	102,914	102,914	-	21,440,512	0.48%
2013	100,705	100,705	-	20,980,105	0.48%
2012	56,861	56,861	-	20,307,488	0.28%
Component Unit School Board (nonprofessional)					
2021	\$ 8,159	\$ 8,159	\$ -	\$ 1,510,953	0.54%
2020	7,975	7,975	-	1,533,662	0.52%
2019	6,812	6,812	-	1,309,930	0.52%
2018	6,687	6,687	-	1,285,885	0.52%
2017	6,680	6,680	-	1,284,705	0.52%
2016	6,011	6,011	-	1,252,322	0.48%
2015	5,928	5,928	-	1,235,088	0.48%
2014	5,753	5,753	-	1,198,497	0.48%
2013	5,597	5,597	-	1,166,004	0.48%
2012	3,095	3,095	-	1,105,427	0.28%
Component Unit School Board (professional)					
2021	\$ 130,100	\$ 130,100	\$ -	\$ 24,092,530	0.54%
2020	126,815	126,815	-	24,387,548	0.52%
2019	123,841	123,841	-	23,815,635	0.52%
2018	120,947	120,947	-	23,258,958	0.52%
2017	118,767	118,767	-	22,839,725	0.52%
2016	106,165	106,165	-	22,117,662	0.48%
2015	103,319	103,319	-	21,524,745	0.48%
2014	96,002	96,002	-	20,000,385	0.48%
2013	92,567	92,567	-	19,284,823	0.48%
2012	51,457	51,457	-	18,381,005	0.28%

Notes to Required Supplementary Information
Group Life Insurance Program (GLI) Plan
Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Fredericksburg School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2020	0.27783% \$	3,624,339 \$	24,356,562	14.88%	9.95%
2019	0.28217%	3,693,880	23,667,736	15.61%	8.97%
2018	0.28700%	3,644,000	23,210,637	15.70%	8.08%
2017	0.28813%	3,655,000	22,738,901	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.
However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
Years Ended June 30, 2012 through June 30, 2021

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2021	\$ 291,308	\$ 291,308	\$ -	\$ 24,075,035	1.21%
2020	292,279	292,279	-	24,356,562	1.20%
2019	284,013	284,013	-	23,667,736	1.20%
2018	285,491	285,491	-	23,210,637	1.23%
2017	252,402	252,402	-	22,738,901	1.11%
2016	233,891	233,891	-	22,065,166	1.06%
2015	227,198	227,198	-	21,433,776	1.06%
2014	221,629	221,629	-	19,966,618	1.11%
2013	214,040	214,040	-	19,282,895	1.11%
2012	110,273	110,273	-	18,378,751	0.60%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 332,750	\$ 270,826	\$ 245,838	\$ 254,662
Interest	126,653	168,418	167,749	148,443
Changes in assumptions	1,033,472	544,980	174,653	(166,508)
Differences between expected and actual experience	(562,964)		-	-
Benefit payments	(128,076)	(125,897)	(145,591)	(123,551)
Net change in total OPEB liability	\$ 801,835	\$ 858,327	\$ 442,649	\$ 113,046
Total OPEB liability - beginning	5,461,835	4,603,508	4,160,859	4,047,813
Total OPEB liability - ending	<u>\$ 6,263,670</u>	<u>\$ 5,461,835</u>	<u>\$ 4,603,508</u>	<u>\$ 4,160,859</u>
 Covered-employee payroll	 \$ 25,675,085	 \$ 27,400,642	 \$ 27,400,642	 \$ 27,400,642
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 24.40%	 19.93%	 16.80%	 15.19%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Component Unit School Board Pay-As-You-Go OPEB Plan
Year Ended June 30, 2021

Valuation Date: 1/1/2020
Measurement Date: 6/30/2021

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.16% as of June 30, 2021 and 2.21% as of June 30, 2020
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.70% and gradually increases to 4.00% by the year 2073
Salary Increase Rates	3.50% to 5.35% based on years of service
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Schedule of Changes in the City's Net OPEB Liability and Related Ratios
Years Ended June 30, 2017 through June 30, 2021

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 140,044	\$ 148,383	\$ 135,927	\$ 127,035	\$ 199,978
Interest	1,065,545	1,159,458	1,088,555	1,081,522	1,163,246
Effect of Economic/Demographic Gains or Losses	-	1,475,690	-	(1,432,111)	-
Changes in assumptions	-	(1,523,352)	744,226	-	-
Benefit payments	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Net change in total OPEB liability	\$ (18,387)	\$ 42,136	\$ 846,890	\$ (1,335,861)	\$ 421,336
Total OPEB liability - beginning	16,855,308	16,813,172	15,966,282	17,302,143	16,880,807
Total OPEB liability - ending (a)	\$ 16,836,921	\$ 16,855,308	\$ 16,813,172	\$ 15,966,282	\$ 17,302,143
Plan fiduciary net position					
Contributions - employer	\$ 1,223,976	\$ 1,218,043	\$ 1,328,208	\$ 1,112,307	\$ 1,053,888
Net investment income	504,449	49,851	74,635	118,262	128,315
Benefit payments	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Administrative expense	(2,401)	(2,313)	(2,009)	(1,857)	(1,347)
Net change in plan fiduciary net position	\$ 502,048	\$ 47,538	\$ 279,016	\$ 116,405	\$ 238,968
Plan fiduciary net position - beginning	1,678,479	1,630,941	1,351,925	1,235,520	996,552
Plan fiduciary net position - ending (b)	\$ 2,180,527	\$ 1,678,479	\$ 1,630,941	\$ 1,351,925	\$ 1,235,520
City's net OPEB liability - ending (a) - (b)	\$ 14,656,394	\$ 15,176,829	\$ 15,182,231	\$ 14,614,357	\$ 16,066,623
Plan fiduciary net position as a percentage of the total OPEB liability	12.95%	9.96%	9.70%	8.47%	7.14%
Covered payroll	\$ 24,140,303	\$ 24,140,303	\$ 23,337,048	\$ 23,337,048	\$ 22,344,600
City's net OPEB liability as a percentage of covered payroll	60.71%	62.87%	65.06%	62.62%	71.90%

This schedule is intended to show information for 10 years. While 2017 is the first year for this presentation, additional years will be included as they become available.

Schedule of Employer Contributions - OPEB
 Years Ended June 30, 2016 through June 30, 2021

Date	Actuarially Determined Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2021	\$ 1,056,781	\$ 1,223,976	\$ (167,195)	\$ 24,140,303	5.07%
2020	1,115,988	1,218,043	(102,055)	24,140,303	5.05%
2019	1,074,816	1,328,208	(253,392)	23,337,048	5.69%
2018	1,035,412	1,112,307	(76,895)	23,337,048	4.77%
2017	1,195,200	1,053,900	141,300	22,344,600	4.72%
2016	1,148,800	1,888,000	(739,200)	22,344,600	8.45%

Notes to Schedule

Valuation date: January 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Amortization period	25 years
Asset valuation method	Market Value
Inflation	2.50%
Healthcare cost trend rates	5.00% gradually decreasing to an ultimate rate of 4.00% by 2074
Salary increases	Varies based on years of service
Investment rate of return	6.50%
Retirement age	Varies based on service
Mortality	RP-2014 mortality tables

This schedule is intended to show information for 10 years. While 2016 is the first year for this presentation, additional years will be included as they become available.

Schedule of Investment Returns
 Years Ended June 30, 2016 through June 30, 2021

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	30.08%	3.06%	5.14%	9.58%	12.78%

This schedule is intended to show information for 10 years. While 2017 is the first year for this presentation, additional years will be included as they become available.

Schedule of Changes in the Fredericksburg City School Board's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Date of June 30, 2020

	2020
Total HIC OPEB Liability	
Service cost	\$ -
Interest	-
Changes in benefit terms	73,419
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
Net change in total HIC OPEB liability	\$ 73,419
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	\$ 73,419
Plan fiduciary net position	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	-
Administrator charges	-
Other	-
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
CCT/ABC's net HIC OPEB liability - ending (a) - (b)	\$ 73,419
Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%
Covered payroll	\$ 1,533,662
CCT/ABC's net HIC OPEB liability as a percentage of covered payroll	4.79%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2020 through June 30, 2021

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2021	\$ 7,101	\$ 7,101	\$ -	\$ 1,510,953	0.47%
2020	-	-	-	1,533,662	0.00%

Schedule is intended to show information for 10 years. The locality started participating in the plan in 2020. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2021

	Special Revenue	Capital Projects	Debt Service	Total
Assets:				
Cash and cash equivalents	\$ 3,769,722	\$ 8,902,019	\$ 1,863,147	\$ 14,534,888
Receivables:				
Property taxes	24,580	-	-	24,580
Accrued revenue	42,984	70,474	-	113,458
Prepaid items	4,662	-	-	4,662
Due from other governments	1,005,328	2,125	-	1,007,453
Total assets	<u>\$ 4,847,276</u>	<u>\$ 8,974,618</u>	<u>\$ 1,863,147</u>	<u>\$ 15,685,041</u>
Liabilities:				
Accounts payable	\$ 501,200	\$ 207,901	\$ 700	\$ 709,801
Accrued liabilities	244,718	-	-	244,718
Unearned revenue	30,500	-	-	30,500
Total liabilities	<u>\$ 776,418</u>	<u>\$ 207,901</u>	<u>\$ 700</u>	<u>\$ 985,019</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	<u>\$ 18,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,363</u>
Fund Balances:				
Nonspendable	\$ 4,662	\$ -	\$ -	\$ 4,662
Restricted	95,250	-	-	95,250
Committed	3,952,583	1,270,880	1,862,447	7,085,910
Assigned	-	7,495,837	-	7,495,837
Total fund balances	<u>\$ 4,052,495</u>	<u>\$ 8,766,717</u>	<u>\$ 1,862,447</u>	<u>\$ 14,681,659</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,847,276</u>	<u>\$ 8,974,618</u>	<u>\$ 1,863,147</u>	<u>\$ 15,685,041</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue	Capital Projects	Debt Service	Total
Revenues				
General property taxes	\$ 892,502	\$ -	\$ -	\$ 892,502
Other local taxes	131,848	-	-	131,848
Permits, privilege fees and regulatory licenses	44,110	-	-	44,110
Fines and forfeitures	1,470	-	-	1,470
Use of money and property	100,111	148,837	-	248,948
Charges for services	17,025	22,170	-	39,195
Miscellaneous	498,262	-	279,397	777,659
Recovered costs	374,032	19,190	-	393,222
Intergovernmental:				
Revenue from the Commonwealth	3,763,019	51,141	-	3,814,160
Revenue from the Federal Government	3,271,885	-	-	3,271,885
Total revenues	\$ 9,094,264	\$ 241,338	\$ 279,397	\$ 9,614,999
Expenditures				
Current:				
Judicial administration	\$ 234,631	\$ -	\$ -	\$ 234,631
Public safety	341,129	-	-	341,129
Public works	607,074	-	-	607,074
Health and welfare	8,212,214	-	-	8,212,214
Parks, recreation and cultural	68,342	-	-	68,342
Community development	1,605,468	-	-	1,605,468
Capital projects	-	1,688,404	-	1,688,404
Debt service:				
Principal payments	-	-	3,914,017	3,914,017
Interest and fiscal charges	-	-	2,940,767	2,940,767
Total expenditures	\$ 11,068,858	\$ 1,688,404	\$ 6,854,784	\$ 19,612,046
Excess (deficiency) of revenues over (under) expenditures	\$ (1,974,594)	\$ (1,447,066)	\$ (6,575,387)	\$ (9,997,047)
Other financing sources (uses)				
Capital lease issuance	\$ -	\$ -	\$ 4,500	\$ 4,500
Transfers in	2,912,976	1,059,549	6,542,534	10,515,059
Transfers out	(289,188)	-	-	(289,188)
Total other financing sources (uses)	\$ 2,623,788	\$ 1,059,549	\$ 6,547,034	\$ 10,230,371
Net change in fund balance	\$ 649,194	\$ (387,517)	\$ (28,353)	\$ 233,324
Fund balances, beginning of year	3,403,301	9,154,234	1,890,800	14,448,335
Fund balances, end of year	\$ 4,052,495	\$ 8,766,717	\$ 1,862,447	\$ 14,681,659

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2021

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Children's Services Act Fund	Central Park Special Tax District Fund	Stormwater Management Fund	Forfeited Asset Sharing Program Fund	Fredericksburg Opportunity Fund	Multi Purpose Stadium Fund	Blight Abatement Fund	Total
Assets:										
Cash and cash equivalents	\$ 345,923	\$ 1,112,760	\$ 862,242	\$ 35,611	\$ 441,046	\$ 213,074	\$ 449,036	\$ 91,078	\$ 218,952	\$ 3,769,722
Receivables:										
Property taxes	-	-	-	-	24,580	-	-	-	-	24,580
Accrued revenue	34,126	8,142	716	-	-	-	-	-	-	42,984
Prepaid items	-	4,662	-	-	-	-	-	-	-	4,662
Due from other governments	506,004	178,292	321,032	-	-	-	-	-	-	1,005,328
Total assets	\$ 886,053	\$ 1,303,856	\$ 1,183,990	\$ 35,611	\$ 465,626	\$ 213,074	\$ 449,036	\$ 91,078	\$ 218,952	\$ 4,847,276
Liabilities:										
Accounts payable	\$ 33,717	\$ 147,153	\$ 195,759	\$ -	\$ 12,212	\$ 13,625	\$ 9,784	\$ 87,500	\$ 1,450	\$ 501,200
Accrued liabilities	112,838	14,049	2,871	-	33,256	81,704	-	-	-	244,718
Unearned revenue	10,500	20,000	-	-	-	-	-	-	-	30,500
Total liabilities	\$ 157,055	\$ 181,202	\$ 198,630	\$ -	\$ 45,468	\$ 95,329	\$ 9,784	\$ 87,500	\$ 1,450	\$ 776,418
Deferred Inflows of Resources:										
Unavailable revenue - property taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,363	\$ -	\$ -	\$ -	\$ -	\$ 18,363
Fund Balances:										
Nonspendable	\$ -	\$ 4,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,662
Restricted	-	95,250	-	-	-	-	-	-	-	95,250
Committed	728,998	1,022,742	985,360	35,611	401,795	117,745	439,252	3,578	217,502	3,952,583
Total fund balances	\$ 728,998	\$ 1,122,654	\$ 985,360	\$ 35,611	\$ 401,795	\$ 117,745	\$ 439,252	\$ 3,578	\$ 217,502	\$ 4,052,495
Total liabilities, deferred inflows of resources and fund balances	\$ 886,053	\$ 1,303,856	\$ 1,183,990	\$ 35,611	\$ 465,626	\$ 213,074	\$ 449,036	\$ 91,078	\$ 218,952	\$ 4,847,276

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2021

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Children's Services Act Fund	Central Park Special Tax District Fund	Stormwater Management Fund	Forfeited Asset Sharing Program Fund	Fredericksburg Opportunity Fund	Multi Purpose Stadium Fund	Blight Abatement Fund	Total
Revenues										
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 850,945	\$ -	\$ -	\$ 41,557	\$ -	\$ 892,502
Other local taxes	-	-	-	-	-	-	-	131,848	-	131,848
Permits, privilege fees and regulatory licenses	-	20,080	-	-	24,030	-	-	-	-	44,110
Fines and forfeitures	-	1,470	-	-	-	-	-	-	-	1,470
Use of money and property	-	45	-	-	-	66	-	100,000	-	100,111
Charges for services	-	17,025	-	-	-	-	-	-	-	17,025
Miscellaneous	146	98,116	-	-	-	-	400,000	-	-	498,262
Recovered costs	57,661	155,242	-	-	52,565	-	-	105,000	3,564	374,032
Intergovernmental:										
Revenue from the Commonwealth	1,786,233	346,854	1,599,411	-	-	30,521	-	-	-	3,763,019
Revenue from the Federal Government	2,794,862	400,115	76,908	-	-	-	-	-	-	3,271,885
Total revenues	\$ 4,638,902	\$ 1,038,947	\$ 1,676,319	\$ -	\$ 927,540	\$ 30,587	\$ 400,000	\$ 378,405	\$ 3,564	\$ 9,094,264
Expenditures										
Judicial administration	\$ -	\$ 234,195	\$ -	\$ -	\$ -	\$ 436	\$ -	\$ -	\$ -	\$ 234,631
Public safety	-	281,078	-	-	-	60,051	-	-	-	341,129
Public works	-	3,135	-	-	597,826	-	-	-	6,113	607,074
Health and welfare	5,560,196	-	2,652,018	-	-	-	-	-	-	8,212,214
Parks, recreation and cultural	-	68,342	-	-	-	-	-	-	-	68,342
Community development	-	528,720	-	-	-	-	21,748	1,055,000	-	1,605,468
Total expenditures	\$ 5,560,196	\$ 1,115,470	\$ 2,652,018	\$ -	\$ 597,826	\$ 60,487	\$ 21,748	\$ 1,055,000	\$ 6,113	\$ 11,068,858
Excess (deficiency) of revenues over (under) expenditures	\$ (921,294)	\$ (76,523)	\$ (975,699)	\$ -	\$ 329,714	\$ (29,900)	\$ 378,252	\$ (676,595)	\$ (2,549)	\$ (1,974,594)
Other financing sources (uses)										
Transfers in	\$ 920,976	\$ 247,000	\$ 1,175,000	\$ -	\$ -	\$ -	\$ -	\$ 570,000	\$ -	\$ 2,912,976
Transfers out	-	-	-	(139,188)	(150,000)	-	-	-	-	(289,188)
Total other financing sources (uses)	\$ 920,976	\$ 247,000	\$ 1,175,000	\$ (139,188)	\$ (150,000)	\$ -	\$ -	\$ 570,000	\$ -	\$ 2,623,788
Net change in fund balance	\$ (318)	\$ 170,477	\$ 199,301	\$ (139,188)	\$ 179,714	\$ (29,900)	\$ 378,252	\$ (106,595)	\$ (2,549)	\$ 649,194
Fund balances, beginning of year	729,316	952,177	786,059	174,799	222,081	147,645	61,000	110,173	220,051	3,403,301
Fund balances, end of year	\$ 728,998	\$ 1,122,654	\$ 985,360	\$ 35,611	\$ 401,795	\$ 117,745	\$ 439,252	\$ 3,578	\$ 217,502	\$ 4,052,495

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2021

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Assets:				
Cash and cash equivalents	\$ 6,732,297	\$ 1,109,995	\$ 1,059,727	\$ 8,902,019
Accrued revenue	34,180	34,180	2,114	70,474
Due from other governments	2,125	-	-	2,125
Total assets	<u>\$ 6,768,602</u>	<u>\$ 1,144,175</u>	<u>\$ 1,061,841</u>	<u>\$ 8,974,618</u>
Liabilities:				
Accounts payable	\$ 207,901	\$ -	\$ -	\$ 207,901
Total liabilities	<u>\$ 207,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,901</u>
Fund Balances:				
Fund Balance:				
Committed	\$ 1,128,767	\$ 142,113	\$ -	\$ 1,270,880
Assigned	5,431,934	1,002,062	1,061,841	7,495,837
Total fund balances	<u>\$ 6,560,701</u>	<u>\$ 1,144,175</u>	<u>\$ 1,061,841</u>	<u>\$ 8,766,717</u>
Total liabilities and fund balances	<u>\$ 6,768,602</u>	<u>\$ 1,144,175</u>	<u>\$ 1,061,841</u>	<u>\$ 8,974,618</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2021

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Revenues				
Use of money and property	\$ 119,545	\$ 29,292	\$ -	\$ 148,837
Charges for services	-	-	22,170	22,170
Recovered costs	-	19,190	-	19,190
Intergovernmental:				
Revenue from the Commonwealth	2,125	49,016		51,141
Total revenues	\$ 121,670	\$ 97,498	\$ 22,170	\$ 241,338
Expenditures				
Capital projects	\$ 713,881	\$ 974,523	\$ -	\$ 1,688,404
Excess (deficiency) of revenues over (under) expenditures	\$ (592,211)	\$ (877,025)	\$ 22,170	\$ (1,447,066)
Other financing sources (uses)				
Transfers in	\$ 667,300	\$ 392,249	\$ -	\$ 1,059,549
Total other financing sources (uses)	\$ 667,300	\$ 392,249	\$ -	\$ 1,059,549
Net change in fund balance	\$ 75,089	\$ (484,776)	\$ 22,170	\$ (387,517)
Fund balances, beginning of year	6,485,612	1,628,951	1,039,671	9,154,234
Fund balances, end of year	\$ 6,560,701	\$ 1,144,175	\$ 1,061,841	\$ 8,766,717

Combining Balance Sheet
 Nonmajor Debt Service Funds
 At June 30, 2021

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Assets:			
Cash and cash equivalents	\$ <u>459,289</u>	\$ <u>1,403,858</u>	\$ <u>1,863,147</u>
Liabilities:			
Accounts payable	\$ <u>700</u>	\$ <u>-</u>	\$ <u>700</u>
Total liabilities	\$ <u>700</u>	\$ <u>-</u>	\$ <u>700</u>
Fund Balances:			
Committed	\$ <u>458,589</u>	\$ <u>1,403,858</u>	\$ <u>1,862,447</u>
Total fund balances	\$ <u>458,589</u>	\$ <u>1,403,858</u>	\$ <u>1,862,447</u>
Total liabilities and fund balances	\$ <u>459,289</u>	\$ <u>1,403,858</u>	\$ <u>1,863,147</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2021

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Revenues			
Miscellaneous	\$ 279,397	\$ -	\$ 279,397
Expenditures			
Debt service:			
Principal	\$ 1,414,017	\$ 2,500,000	\$ 3,914,017
Interest and fiscal charges	1,240,747	1,700,020	2,940,767
Total expenditures	\$ 2,654,764	\$ 4,200,020	\$ 6,854,784
Excess (deficiency) of revenues over (under) expenditures	\$ (2,375,367)	\$ (4,200,020)	\$ (6,575,387)
Other financing sources (uses)			
Capital lease issuance	\$ 4,500	\$ -	\$ 4,500
Transfers in	2,477,421	4,065,113	6,542,534
Total other financing sources (uses)	\$ 2,481,921	\$ 4,065,113	\$ 6,547,034
Net change in fund balance	\$ 106,554	\$ (134,907)	\$ (28,353)
Fund balances, beginning of year	352,035	1,538,765	1,890,800
Fund balances, end of year	\$ 458,589	\$ 1,403,858	\$ 1,862,447

Combining Statement of Fiduciary Net Position
Custodial Funds
At June 30, 2021

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Assets:							
Cash and cash equivalents	\$ 500,253	\$ 23,563	\$ 164,832	\$ 379,607	\$ 20,451	\$ 831,108	\$ 1,919,814
Accounts receivable	872	45	18,408	84,238	-	-	103,563
Prepaid items	18,440	-	-	31,652	-	-	50,092
Pension asset	-	-	-	234,621	-	-	234,621
Capital assets net of accumulated depreciation	1,919,171	-	-	457,415	-	-	2,376,586
Total assets	\$ 2,438,736	\$ 23,608	\$ 183,240	\$ 1,187,533	\$ 20,451	\$ 831,108	\$ 4,684,676
Deferred Outflows of Resources:							
Pension related items	\$ 163,217	\$ -	\$ 15,852	\$ 40,316	\$ -	\$ -	\$ 219,385
OPEB related items	8,458	-	841	9,092	-	-	18,391
Total deferred outflows of resources	\$ 171,675	\$ -	\$ 16,693	\$ 49,408	\$ -	\$ -	\$ 237,776
Liabilities:							
Accounts payable	\$ 10,634	\$ -	\$ 2,203	\$ 55,967	\$ -	\$ -	\$ 68,804
Accrued liabilities	116,458	-	5,342	68,466	-	-	190,266
Unearned revenue	2,000	-	-	-	-	-	2,000
Notes payable	566,039	-	-	-	-	-	566,039
Net OPEB liability	37,994	-	3,821	44,558	-	-	86,373
Net pension liability	574,432	-	56,194	-	-	-	630,626
Amounts held for others	-	-	-	-	-	831,108	831,108
Total liabilities	\$ 1,307,557	\$ -	\$ 67,560	\$ 168,991	\$ -	\$ 831,108	\$ 2,375,216
Deferred Inflows of Resources:							
Pension related items	\$ 16,390	\$ -	\$ 2,235	\$ 14,973	\$ -	\$ -	\$ 33,598
OPEB related items	1,510	-	151	3,225	-	-	4,886
Total deferred inflows of resources	\$ 17,900	\$ -	\$ 2,386	\$ 18,198	\$ -	\$ -	\$ 38,484
Net Position:							
Net position restricted for individuals and organizations	\$ 1,284,954	\$ 23,608	\$ 129,987	\$ 1,049,752	\$ 20,451	\$ -	\$ 2,508,752

Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2021

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Additions:							
Contributions:							
Contributions	\$ -	\$ -	\$ 221,690	\$ 966,613	\$ -	\$ -	\$ 1,188,303
Miscellaneous	<u>1,241,043</u>	<u>16,428</u>	<u>-</u>	<u>16,783</u>	<u>-</u>	<u>1,715,737</u>	<u>2,989,991</u>
Total additions	\$ <u>1,241,043</u>	\$ <u>16,428</u>	\$ <u>221,690</u>	\$ <u>983,396</u>	\$ <u>-</u>	\$ <u>1,715,737</u>	\$ <u>4,178,294</u>
Deductions:							
Other charges	\$ <u>1,219,296</u>	\$ <u>8,015</u>	\$ <u>206,399</u>	\$ <u>1,193,947</u>	\$ <u>-</u>	\$ <u>1,715,737</u>	\$ <u>4,343,394</u>
Total deductions	\$ <u>1,219,296</u>	\$ <u>8,015</u>	\$ <u>206,399</u>	\$ <u>1,193,947</u>	\$ <u>-</u>	\$ <u>1,715,737</u>	\$ <u>4,343,394</u>
Net increase (decrease) in plan assets	\$ 21,747	\$ 8,413	\$ 15,291	\$ (210,551)	\$ -	\$ -	\$ (165,100)
Net position:							
Balance, beginning of year, as restated	<u>1,263,207</u>	<u>15,195</u>	<u>114,696</u>	<u>1,260,303</u>	<u>20,451</u>	<u>-</u>	<u>2,673,852</u>
Balance, end of year	\$ <u><u>1,284,954</u></u>	\$ <u><u>23,608</u></u>	\$ <u><u>129,987</u></u>	\$ <u><u>1,049,752</u></u>	\$ <u><u>20,451</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,508,752</u></u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 146	\$ 146
Recovered costs	\$ 57,680	\$ 57,680	\$ 57,661	\$ (19)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 2,363,196	\$ 2,363,196	\$ 1,786,233	\$ (576,963)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 2,988,887	\$ 2,988,887	\$ 2,794,862	\$ (194,025)
Total revenues	\$ 5,409,763	\$ 5,409,763	\$ 4,638,902	\$ (770,861)
Expenditures				
Health and welfare	\$ 6,469,127	\$ 6,469,127	\$ 5,560,196	\$ 908,931
State, Federal and Local Grants Fund				
Revenues				
Permits and other licenses	\$ 11,500	\$ 11,500	\$ 20,080	\$ 8,580
Fines and forfeitures	\$ -	\$ -	\$ 1,470	\$ 1,470
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 45	\$ 45
Miscellaneous	\$ 100,500	\$ 112,069	\$ 98,116	\$ (13,953)
Charges for services:				
Court costs	\$ 20,000	\$ 20,000	\$ 16,900	\$ (3,100)
Parks and recreation fees	-	-	125	125
Total charges for services	\$ 20,000	\$ 20,000	\$ 17,025	\$ (2,975)
Recovered costs:				
Stafford and Spotsylvania Counties	\$ 140,000	\$ 140,000	\$ 140,000	\$ -
Other	15,000	15,000	15,242	242
Total recovered costs	\$ 155,000	\$ 155,000	\$ 155,242	\$ 242
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Hazardous materials grant	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
DCJS recruitment and retention	-	43,034	43,034	-
Four-for-life	-	-	70,476	70,476
Fire services program	84,061	84,061	92,554	8,493
VA domestic violence victim fund	45,000	45,000	45,000	-
Victim-witness program	33,500	33,500	32,749	(751)
Other	57,180	63,035	33,041	(29,994)
Total revenue from the Commonwealth	\$ 249,741	\$ 298,630	\$ 346,854	\$ 48,224
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 123,000	\$ 268,497	\$ 157,594	\$ (110,903)
Historic preservation grant	-	-	12,082	12,082
Community development block grants	379,013	379,013	230,439	(148,574)
Total revenue from the Federal Government	\$ 502,013	\$ 647,510	\$ 400,115	\$ (247,395)
Total revenues	\$ 1,038,754	\$ 1,244,709	\$ 1,038,947	\$ (205,762)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
State, Federal and Local Grants Fund: (continued)				
Expenditures				
Judicial administration:				
Victim-witness program	\$ 177,363	\$ 177,363	\$ 157,654	\$ 19,709
Domestic violence victim fund grant	78,843	78,843	61,819	17,024
Records preservation program	28,000	42,722	14,722	28,000
Total judicial administration	\$ 284,206	\$ 298,928	\$ 234,195	\$ 64,733
Public safety:				
Hazardous materials response program	\$ 29,922	\$ 60,427	\$ 17,795	\$ 42,632
Fire services program	84,061	133,438	32,535	100,903
Fire department donations	-	1,215	1,002	213
Four-for-life grant	-	70,476	70,476	-
PSAP grants	3,000	38,950	15,464	23,486
LEMPG	10,680	10,680	10,483	197
ICAC grant	10,000	7,000	-	7,000
Community projects	-	24,579	15,544	9,035
Crime prevention	-	1,036	-	1,036
Radiological emergency preparedness	-	3,500	3,500	-
E-summons	20,000	66,170	26,105	40,065
Prisoner extradition	15,000	31,549	12,254	19,295
DCJS recruitment and retention	-	43,034	-	43,034
State homeland security grant	-	158,804	59,484	99,320
Virtual support grant	-	2,000	1,076	924
DMV grants	23,000	23,000	15,360	7,640
Total public safety	\$ 195,663	\$ 675,858	\$ 281,078	\$ 394,780
Public works:				
Emerald ash program	\$ -	\$ 3,625	\$ 3,135	\$ 490
Urban forestry restitution	-	5,500	-	5,500
Total public works	\$ -	\$ 9,125	\$ 3,135	\$ 5,990
Parks, recreation and cultural:				
Spirit camp programs	\$ -	\$ 32,260	\$ 2,483	\$ 29,777
Farmers' market	8,580	28,118	28,118	-
Midnight madness	9,500	21,854	-	21,854
Fredericksburg Arts Commission	30,500	59,878	18,242	41,636
Other	2,000	119,149	19,499	99,650
Total parks, recreation and cultural	\$ 50,580	\$ 261,259	\$ 68,342	\$ 192,917
Community development:				
Community development block grant	\$ 350,656	\$ 360,172	\$ 220,624	\$ 139,548
Low income housing program	-	95,250	-	95,250
DHR archaeological grant	30,000	30,000	24,768	5,232
Regional consumer marketing	313,000	313,000	191,078	121,922
Regional group tourism	150,000	150,000	50,098	99,902
United Way special events	30,000	31,697	31,697	-
Other	28,500	140,096	10,455	129,641
Total community development	\$ 902,156	\$ 1,120,215	\$ 528,720	\$ 591,495
Total expenditures	\$ 1,432,605	\$ 2,365,385	\$ 1,115,470	\$ 1,249,915

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
Children's Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act grants	\$ 2,445,158	\$ 2,445,158	\$ 1,599,411	\$ (845,747)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 34,650	\$ 34,650	\$ 76,908	\$ 42,258
Total revenues	\$ 2,479,808	\$ 2,479,808	\$ 1,676,319	\$ (803,489)
Expenditures				
Health and Welfare:				
Children's Services Act program	\$ 3,897,914	\$ 3,897,914	\$ 2,652,018	\$ 1,245,896
Stormwater Management Fund				
Revenues				
General property taxes	\$ 818,505	\$ 818,505	\$ 850,945	\$ 32,440
Permits and other licenses	\$ 45,000	\$ 45,000	\$ 24,030	\$ (20,970)
Recovered costs	\$ -	\$ -	\$ 52,565	\$ 52,565
Total revenues	\$ 863,505	\$ 863,505	\$ 927,540	\$ 64,035
Expenditures				
Public works:				
Drainage	\$ 419,808	\$ 424,142	\$ 329,207	\$ 94,935
VSMP administration	293,697	307,448	268,619	38,829
Total expenditures	\$ 713,505	\$ 731,590	\$ 597,826	\$ 133,764
Blight Abatement Fund				
Revenues				
Recovered costs	\$ 20,000	\$ 20,000	\$ 3,564	\$ (16,436)
Total revenues	\$ 20,000	\$ 20,000	\$ 3,564	\$ (16,436)
Expenditures				
Public works:				
Blight abatement	\$ 95,000	\$ 95,000	\$ 6,113	\$ 88,887
Forfeited Asset Sharing Program Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 66	\$ 66
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited asset sharing program	\$ -	\$ 14,642	\$ 30,521	\$ 15,879
Total revenues	\$ -	\$ 14,642	\$ 30,587	\$ 15,945

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Forfeited Asset Sharing Program Fund: (Continued)				
Expenditures				
Judicial administration:				
Forfeited asset sharing program	\$ -	\$ 29,500	\$ 436	\$ 29,064
Public safety:				
Forfeited asset sharing program	\$ -	\$ 91,491	\$ 60,051	\$ 31,440
Total expenditures	\$ -	\$ 120,991	\$ 60,487	\$ 60,504
Fredericksburg Opportunity Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 400,000	\$ 400,000
Expenditures				
Community development:				
Trail feasibility	\$ -	\$ -	\$ 21,748	\$ (21,748)
Total expenditures	\$ -	\$ -	\$ 21,748	\$ (21,748)
Multi Purpose Stadium Fund				
Revenues				
General property taxes	\$ 300,000	\$ 50,000	\$ 41,557	\$ (8,443)
Other local taxes:				
Local sales and use taxes	\$ 50,000	\$ 20,000	\$ 21,315	\$ 1,315
Business licenses and rental tax	50,000	-	386	386
Amusement tax	200,000	30,000	38,559	8,559
Meals taxes	250,000	70,000	71,588	1,588
Total other local taxes	\$ 550,000	\$ 120,000	\$ 131,848	\$ 11,848
Revenue from use of money and property:				
Use of property	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Recovered costs	\$ 100,000	\$ 100,000	\$ 105,000	\$ 5,000
Charges for services	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total revenues	\$ 1,055,000	\$ 375,000	\$ 378,405	\$ 3,405
Expenditures				
Community development	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ -
Capital Projects Funds				
Public Works Capital Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 500,000	\$ 500,000	\$ 50,000	\$ (450,000)
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Revenue from use of money and property:				
Use of money	\$ 44,200	\$ 44,200	\$ 38,014	\$ (6,186)
Recovered costs	\$ 178,800	\$ 178,800	\$ 438,860	\$ 260,060
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grants	\$ -	\$ 4,342,000	\$ 397,121	\$ (3,944,879)
Total revenues	\$ 725,000	\$ 5,067,000	\$ 923,995	\$ (4,143,005)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (Continued)				
Public Works Capital Fund: (Continued)				
Expenditures				
Capital projects:				
Annual pavement rehabilitation	\$ 850,000	\$ 1,143,000	\$ 447,121	\$ 695,879
Downtown streetscape renovation	-	2,550,000	-	2,550,000
Historic district improvements	-	100,000	-	100,000
Culvert repair	150,000	150,000	-	150,000
Rolling stock	470,000	470,000	455,380	14,620
Historic assets	-	60,000	-	60,000
Riverfront Park	-	2,993,100	2,803,571	189,529
Rappahannock Canal repairs	-	53,000	-	53,000
Stormwater management plan	-	32,062	6,938	25,124
Learning Lane storm sewer	200,000	1,278,000	-	1,278,000
Fall Hill Avenue/Noble Way signal	-	61,177	-	61,177
Fall Hill Avenue street lights	-	250,000	-	250,000
Fall Hill Avenue sidewalks	-	175,000	3,072	171,928
Route 3 signal optimization	-	417,000	-	417,000
Pond D retrofit	200,000	200,000	-	200,000
Idlewild pathway improvements	30,000	30,000	-	30,000
Lafayette Boulevard pedestrian safety	-	600,000	-	600,000
George and Princess Anne pedestrian signal	-	350,000	-	350,000
William Street stormwater	-	665,500	-	665,500
School bus parking	-	520,000	520,000	-
Pedestrian bridges rehab	196,000	256,000	-	256,000
Traffic signal conversion	-	495,000	-	495,000
VCR Trail bridge	-	419,325	-	419,325
College Terrace storm sewer	-	131,223	670	130,553
Salt storage facility	-	72,012	6,559	65,453
Gateway Boulevard extension	12,000,000	12,000,000	-	12,000,000
Total capital projects expenditures	\$ 14,096,000	\$ 25,471,399	\$ 4,243,311	\$ 21,228,088
Public Facilities Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 36,991	\$ 36,991
Use of property	-	-	82,554	82,554
Total revenue from use of money and property	\$ -	\$ -	\$ 119,545	\$ 119,545
Intergovernmental:				
Revenue from the Commonwealth:				
VITA NG911 implementation	\$ 1,186,250	\$ 1,186,250	\$ 2,125	\$ (1,184,125)
Total revenues	\$ 1,186,250	\$ 1,186,250	\$ 121,670	\$ (1,064,580)
Expenditures				
Capital projects:				
NG911 implementation	\$ 1,186,250	\$ 1,263,252	\$ 50,397	\$ 1,212,855
Parks alum springs ADA ramp	100,000	100,000	2,982	97,018
Computer equipment replacement	391,300	590,200	336,195	254,005
Executive Plaza building	-	3,353,306	138,138	3,215,168
IT cybersecurity	47,500	47,500	-	47,500
Fiberoptic network expansion	-	70,563	10,615	59,948
Parks ADA accessibility	-	84,400	-	84,400
Doris E Buffett pool improvements	-	45,994	56,104	(10,110)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Facilities Capital Fund: (Continued)				
Old town hall museum	-	20,046	-	20,046
ERP implementation	-	444,404	50,589	393,815
Parks plan development	-	-	2,000	(2,000)
Area plan updates	-	64,109	23,361	40,748
Parks general maintenance	128,500	128,500	43,500	85,000
Dixon Park inline skating	-	9,003	-	9,003
IT resilience	-	11,798	-	11,798
Total capital projects expenditures	\$ 1,853,550	\$ 6,233,075	\$ 713,881	\$ 5,519,194
Public Safety Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 29,292	\$ 29,292
Recovered costs	\$ -	\$ -	\$ 19,190	\$ 19,190
Intergovernmental:				
Revenue from the Commonwealth:				
Public safety grants	\$ -	\$ -	\$ 49,016	\$ 49,016
Total revenues	\$ -	\$ -	\$ 97,498	\$ 97,498
Expenditures				
Capital projects:				
Fire equipment	\$ -	\$ 675,000	\$ 670,112	\$ 4,888
Animal shelter	92,223	116,120	92,223	23,897
Emergency medical vehicles	-	1,551	1,044	507
SCBA replacement	50,000	50,000	59,140	(9,140)
Police department radio system	137,329	137,329	-	137,329
Fire station one rehab	-	50,000	53,000	(3,000)
Police camera system	112,697	118,693	99,004	19,689
Total capital projects expenditures	\$ 392,249	\$ 1,148,693	\$ 974,523	\$ 174,170
New Court Capital Fund				
Revenues				
Charges for services:				
Courthouse construction fees	\$ -	\$ -	\$ 22,170	\$ 22,170
Expenditures				
Capital projects:				
Renwick courthouse redevelopment	\$ 175,000	\$ 175,000	\$ -	\$ 175,000
Total capital projects expenditures	\$ 175,000	\$ 175,000	\$ -	\$ 175,000
Debt Service Funds				
General Obligation Bond Debt Service Fund				
Revenues				
Miscellaneous	\$ 279,396	\$ 279,396	\$ 279,397	\$ 1
Expenditures				
Principal and interest	\$ 2,648,738	\$ 2,648,738	\$ 2,654,764	\$ (6,026)
Education Debt Service Fund				
Expenditures				
Principal and interest	\$ 4,065,113	\$ 4,065,113	\$ 4,200,020	\$ (134,907)

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
Combining Balance Sheet
At June 30, 2021

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 7,038,465	\$ 318,600	\$ 2,365,518	\$ 429,602	\$ 10,152,185
Accrued revenue	926	6,291	-	7,247	14,464
Due from other governments	645,401	1,492,320	-	-	2,137,721
					-
Prepaid items	563,964	58,107	-	495	622,566
Total assets	\$ 8,248,756	\$ 1,875,318	\$ 2,365,518	\$ 437,344	\$ 12,926,936
Liabilities:					
Accounts payable	\$ 865,615	\$ 490,958	\$ 13,995	\$ 6,898	\$ 1,377,466
Accrued liabilities	2,160,525	256,398	-	-	2,416,923
Due to primary government	260,000				260,000
Total liabilities	\$ 3,286,140	\$ 747,356	\$ 13,995	\$ 6,898	\$ 4,054,389
Fund Balances:					
Nonspendable:					
Prepaid items	\$ 563,964	\$ 58,107	\$ -	\$ 495	\$ 622,566
Restricted:					
School activities	-	-	-	429,951	429,951
Committed:					
Grant related expenditures	-	1,069,855	-	-	1,069,855
Capital projects	-	-	334,901	-	334,901
Subsequent year's expenditures	509,103	-	-	-	509,103
Assigned:					
Capital projects	-	-	2,016,622	-	2,016,622
Debt service	300,000	-	-	-	300,000
Unassigned	3,589,549	-	-	-	3,589,549
Total fund balances	\$ 4,962,616	\$ 1,127,962	\$ 2,351,523	\$ 430,446	\$ 8,872,547
Total liabilities and fund balances	\$ 8,248,756	\$ 1,875,318	\$ 2,365,518	\$ 437,344	\$ 12,926,936

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2021

Total fund balances for governmental funds (Exhibit 44)	\$	8,872,547
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	472,679	
Construction in progress		330,374	
Land improvements, net of accumulated depreciation		467,512	
Buildings and improvements, net of accumulated depreciation		25,245,645	
Machinery, equipment, and vehicles, net of accumulated depreciation		<u>2,981,041</u>	29,497,251

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Net pension asset	153,370
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	10,034,201	
OPEB related items		<u>2,133,715</u>	12,167,916

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Capital lease	\$	(2,025,000)	
Net OPEB liability		(12,063,327)	
Net pension liability		(40,665,858)	
Compensated absences		<u>(1,128,183)</u>	(55,882,368)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(3,298,045)	
OPEB related items		<u>(858,113)</u>	(4,156,158)

Total net position of governmental activities (Exhibits 1 and 12)	\$	<u>(9,347,442)</u>
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Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Revenues					
Use of money and property	\$ -	\$ -	\$ -	\$ 503	\$ 503
Charges for services	53,043	18,311	-	-	71,354
Miscellaneous	58,148	288,877	-	158,916	505,941
Recovered costs	119,629	16,750	172,729	-	309,108
Intergovernmental:					
Appropriation from primary government	28,899,266	-	-	-	28,899,266
Revenue from the Commonwealth	18,487,075	340,131	-	-	18,827,206
Revenue from the Federal Government	-	6,914,411	-	-	6,914,411
Total revenues	\$ 47,617,161	\$ 7,578,480	\$ 172,729	\$ 159,419	\$ 55,527,789
Expenditures					
Current:					
Education:					
Instruction	\$ 32,710,483	\$ 5,344,535	\$ -	\$ 194,119	\$ 38,249,137
Administration, attendance and health	5,410,369	-	-	-	5,410,369
Transportation	1,757,945	-	-	-	1,757,945
Facilities operations	3,793,546	-	-	-	3,793,546
Technology	1,725,859	125,480	-	-	1,851,339
School food service operations	35,416	1,781,778	-	-	1,817,194
Capital projects	-	-	392,664	-	392,664
Debt service:					
Principal	266,000	-	-	-	266,000
Interest	46,049	-	-	-	46,049
Total expenditures	\$ 45,745,667	\$ 7,251,793	\$ 392,664	\$ 194,119	\$ 53,584,243
Excess (deficiency) of revenues over (under) expenditures	\$ 1,871,494	\$ 326,687	\$ (219,935)	\$ (34,700)	\$ 1,943,546
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Transfers out	(1,000,000)	-	-	-	(1,000,000)
Total other financing sources (uses)	\$ (1,000,000)	\$ -	\$ 1,000,000	\$ -	\$ -
Net change in fund balance	\$ 871,494	\$ 326,687	\$ 780,065	\$ (34,700)	\$ 1,943,546
Fund balances, beginning of year, as restated	4,091,122	801,275	1,571,458	465,146	6,929,001
Fund balances, end of year	\$ 4,962,616	\$ 1,127,962	\$ 2,351,523	\$ 430,446	\$ 8,872,547

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds (Exhibit 46) \$ 1,943,546

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 exceeded capital outlays in the current period. (708,427)

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board 1,601,019

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt:

Capital lease 266,000

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Pension expense	(738,239)
OPEB expense	(504,039)
Compensated absences	130,869

Change in net position of governmental activities (Exhibit 12)	\$ <u>1,990,729</u>
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Component Unit School Board
 School Operating Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	\$ 1,200	\$ 1,200	\$ -	\$ (1,200)
Charges for services:				
Charges for education	\$ 163,000	\$ 78,944	\$ 53,043	\$ (25,901)
Miscellaneous	\$ 79,800	\$ 91,599	\$ 58,148	\$ (33,451)
Recovered costs:				
Education	\$ 25,000	\$ 134,000	\$ 119,629	\$ (14,371)
Intergovernmental:				
Appropriation from primary government	\$ 28,899,266	\$ 28,899,266	\$ 28,899,266	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 3,545,711	\$ 4,787,541	\$ 4,787,539	\$ (2)
Basic aid	7,773,382	7,291,706	7,324,618	32,912
Other	5,707,711	6,431,994	6,374,918	(57,076)
Total revenue from the Commonwealth	\$ 17,026,804	\$ 18,511,241	\$ 18,487,075	\$ (24,166)
Total revenues	\$ 46,195,070	\$ 47,716,250	\$ 47,617,161	\$ (99,089)
Expenditures				
Current:				
Education:				
Instruction	\$ 34,752,143	\$ 33,719,886	\$ 32,710,483	\$ 1,009,403
Administration, attendance and health	4,324,398	5,901,221	5,410,369	490,852
Transportation	2,015,518	1,955,310	1,757,945	197,365
School food service operations	125,000	56,625	35,416	21,209
Facilities operations	4,258,906	4,000,417	3,793,546	206,871
Technology	1,909,105	1,770,741	1,725,859	44,882
Debt service:				
Principal	266,000	266,000	266,000	-
Interest and fiscal charges	44,000	46,050	46,049	1
Total expenditures	\$ 47,695,070	\$ 47,716,250	\$ 45,745,667	\$ 1,970,583
Excess (deficiency) of revenues over (under) expenditures	\$ (1,500,000)	\$ -	\$ 1,871,494	\$ 1,871,494
Other financing sources (uses)				
Transfers out	\$ -	\$ -	\$ (1,000,000)	\$ (1,000,000)
Total other financing sources (uses)	\$ -	\$ -	\$ (1,000,000)	\$ (1,000,000)
Net change in fund balance	\$ (1,500,000)	\$ -	\$ 871,494	\$ 871,494
Fund balance, beginning of year	1,500,000	-	4,091,122	4,091,122
Fund balance, end of year	\$ -	\$ -	\$ 4,962,616	\$ 4,962,616

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
Special School Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special School Fund				
Revenues				
Charges for services:				
Cafeteria sales	\$ 208,000	\$ 18,312	\$ 18,311	\$ (1)
Miscellaneous	\$ 220,000	\$ 288,878	\$ 288,877	\$ (1)
Recovered costs:				
Education	\$ 27,000	\$ 16,750	\$ 16,750	\$ -
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 45,000	\$ 7,431	\$ 33,509	\$ 26,078
Preschool initiative grant	168,187	-	-	-
Special educational regional	-	154,643	154,642	(1)
VPSA technology grant	154,000	125,480	125,480	-
Other	26,000	26,500	26,500	-
Total revenue from the Commonwealth	\$ 393,187	\$ 314,054	\$ 340,131	\$ 26,077
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 1,098,585	\$ 1,234,472	\$ 1,138,253	\$ (96,219)
School food	1,550,614	2,320,702	2,294,622	(26,080)
Head Start	1,119,060	1,119,060	1,282,348	163,288
CARES grants	-	4,812,729	1,125,114	(3,687,615)
Special education IDEA	661,221	918,388	610,888	(307,500)
Other	318,610	832,708	463,186	(369,522)
Total revenue from the Federal Government	\$ 4,748,090	\$ 11,238,059	\$ 6,914,411	\$ (4,323,648)
Total revenues	\$ 5,596,277	\$ 11,876,053	\$ 7,578,480	\$ (4,297,573)
Expenditures				
Current:				
Education:				
Instruction	\$ 3,638,663	\$ 9,875,998	\$ 5,344,535	\$ 4,531,463
Technology	154,000	128,000	125,480	2,520
School food service operations	1,803,614	1,872,055	1,781,778	90,277
Total expenditures	\$ 5,596,277	\$ 11,876,053	\$ 7,251,793	\$ 4,624,260
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 326,687	\$ 326,687
Net change in fund balance	\$ -	\$ -	\$ 326,687	\$ 326,687
Fund balance, beginning of year	-	-	801,275	801,275
Fund balance, end of year	\$ -	\$ -	\$ 1,127,962	\$ 1,127,962

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
 School Capital Projects Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Capital Projects Fund				
Revenues				
Recovered costs:				
Education	\$ -	\$ -	\$ 172,729	\$ 172,729
Expenditures				
Capital projects:				
School buses	\$ -	\$ 277,101	\$ -	\$ 277,101
School computer technology	350,000	302,290	262,602	39,688
Hugh Mercer improvements	150,000	131,162	120,662	10,500
School maintenance equipment	100,000	-	-	-
Other	50,000	86,700	9,400	77,300
Total expenditures	\$ 650,000	\$ 797,253	\$ 392,664	\$ 404,589
Excess (deficiency) of revenues over (under) expenditures	\$ (650,000)	\$ (797,253)	\$ (219,935)	\$ 577,318
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Total other financing sources (uses)	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Net change in fund balance	\$ (650,000)	\$ (797,253)	\$ 780,065	\$ 1,577,318
Fund balance, beginning of year	650,000	797,253	1,571,458	774,205
Fund balance, end of year	\$ -	\$ -	\$ 2,351,523	\$ 2,351,523

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.

1 - 5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

6 - 9

Debt Capacity

These tables 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 debt in the future.

10 - 14

Demographic and Economic Information

These tables 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 and with other governments.

15, 16

Operating Information

These tables 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.

17 - 19

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 FREDERICKSBURG, VIRGINIA

Table 1

Net Position by Component
Last Ten Fiscal Years
(*accrual basis of accounting*)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Invested in capital assets, net of related debt	\$ 80,274,520	\$ 81,353,678	\$ 84,961,559	\$ 88,179,245	\$ 85,329,030	\$ 88,860,358	\$ 86,992,126	\$ 108,060,205	\$ 105,893,642	\$ 102,350,630
Unrestricted	27,061,221	31,143,089	30,874,128	6,205,397	9,448,661	8,241,949	(301,359)	9,020,303	8,683,354	17,339,394
Total governmental activities net position	\$ 107,335,741	\$ 112,496,767	\$ 115,835,687	\$ 94,384,642	\$ 94,777,691	\$ 97,102,307	\$ 86,690,767	\$ 117,080,508	\$ 114,576,996	\$ 119,690,024
Business-type activities:										
Invested in capital assets, net of related debt	\$ 40,307,710	\$ 44,809,475	\$ 47,687,656	\$ 47,153,509	\$ 44,280,931	\$ 44,971,811	\$ 45,749,607	\$ 49,954,998	\$ 50,390,865	\$ 51,050,119
Unrestricted	17,161,279	16,705,512	17,779,917	17,046,024	21,962,726	23,631,467	23,572,937	26,567,206	29,472,402	30,462,752
Total business-type activities net position	\$ 57,468,989	\$ 61,514,987	\$ 65,467,573	\$ 64,199,533	\$ 66,243,657	\$ 68,603,278	\$ 69,322,544	\$ 76,522,204	\$ 79,863,267	\$ 81,512,871
Primary government:										
Net investment in capital assets	\$ 120,582,230	\$ 126,163,153	\$ 132,649,215	\$ 132,649,215	\$ 135,332,754	\$ 133,832,169	\$ 132,741,733	\$ 158,015,203	\$ 156,284,507	\$ 153,400,749
Unrestricted	44,222,500	47,848,601	48,654,045	48,654,045	23,251,421	31,873,416	23,271,578	35,587,509	38,155,756	47,802,146
Total primary government net position	\$ 164,804,730	\$ 174,011,754	\$ 181,303,260	\$ 181,303,260	\$ 158,584,175	\$ 165,705,585	\$ 156,013,311	\$ 193,602,712	\$ 194,440,263	\$ 201,202,895

Note: The City implemented GASB Statement No. 68 beginning with fiscal year 2015. Details of the City's pension plan can be found in Note 12. The City also implemented GASB Statement No. 75 effective for fiscal year 2018. Information on the City's other post-employment benefits is located in Notes 19 and 22.

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 5,833,003	\$ 6,889,501	\$ 6,397,126	\$ 6,285,041	\$ 6,866,241	\$ 7,065,308	\$ 7,073,403	\$ 7,341,468	\$ 8,931,608	\$ 9,733,301
Judicial administration	3,879,790	4,341,611	4,392,902	4,478,163	5,566,392	5,700,242	5,566,589	5,560,113	6,366,793	6,393,909
Public safety	19,316,975	19,579,277	20,623,797	20,645,685	21,630,457	22,472,125	22,748,234	21,708,879	25,420,296	25,683,080
Public works	10,898,437	11,584,108	12,681,384	13,162,173	12,836,598	12,324,625	11,144,393	11,909,503	13,503,278	13,359,399
Health and welfare	6,790,459	6,426,311	6,594,938	7,279,605	7,014,254	7,951,696	8,303,383	9,174,372	9,676,059	9,749,342
Education	27,249,752	28,633,110	28,797,870	28,803,904	29,862,457	30,433,939	33,548,965	32,906,022	33,033,824	31,472,243
Parks, recreation and cultural	4,340,912	4,554,212	4,765,119	4,790,452	4,748,604	5,025,061	5,020,617	5,096,742	5,275,559	5,044,351
Community development	2,154,832	2,165,794	2,186,948	2,694,020	2,882,580	2,652,990	2,705,777	3,050,238	3,467,750	4,708,131
Interest on long-term debt	3,186,127	3,485,231	3,343,630	3,150,988	3,419,833	3,357,340	3,129,894	3,351,555	3,051,668	2,629,385
Total governmental activities expenses	\$ 83,650,287	\$ 87,659,155	\$ 89,783,714	\$ 91,290,031	\$ 94,827,416	\$ 96,983,326	\$ 99,241,255	\$ 100,098,892	\$ 108,726,835	\$ 108,773,141
Business-type activities:										
Water	\$ 2,884,071	\$ 2,999,771	\$ 2,751,523	\$ 2,933,514	\$ 2,972,130	\$ 3,125,748	\$ 3,212,402	\$ 3,548,890	\$ 3,709,466	\$ 4,007,845
Sewer	5,256,052	4,875,587	4,874,582	4,795,857	5,092,925	5,485,742	5,299,352	5,355,770	5,086,417	4,889,931
Transit	4,097,929	4,157,157	4,437,179	4,275,370	4,410,391	4,671,545	4,797,484	5,152,302	5,198,831	4,832,837
Parking	476,315	456,999	470,905	448,933	443,485	493,395	465,613	463,019	426,365	404,398
Total business-type activities expenses	\$ 12,714,367	\$ 12,489,514	\$ 12,534,189	\$ 12,453,674	\$ 12,918,931	\$ 13,776,430	\$ 13,774,851	\$ 14,519,981	\$ 14,421,079	\$ 14,135,011
Total primary government expenses	\$ 96,364,654	\$ 100,148,669	\$ 102,317,903	\$ 103,743,705	\$ 107,746,347	\$ 110,759,756	\$ 113,016,106	\$ 114,618,873	\$ 123,147,914	\$ 122,908,152

CITY OF FREDERICKSBURG, VIRGINIA

Table 2
Page 2 of 3

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 82,624	\$ 94,773	\$ 109,152	\$ 152,025	\$ 157,793	\$ 149,415	\$ 144,698	\$ 151,722	\$ 134,345	\$ 111,040
Judicial administration	214,894	209,917	204,046	220,427	195,804	191,999	222,654	236,010	186,784	114,866
Public safety	1,943,884	2,042,868	1,862,973	2,087,775	1,891,374	1,872,937	2,169,937	2,687,383	2,461,257	1,850,688
Public works	743,145	757,997	828,049	967,752	985,924	998,126	1,017,049	921,651	1,135,057	1,189,612
Parks, recreation and cultural	459,848	440,392	471,289	497,253	455,603	473,643	507,083	539,224	196,581	282,911
Community development	145	274	1,169	263	57	28	9	28	72	159,011
Operating grants and contributions	11,758,221	9,685,095	9,985,588	10,896,754	10,645,954	11,601,213	12,294,048	13,095,478	13,278,115	17,877,117
Capital grants and contributions	1,725,467	2,967,105	4,595,323	2,011,484	1,460,003	3,192,416	2,643,606	25,072,392	499,364	810,642
Total governmental activities program revenues	\$ 16,928,228	\$ 16,198,421	\$ 18,057,589	\$ 16,833,733	\$ 15,792,512	\$ 18,479,777	\$ 18,999,084	\$ 42,703,888	\$ 17,891,575	\$ 22,395,887
Business-type activities:										
Charges for services:										
Water	\$ 2,448,425	\$ 2,689,470	\$ 2,829,872	\$ 3,035,359	\$ 3,285,584	\$ 3,322,933	\$ 3,363,456	\$ 3,325,758	\$ 3,577,271	\$ 3,548,785
Sewer	4,013,111	4,526,072	4,857,512	5,144,191	5,408,049	5,426,986	5,611,484	5,522,266	6,008,124	6,051,806
Transit	368,072	344,624	423,081	403,921	470,343	307,579	333,462	304,830	241,356	136,666
Parking	261,991	304,003	328,385	353,532	283,741	247,274	276,452	282,249	210,485	120,401
Operating grants and contributions	5,493,221	3,521,961	4,784,398	3,514,732	4,336,969	3,979,565	4,463,470	5,734,213	5,305,105	5,257,435
Capital grants and contributions	763,564	4,397,886	2,307,225	145,599	410,573	1,682,639	-	5,526,154	1,333,615	177,875
Total business-type activities program revenues	\$ 13,348,384	\$ 15,784,016	\$ 15,530,473	\$ 12,597,334	\$ 14,195,259	\$ 14,966,976	\$ 14,048,324	\$ 20,695,470	\$ 16,675,956	\$ 15,292,968
Total primary government program revenues	\$ 30,276,612	\$ 31,982,437	\$ 33,588,062	\$ 29,431,067	\$ 29,987,771	\$ 33,446,753	\$ 33,047,408	\$ 63,399,358	\$ 34,567,531	\$ 37,688,855
Net (expense)/revenue										
Governmental activities	\$ (66,722,059)	\$ (71,460,734)	\$ (71,726,125)	\$ (74,456,298)	\$ (79,034,904)	\$ (78,503,549)	\$ (80,242,171)	\$ (57,395,004)	\$ (90,835,260)	\$ (86,377,254)
Business-type activities	634,017	3,294,502	2,996,284	143,660	1,276,328	1,190,546	273,473	6,175,489	2,254,877	1,157,957
Total primary government net expense	\$ (66,088,042)	\$ (68,166,232)	\$ (68,729,841)	\$ (74,312,638)	\$ (77,758,576)	\$ (77,313,003)	\$ (79,968,698)	\$ (51,219,515)	\$ (88,580,383)	\$ (85,219,297)

CITY OF FREDERICKSBURG, VIRGINIA

Table 2
Page 3 of 3

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 33,896,976	\$ 34,601,092	\$ 35,247,134	\$ 37,567,214	\$ 38,983,743	\$ 40,022,650	\$ 42,657,551	\$ 43,504,349	\$ 44,462,917	\$ 46,412,095
Local sales and use taxes	10,311,633	10,840,598	10,663,183	10,780,677	11,176,401	11,376,302	11,580,437	11,925,147	11,986,572	13,842,064
Consumer utility taxes	1,831,083	1,795,046	1,844,379	1,856,992	1,810,911	1,808,256	1,834,078	1,850,089	1,810,370	1,663,159
Business license taxes	5,735,557	5,994,920	5,641,614	5,943,742	6,101,499	6,320,104	6,382,569	6,575,645	6,948,708	7,082,682
Hotel/Lodging taxes	1,182,500	1,204,855	1,149,906	1,329,542	1,432,190	1,524,371	1,565,938	1,547,989	1,181,901	1,183,455
Meals taxes	9,373,302	9,657,796	9,752,120	10,115,765	10,693,375	11,141,603	11,765,352	11,918,714	10,415,720	11,199,108
Other local taxes	2,877,503	2,914,744	3,837,495	4,391,651	3,911,733	3,158,608	3,151,831	3,338,504	3,080,010	3,694,943
Unrestricted grants and contributions	3,741,002	4,696,323	5,557,931	3,820,401	3,814,470	3,724,175	3,653,002	3,592,560	3,466,843	3,355,912
Revenues from use of money and property	426,375	348,295	462,109	405,457	554,699	468,252	545,326	2,163,744	2,072,245	385,329
Miscellaneous	512,888	243,201	287,916	403,665	329,387	664,489	552,057	761,832	660,061	1,039,022
Transfers	600,000	620,436	604,393	603,480	619,545	619,355	605,665	606,172	635,157	630,000
Total governmental activities	\$ 70,488,819	\$ 72,917,306	\$ 75,048,180	\$ 77,218,586	\$ 79,427,953	\$ 80,828,165	\$ 84,293,806	\$ 87,784,745	\$ 86,720,504	\$ 90,487,769
Business-type activities:										
Taxes:										
Other local taxes	\$ 726,653	\$ 897,209	\$ 961,084	\$ 743,502	\$ 687,620	\$ 1,154,538	\$ 725,117	\$ 730,000	\$ 779,657	\$ 552,918
Revenues from use of money and property	85,668	31,694	70,392	65,812	111,862	62,519	47,630	335,748	359,852	29,292
Miscellaneous	598,861	443,029	529,219	655,766	587,859	571,373	545,583	564,595	581,834	539,437
Transfers	(600,000)	(620,436)	(604,393)	(603,480)	(619,545)	(619,355)	(605,665)	(606,172)	(635,157)	(630,000)
Total business-type activities	\$ 811,182	\$ 751,496	\$ 956,302	\$ 861,600	\$ 767,796	\$ 1,169,075	\$ 712,665	\$ 1,024,171	\$ 1,086,186	\$ 491,647
Total primary government	\$ 71,300,001	\$ 73,668,802	\$ 76,004,482	\$ 78,080,186	\$ 80,195,749	\$ 81,997,240	\$ 85,006,471	\$ 88,808,916	\$ 87,806,690	\$ 90,979,416
Change in Net Position										
Governmental activities	\$ 3,766,760	\$ 1,456,572	\$ 3,322,056	\$ 2,762,288	\$ 393,049	\$ 2,324,616	\$ 4,051,635	\$ 30,389,741	\$ (4,114,756)	\$ 4,110,515
Business-type activities	1,445,199	4,045,998	3,952,586	1,005,260	2,044,124	2,359,621	986,138	7,199,660	3,341,063	1,649,604
Total primary government	\$ 5,211,959	\$ 5,502,570	\$ 7,274,642	\$ 3,767,548	\$ 2,437,173	\$ 4,684,237	\$ 5,037,773	\$ 37,589,401	\$ (773,693)	\$ 5,760,119

Note: During fiscal year 2019 the governmental activities net position increased \$24,446,899 and business-type activities increased \$4,811,653 related to assets contributed from the Virginia Department of Transportation for a major transportation project.

CITY OF FREDERICKSBURG, VIRGINIA

Table 3

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 348,945	\$ 359,240	\$ 480,656	\$ 370,237	\$ 387,695	\$ 427,347	\$ 349,361	\$ 461,923	\$ 120,928	\$ 173,478
Restricted	-	-	-	-	327,422	100,466	-	-	-	-
Committed	5,004,661	7,786,761	6,236,045	6,731,037	4,347,210	6,897,202	7,214,757	7,562,176	6,181,128	13,957,175
Assigned	292,876	858,372	769,149	47,997	1,306,350	996,272	1,326,619	1,896,004	3,896,004	3,691,004
Unassigned	20,225,801	18,571,037	19,799,255	20,988,745	19,335,778	15,854,106	16,944,452	18,246,141	17,638,343	17,109,666
Total general fund	\$ 25,872,283	\$ 27,575,410	\$ 27,285,105	\$ 28,138,016	\$ 25,704,455	\$ 24,275,393	\$ 25,835,189	\$ 28,166,244	\$ 27,836,403	\$ 34,931,323
All other governmental funds										
Nonspendable, reported in:										
Special revenue funds	\$ -	\$ 1,190	\$ 4,569	\$ 4,876	\$ 581	\$ 9,710	\$ 1,767	\$ 9,576	\$ 653,952	\$ 4,662
Restricted, reported in:										
Special revenue funds	243,980	290,342	336,280	332,993	-	100,000	100,000	95,250	95,250	95,250
Committed, reported in:										
Special revenue funds	1,821,770	1,487,032	1,966,427	1,758,385	2,157,281	2,083,137	2,267,276	2,654,599	3,295,578	3,962,000
Capital projects funds	31,832,728	24,819,754	9,247,406	2,351,359	12,032,685	3,249,100	2,156,267	2,984,479	3,352,670	1,813,163
Debt service Funds	-	805,804	2,462,142	2,308,258	2,614,397	2,000,490	1,846,607	2,006,420	1,890,800	1,862,447
Assigned, reported in:										
Capital projects funds	8,261,194	9,501,088	5,784,081	8,251,305	7,939,214	6,680,441	4,852,951	15,386,142	11,336,028	13,092,254
Total all other governmental funds	\$ 42,159,672	\$ 36,905,210	\$ 19,800,905	\$ 15,007,176	\$ 24,744,158	\$ 14,122,878	\$ 11,224,868	\$ 23,136,466	\$ 20,624,278	\$ 20,829,776

Note: Details of the City's fund balances can be found in Note 1 (T) in the Notes to Basic Financial Statements section of the report .

CITY OF FREDERICKSBURG, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2020	2021
Revenues									
General property taxes	\$ 33,961,795	\$ 34,698,020	\$ 35,293,983	\$ 37,516,803	\$ 39,027,174	\$ 40,074,290	\$ 42,480,519	\$ 44,111,793	\$ 46,389,239
Other local taxes	31,311,578	32,407,959	32,888,697	34,418,369	35,126,109	35,329,244	36,280,205	35,423,281	38,665,411
Permits, privilege fees and regulatory licenses	748,371	676,892	598,444	726,685	691,636	700,197	823,463	1,063,717	836,452
Fines and forfeitures	479,355	603,398	477,161	523,547	350,564	312,851	460,046	473,741	260,986
Revenue from use of money and property	426,375	348,295	462,109	405,457	554,699	468,252	545,326	2,072,245	385,329
Charges for services	2,216,814	2,265,931	2,401,073	2,675,263	2,644,355	2,673,100	2,777,921	2,576,638	2,610,690
Miscellaneous	485,647	214,655	274,259	273,284	248,557	644,920	530,385	582,125	1,027,644
Recovered costs	1,491,448	1,087,070	959,739	1,143,810	1,038,569	1,119,710	1,393,098	1,379,306	1,341,410
Intergovernmental:									
Commonwealth	13,345,182	12,561,997	15,071,859	12,829,369	12,909,183	13,615,207	13,676,579	13,792,865	13,699,207
Federal	3,879,508	4,775,305	4,363,883	3,761,934	2,603,528	3,161,316	3,543,527	3,736,166	8,344,464
Total revenues	\$ 88,346,073	\$ 89,639,522	\$ 92,791,207	\$ 94,274,521	\$ 95,194,374	\$ 98,099,087	\$ 102,511,069	\$ 105,211,877	\$ 113,560,832
Expenditures									
General government administration	\$ 5,785,583	\$ 6,669,886	\$ 6,178,075	\$ 6,309,106	\$ 7,905,904	\$ 7,016,265	\$ 7,034,405	\$ 8,025,669	\$ 8,989,502
Judicial administration	3,707,295	3,872,721	4,058,896	4,426,162	4,757,907	4,842,421	4,825,345	5,088,552	5,186,289
Public safety	18,006,243	18,838,158	19,354,308	20,738,813	21,014,424	21,862,258	22,571,905	23,290,931	23,339,013
Public works	7,932,048	8,134,695	8,719,453	8,680,717	9,938,991	10,799,421	9,407,885	9,579,697	9,770,892
Health and welfare	7,181,433	6,692,144	6,878,616	7,776,388	7,343,391	8,193,779	8,750,439	9,720,362	9,732,153
Education	25,243,849	26,663,850	26,853,825	26,883,825	27,937,535	28,350,929	29,088,569	30,458,501	28,933,557
Parks, recreation and cultural	3,733,260	3,755,802	3,883,740	4,041,718	4,134,366	4,354,413	4,384,188	4,347,256	4,210,394
Community development	2,416,979	2,487,037	2,602,400	2,848,613	3,102,783	2,817,023	2,784,571	3,167,415	4,413,373
Capital projects	9,269,823	10,160,076	25,044,316	13,197,828	12,206,160	14,332,314	7,031,684	7,392,210	5,931,715
Debt service									
Principal	2,857,891	2,704,885	3,588,507	4,437,379	3,966,345	4,456,281	4,980,957	5,420,206	3,914,017
Interest and other fiscal charges	2,675,680	3,860,585	3,658,596	3,457,000	3,593,740	3,763,249	3,610,416	3,950,857	2,940,767
Total expenditures	\$ 88,810,084	\$ 93,839,839	\$ 110,820,732	\$ 102,797,549	\$ 105,901,546	\$ 110,788,353	\$ 104,470,364	\$ 110,441,656	\$ 107,361,672
Excess (deficiency) of revenues over expenditures	\$ (464,011)	\$ (4,200,317)	\$ (18,029,525)	\$ (8,523,028)	\$ (10,707,172)	\$ (12,689,266)	\$ (1,959,295)	\$ (5,229,779)	\$ 6,199,160
Other financing sources (uses)									
Transfers in	\$ 9,615,156	\$ 10,600,181	\$ 10,924,477	\$ 12,138,388	\$ 12,726,061	\$ 12,614,866	\$ 13,448,403	\$ 15,092,237	\$ 13,971,752
Transfers out	(9,015,156)	(9,979,745)	(10,320,084)	(11,534,908)	(12,106,516)	(11,995,511)	(12,842,738)	(14,457,080)	(13,341,752)
Refunding bonds issued	2,469,101	-	-	5,714,176	-	-	-	(28,193,417)	-
Bonds issued	33,860,000	-	-	3,832,391	14,820,000	-	-	25,067,540	-
Premium on bonds issued	1,760,063	-	-	-	2,490,218	-	-	3,473,999	-
Payments to refunded bond escrow agent	(2,592,336)	-	-	(5,698,218)	-	-	-	-	-
Long-term notes payable issued	725,000	-	-	-	-	-	-	-	-
Issuance of capital lease									
Sale of capital assets	27,241	28,546	13,658	130,381	80,830	19,569	15,416	77,936	459,880
Total other financing sources (uses)	\$ 36,849,069	\$ 648,982	\$ 618,051	\$ 4,582,210	\$ 18,010,593	\$ 638,924	\$ 621,081	\$ 1,061,215	\$ 1,101,258
Net change in fund balances	\$ 36,385,058	\$ (3,551,335)	\$ (17,411,474)	\$ (3,940,818)	\$ 7,303,421	\$ (12,050,342)	\$ (1,338,214)	\$ (4,168,564)	\$ 7,300,418
Debt service as a percentage of noncapital expenditures	6.93%	7.86%	8.44%	8.84%	7.88%	8.52%	8.84%	8.99%	6.76%

CITY OF FREDERICKSBURG, VIRGINIA

Table 5

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Business License Tax	Motor Vehicle License Tax	Bank Stock Tax	Recordation and Wills Tax	Tobacco Tax	Amusement Tax	Hotel Lodging Tax	Meals Tax	Total
2012	\$ 33,961,795	\$ 10,311,633	\$ 1,831,083	\$ 5,735,557	\$ 421,393	\$ 696,511	\$ 402,018	\$ 578,303	\$ 368,842	\$ 1,182,500	\$ 9,373,302	64,862,937
2013	34,698,020	10,840,598	1,795,046	5,994,920	450,126	657,687	408,981	442,569	349,301	1,204,855	9,657,796	66,499,899
2014	35,293,983	10,663,183	1,844,379	5,641,614	455,246	700,378	567,244	543,916	367,554	1,149,906	9,752,120	66,979,523
2015	37,516,803	10,780,677	1,856,992	5,943,742	471,438	792,451	456,665	525,413	432,380	1,329,542	10,115,765	70,221,868
2016	39,027,174	11,176,401	1,810,911	6,101,499	472,014	755,230	711,445	513,669	387,529	1,432,190	10,693,375	73,081,437
2017	40,074,290	11,376,302	1,808,256	6,320,104	486,096	862,442	567,144	509,819	462,665	1,524,371	11,141,603	75,133,092
2018	42,480,519	11,580,437	1,834,078	6,382,569	473,299	861,080	435,488	498,154	500,907	1,565,938	11,765,352	78,377,821
2019	43,669,156	11,925,147	1,850,089	6,575,645	502,675	944,752	703,388	474,305	530,822	1,547,989	11,918,714	80,642,682
2020	43,191,438	11,986,572	1,810,370	6,948,708	283,765	723,129	585,624	818,215	423,547	1,181,901	10,415,720	78,368,989
2021	45,496,737	13,842,064	1,663,159	7,082,682	632,091	929,913	1,024,161	553,580	183,476	1,183,455	11,199,108	83,790,426

CITY OF FREDERICKSBURG, VIRGINIA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct		Personal Property		Direct Tax Rate		Machinery and Tools		Direct Tax Rate		Public Service		Service Charges		Total Taxable Assessed Value		Total Direct Tax Rate		Estimated Actual Taxable Value		Assessed Value as a Percentage of Actual Value	
		Tax Rate		Property		Rate		Tools		Rate		Service		Charges		Value		Rate		Value		Percentage of Actual Value	
2012	\$ 3,606,739,500	0.72	\$	266,300,640	\$	3.40	\$	34,817,018	\$	0.80	\$	121,621,449	\$	3,464,100	\$	4,032,942,707	\$	0.90	\$	4,032,942,707		100.00%	
2013	3,519,520,600	0.74		289,788,976		3.40		29,433,766		0.80		112,250,088		3,427,400		3,954,420,830		0.94		3,954,420,830		100.00%	
2014	3,596,021,600	0.74		296,590,842		3.40		25,812,744		0.80		98,288,766		3,927,400		4,020,641,352		0.94		4,020,641,352		100.00%	
2015	3,626,209,900	0.79		301,993,080		3.40		22,001,821		0.80		100,894,855		3,427,400		4,054,527,056		0.99		4,054,527,056		100.00%	
2016	3,651,843,200	0.82		311,513,383		3.40		16,746,858		0.80		98,498,817		3,427,400		4,082,029,658		1.02		4,082,029,658		100.00%	
2017	3,956,381,500	0.77		312,718,088		3.40		15,692,250		0.80		103,541,921		3,541,360		4,391,875,119		0.96		4,391,875,119		100.00%	
2018	3,996,438,900	0.80		324,731,053		3.40		15,334,580		0.80		199,976,183		3,541,360		4,540,022,076		0.99		4,540,022,076		100.00%	
2019	4,033,008,800	0.80		341,306,676		3.40		14,446,339		0.80		114,503,940		3,541,360		4,506,807,115		1.00		4,506,807,115		100.00%	
2020	4,099,237,700	0.80		379,124,411		3.40		12,787,003		0.80		108,951,829		3,541,360		4,603,642,303		1.02		4,603,642,303		100.00%	
2021	4,543,901,400	0.80		470,179,053		3.40		45,050,585		0.80		111,975,248		3,541,360		5,174,647,646		1.04		5,174,647,646		100.00%	

Source: Commissioner of Revenue.

CITY OF FREDERICKSBURG, VIRGINIA

Table 7

Property Tax Rates (1) (2)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Tax Rate
2012	\$ 0.72	\$ 3.40	0.72	\$ 0.80	\$ 0.90
2013	0.74	3.40	0.74	0.80	0.94
2014	0.74	3.40	0.74	0.80	0.94
2015	0.79	3.40	0.79	0.80	0.99
2016	0.82	3.40	0.82	0.80	1.02
2017	0.77	3.40	0.77	0.80	0.96
2018	0.80	3.40	0.80	0.80	0.99
2019	0.80	3.40	0.80	0.80	1.00
2020	0.80	3.40	0.85	0.80	1.02
2021	0.80	3.40	0.85	0.80	1.04

(1) Source: Commissioner of Revenue.

(2) Property tax rates are based on \$100 of assessed value.

CITY OF FREDERICKSBURG, VIRGINIA

Table 8

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2021			Fiscal Year 2011		
		2020-2021 Assessed Valuation	Rank	% of Total Assessed Valuation (1)	2011-2012 Assessed Valuation	Rank	% of Total Assessed Valuation (1)
Central Park Retail LLC	Retail	\$ 73,469,400	1	1.74 %	-	-	-
The Apartments at Cobblestone	New home sales	59,887,100	2	1.42	-	-	-
Virginia Electric & Power Co.	Public utility	55,481,482	3	1.32	58,309,740	4	1.60
Mid-America Apartments LP	Apartment complex	45,494,600	4	1.08	-	-	-
Medicorp Properties, Inc.	Hospitals, office buildings, surgical center	42,050,800	5	1.00	49,410,200	2	1.35
Mach II MCB Silver Portfolio	Central Park property	34,697,400	6	0.82	-	-	-
Mid-America Apts. LP Seasons at Cel. VA.	Apartment complex	38,196,000	7	0.91	-	-	-
Goldelm at Belmont LLC	Apartment complex	33,667,000	8	0.80	-	-	-
Collection at Celebrate Virginia	Apartment complex	71,342,100	9	1.69	-	-	-
Central Park Marketplace Holdings LLC	Central Park property	31,914,100	10	0.76	38,349,300	6	1.05
Fredericksburg 35 LLC	Central Park property	-	-	-	105,476,300	1	2.89
Celebrate Virginia South	Office buildings, retail	-	-	-	29,834,100	3	0.82
Verizon Virginia	Public utility	-	-	-	36,016,137	5	0.99
2520 Belmont Terrace Holdings	Apartment complex	-	-	-	30,913,400	7	0.85
Wal-Mart Real Estate Business	Retail	-	-	-	25,048,100	8	0.68
Hylton Venture LLC	Land development	-	-	-	24,545,200	9	0.67
Carl D. Silver Holdings, Co.	Various commercial	-	-	-	27,391,400	10	0.75
Total		\$ 486,199,982		11.54 %	\$ 425,293,877		11.65 %

Source: Commissioner of Revenue.

(1) Percentage of total assessed valuation is based on the combined total assessed value of real estate, public service, and service charges listed in Table 6.

CITY OF FREDERICKSBURG, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy				Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Year of the Levy		Percentage of Levy (2)	Amount (1) (3)		Percentage of Levy (2)	Amount (1) (3)
		Amount (1) (3)						
2012	\$ 35,663,960	\$ 34,417,182		96.50%	\$ 1,159,102	\$ 35,576,284	99.75%	
2013	36,540,252	35,453,742		97.03%	987,346	36,441,088	99.73%	
2014	37,507,994	35,982,391		95.93%	1,427,415	37,409,806	99.74%	
2015	39,392,612	38,212,293		97.00%	1,049,347	39,261,640	99.67%	
2016	40,976,073	39,725,807		96.95%	1,079,456	40,805,263	99.58%	
2017	41,500,053	40,450,013		97.47%	904,528	41,354,541	99.65%	
2018	43,566,222	42,562,250		97.70%	841,032	43,403,282	99.63%	
2019	44,388,011	43,258,568		97.46%	929,301	44,187,869	99.55%	
2020	47,636,098	44,988,894		94.44%	2,380,202	47,369,096	99.44%	
2021	49,246,840	46,879,283		95.19%	-	46,879,283	95.19%	

(1) Exclusive of penalties and interest.

(2) Percentages are calculated using levy for fiscal year.

(3) The Commonwealth reimbursement under the Personal Property Tax Relief Act is included in total collections.

CITY OF FREDERICKSBURG, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General		Revenue		General		Revenue				
	Obligation Bonds	Notes	Bonds		Obligation Bonds	Notes	Bonds				
2012	\$ 88,917,128	\$ 725,000	\$ -	\$ -	\$ 17,984,434	\$ -	\$ 1,609,765	\$ -	109,236,327	10.26%	\$ 4,198
2013	85,946,002	725,000	-	-	16,964,140	-	545,659	-	104,180,801	9.33%	3,815
2014	82,110,710	725,000	-	-	15,939,460	-	-	-	98,775,170	8.12%	3,511
2015	82,357,412	-	-	-	27,611,336	-	-	-	109,968,748	9.15%	3,898
2016	93,367,519	-	2,103,232	-	25,658,010	-	-	-	121,128,761	9.64%	4,308
2017	88,724,301	-	1,853,884	-	23,662,010	-	-	-	114,240,195	8.70%	4,037
2018	83,569,255	-	1,599,850	-	21,608,219	-	-	-	106,777,324	7.97%	3,765
2019	89,595,891	-	1,342,703	-	25,008,035	-	-	-	115,946,629	8.15%	3,978
2020	84,068,448	-	1,082,771	-	22,839,561	-	-	-	107,990,780	7.45%	3,785
2021	79,840,136	-	819,359	-	21,076,285	-	-	-	101,735,780	6.48%	3,570

Note: Details regarding the City's outstanding debt can be found in Note 10 in the Notes to Basic Financial Statements section of this report.

(1) See the Schedule of Demographic and Economic Statistics - Table 15.

CITY OF FREDERICKSBURG, VIRGINIA

Table 11

Ratio of Net General Bonded Debt to Assessed
Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Restricted for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation	
				Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
2012	\$ 75,421,265	\$ -	75,421,265	1.87%	2,898
2013	107,626,562	-	107,626,562	2.72%	3,941
2014	103,635,142	-	103,635,142	2.58%	3,684
2015	98,775,170	-	98,775,170	2.44%	3,501
2016	109,968,748	-	109,968,748	2.69%	3,911
2017	112,386,311	-	112,386,311	2.56%	3,972
2018	105,177,474	-	105,177,474	2.32%	3,709
2019	114,603,926	-	114,603,926	2.54%	3,932
2020	106,908,009	-	106,908,009	2.32%	3,747
2021	100,916,421	-	100,916,421	1.95%	3,541

(1) Excludes revenue bonds, capital leases, compensated absences, landfill post-closure costs, net OPEB liability, and net pension liability.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 15.

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 216,056,402	\$ 212,771,995	\$ 215,659,654	\$ 218,129,465	\$ 219,586,863	\$ 252,766,739	\$ 259,318,338	\$ 257,665,735	\$ 260,578,221	\$ 291,946,078
Total net debt applicable to limit	107,626,562	103,635,142	98,775,170	109,968,748	119,025,529	112,386,311	105,177,474	114,603,926	106,908,009	100,916,421
Legal debt margin	\$ 108,429,840	\$ 109,136,853	\$ 116,884,484	\$ 108,160,717	\$ 100,561,334	\$ 140,380,428	\$ 154,140,864	\$ 143,061,809	\$ 153,670,212	\$ 191,029,657
Total net debt applicable to the limit as a percentage of debt limit	49.81%	48.71%	45.80%	50.41%	54.20%	44.46%	40.56%	44.48%	41.03%	34.57%

Legal Debt Margin Calculation for Fiscal Year 2021:

Assessed value	\$ 4,655,876,648
Add back: exempt real property	1,426,333,300
Total assessed value	\$ 6,082,209,948
Debt limit (4.8% of total assessed value)	\$ 291,946,078
Net debt applicable to limit	100,916,421
Legal debt margin	\$ 191,029,657

CITY OF FREDERICKSBURG, VIRGINIA

Table 13

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Bonds					
	Water & Sewer		Less:		Net	
	Charges and Other		Operating Expenses		Available Revenue	Debt Service Principal Interest Coverage
2012	\$ 9,218,671	\$	7,394,400	\$	1,824,271	\$ 1,905,625 745,723 0.69
2013	8,241,838		7,211,193		1,030,645	1,902,540 664,165 0.40
2014	9,101,122		7,019,203		2,081,919	1,380,571 606,902 1.05
2015	9,342,915		7,097,478		2,245,437	835,936 631,893 1.53
2016	10,357,703		7,294,421		3,063,282	1,707,399 770,634 1.24
2017	10,027,275		7,889,958		2,137,317	1,752,554 721,532 0.87
2018	10,630,042		7,843,959		2,786,083	1,796,926 667,795 1.13
2019	11,686,088		8,081,142		3,604,946	1,668,889 650,465 1.55
2020	11,702,344		8,025,558		3,676,785	1,919,520 738,251 1.38
2021	11,506,724		8,190,917		3,315,807	1,422,651 615,480 1.63

CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Direct and Overlapping Debt
As of June 30, 2021

	Debt Outstanding	Percentage	Share of Direct and Overlapping Debt
Direct Debt:			
Primary Government:			
General Obligation Bonds	\$ 79,840,136	100.00%	\$ 79,840,136
VRA Revenue Bonds	819,359	100.00%	819,359
Total Primary Government Direct Debt	\$ 80,659,495		\$ 80,659,495

The City has no overlapping debt.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita		School Enrollment (3)	Unemploy- ment Rate (4)
		Personal Income	Personal Income (2)		
2012	26,024	\$ 1,064,199,432	\$ 40,893	3,072	8.8%
2013	27,307	1,116,665,151	40,893	3,139	8.2%
2014	28,132	1,215,808,776	43,218	3,214	5.9%
2015	28,213	1,201,676,309	42,593	3,300	6.2%
2016	28,118	1,256,818,364	44,698	3,478	4.8%
2017	28,297	1,313,009,097	46,401	3,546	4.6%
2018	28,360	1,339,442,800	47,230	3,567	4.3%
2019	29,144	1,422,897,512	48,823	3,649	3.5%
2020	28,532	1,449,140,280	50,790	3,773	9.4%
2021	28,500	1,569,694,500	55,077	3,545	5.3%

(1) Source: Weldon Cooper Center for Public Service.

(2) Source: Bureau of Economic Analysis. Per capita income includes the City of Fredericksburg combined with Spotsylvania County.

(3) Source: Fredericksburg School Board office.

(4) Source: Bureau of Labor Statistics.

CITY OF FREDERICKSBURG, VIRGINIA

Table 16

Principal Employers
Current Year and the Period Nine Years Prior

Employer	Fiscal Year 2021			Fiscal Year 2012	
	Number of Employees (1)	Rank	Percentage of Total Employment	Number of Employees	Rank
Mary Washington Healthcare	4,700	1	36.00%	4,250	1
University of Mary Washington	1,000	2	7.66%	824	2
City of Fredericksburg School Board	658	3	5.04%	667	3
City of Fredericksburg	656	4	5.03%	625	4
Medicorp Health System	550	5	4.21%	-	-
Wal-Mart	499	6	3.82%	511	5
Wegmans	379	7	2.90%	504	6
Snowden Services	360	8	2.76%	-	-
BH Media Group - Free Lance Star	208	9	1.59%	394	7
Rappahannock Area Community Services Board	200	10	1.53%	-	-
Rappahannock Goodwill Industries	-	-	-	207	8
OS Restaurant Services	-	-	-	193	9
Target	-	-	-	174	10

(1) Source: Department of Economic Development and Tourism.

CITY OF FREDERICKSBURG, VIRGINIA

Table 17

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	41	43	44	51	52	51	50	55	54	58
Judicial administration	39	40	42	48	48	50	48	50	51	51
Public safety	166	162	156	165	159	161	164	165	170	158
Public works	74	73	78	72	73	80	82	81	76	73
Health and welfare	33	32	34	33	35	35	36	37	38	39
Parks and recreation	16	17	32	19	19	18	19	19	17	18
Community development	11	13	14	14	16	15	16	16	16	12
Water	10	9	6	11	12	12	12	13	12	12
Wastewater	19	17	12	20	21	18	18	18	15	16
Transit	13	14	15	15	14	15	17	21	20	22
Parking garage	1	1	1	1	1	1	1	1	1	1
Totals	423	421	434	449	450	456	463	476	470	460

Source: Department of Finance.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police department:										
Physical arrests	3,621	3,722	3,660	3,974	3,522	3,435	5,336	4,914	4,157	3,955
Traffic violations	7,914	7,824	5,981	5,320	3,733	3,738	5,049	6,047	5,944	3,104
Parking violations	6,965	6,528	7,513	6,235	6,219	7,577	7,014	9,311	5,096	6,748
Sheriffs department:										
Civil papers	50,764	63,886	58,338	58,111	59,405	59,568	62,084	61,087	55,910	59,224
Fire and rescue:										
Number of calls answered	5,471	5,407	5,311	5,344	5,462	5,554	6,185	6,279	5,729	5,801
Inspections	1,548	1,650	1,673	2,072	2,015	1,762	1,699	2,011	2,045	2,095
Building inspections:										
Permits issued	1,558	1,554	1,618	1,640	1,703	1,580	1,558	1,685	1,647	1,502
Animal control:										
Number of calls answered	864	1,022	926	520	895	876	1,223	781	821	826
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	400	309	212	248	377	359	324	348	270	301
Waste removal:										
Refuse collected										
(thousands of pounds/day)	19.3	19.0	20.6	21.1	21.4	20.4	21.2	19.0	21.5	21.6
Recycling collected:										
Leaves (cubic yards)	4,510	5,421	5,336	5,027	4,218	4,820	4,155	6,022	4,535	5,245
General services:										
Buildings maintained										
(thousands of square feet)	480.5	462.3	551.2	551.9	604.2	550.8	550.8	550.8	550.8	553.7
Culture and recreation:										
Parks and recreation:										
Number of programs	514	495	414	397	377	394	402	424	198	214
Number of participants	20,425	19,525	14,177	13,966	8,421	12,576	13,656	13,817	3,317	3,792
Community development:										
Planning:										
Zoning permits issued (1)	390	338	309	367	365	364	293	383	358	345

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water:										
Number of connections	7,718	7,801	7,861	7,911	7,950	8,047	8,115	8,165	8,284	8,427
Average daily consumption (thousands of gallons)	2,584	2,649	2,537	2,650	2,544	2,561	2,485	2,413	2,444	2,386
Wastewater:										
Average daily sewage treatment (thousands of gallons)	3,010	2,493	2,833	3,290	3,350	2,720	2,770	3,180	2,260	2,580
Transit:										
Ridership per service area:										
City of Fredericksburg	278,657	279,363	259,790	238,024	214,439	193,786	160,249	151,219	122,207	81,211
UMW - Eagle Express	12,284	13,685	11,679	10,287	11,371	7,893	7,533	6,176	5,300	3,862
Spotsylvania County	116,623	117,633	114,162	114,417	94,740	79,935	69,560	62,710	47,641	22,957
South Stafford County	44,341	68,614	65,033	63,781	62,618	55,409	50,800	45,870	35,000	21,410
North Stafford County	72,366	39,446	33,751	38,495	34,036	32,622	29,422	24,778	20,115	12,600
Caroline County	7,352	10,425	11,094	12,168	10,192	7,397	7,216	5,879	-	-
King George County	17,033	-	-	-	-	-	-	-	-	-
Component Unit - School Board:										
Education:										
Number of students	3,072	3,139	3,214	3,300	3,356	3,546	3,567	3,649	3,773	3,545
Number of teachers	258	264	267	265	269	304	295	299	311	306
Cost per pupil	\$ 12,546	\$ 13,853	\$ 14,235	\$ 13,771	\$ 13,849	\$ 13,582	\$ 13,997	\$ 13,911	\$ 13,730	\$ 15,115

Source: Individual city departments.

(1) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	31	35	34	34	40	40	39	40	44	38
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	10	11	12	12	14	15	15	16	17	19
Sheriffs department:										
Patrol units	15	16	16	19	20	22	22	23	22	25
Building inspections:										
Vehicles	7	7	6	5	5	5	5	5	5	5
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	20	20	20	20	20	20	20	20	20	21
Streets (moving lane miles)	189	189	189	189	189	189	189	195	207	212
Traffic signals	61	61	60	61	61	56	55	56	55	54
Waste removal:										
Trucks/vehicles	10	7	7	7	7	6	6	6	9	9
Building maintenance:										
Trucks/vehicles	10	10	13	11	11	11	10	9	11	11
Health and welfare:										
Department of Social Services:										
Vehicles	6	6	6	6	6	6	6	6	7	7

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	14	14	13	15	15	15	15	16	16	16
Parks	18	18	19	19	19	19	19	19	19	20
Park acreage	1,055	1,055	1,085	1,085	1,085	1,085	1,090	1,173	1,173	1,181
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	66	131
Maximum daily capacity (millions of gallons)	5	5	5	5	5	5	5	5	5	5
Wastewater:										
Sanitary sewers (miles)	67	67	67	67	67	67	67	67	67	116
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	90
Maximum daily treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Component Unit - School Board:										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	37	41	41	42	43	44	46	48	51	54

Source: Individual City departments.

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**Independent Auditors' 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 the City Council
City of Fredericksburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Fredericksburg, Virginia's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit 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 City of Fredericksburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 10, 2021

**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Honorable Members of the City Council
City of Fredericksburg, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the City of Fredericksburg, 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 of Fredericksburg, Virginia's major federal programs for the year ended June 30, 2021. City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fredericksburg, Virginia'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 of Fredericksburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Fredericksburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City of Fredericksburg, Virginia 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 of Fredericksburg, Virginia'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 of Fredericksburg, Virginia'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.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 10, 2021

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of the Interior:				
Pass-through Payments:				
Virginia Department of Historic Resources:				
Historic Preservation Fund Grants-In-Aid	15.904	P19AF00006	\$ 12,082	\$ -
Total Department of the Interior			\$ 12,082	\$ -
Department of the Treasury:				
Pass-through Payments:				
Virginia Department of Accounts:				
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	SLT0022	\$ 4,830,674	\$ -
Virginia Department of Education:				
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	SLT0218	631,663	-
Total 21.019			\$ 5,462,337	\$ -
Total Department of the Treasury			\$ 5,462,337	\$ -
Department of Housing and Urban Development:				
Direct Payments:				
CDBG - Entitlement Grants Cluster:				
COVID-19 - Community Development Block Grant/Entitlement Grants	14.218	N/A	\$ 131,941	\$ 76,441
Community Development Block Grant/Entitlement Grants	14.218	N/A	230,439	32,376
Total CDBG - Entitlement Grants Cluster			\$ 362,380	\$ 108,817
Total Department of Housing and Urban Development			\$ 362,380	\$ 108,817
Department of Justice:				
Direct Payments:				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	\$ 2,612	\$ -
Pass-through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	CJS86018	98,247	-
Total Department of Justice			\$ 100,859	\$ -
Department of Transportation:				
Federal Transit Cluster:				
Direct Payments:				
Federal Transit - Formula Grants	20.507	N/A	\$ 606,895	\$ -
COVID-19 - Federal Transit - Formula Grants	20.507	N/A	2,048,817	-
Pass-through Payments:				
Potomac and Rappahannock Transportation Commission:				
COVID-19 - Federal Transit - Formula Grants	20.507	N/A	81,661	-
Total 20.507			\$ 2,737,373	\$ -
Total Federal Transit Cluster			\$ 2,737,373	\$ -
Virginia Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-20-50020/ FSC-21-51038	10,080	-
National Priority Safety Programs	20.616	M60T-20-50019/ FM60T-21-51022	5,280	-
Total Highway Safety Cluster			\$ 15,360	\$ -
Total Department of Transportation			\$ 2,752,733	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2021 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Health and Human Services:				
Head Start Cluster:				
Direct Payments:				
Head Start	93.600	N/A	\$ 1,282,348	\$ -
Total Head Start Cluster			\$ 1,282,348	\$ -
Pass-through Payments:				
Department of Social Services:				
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760121/0760120	\$ 55,792	\$ -
Total CCDF Cluster			\$ 55,792	\$ -
Temporary Assistance for Needy Families	93.558	0400121/0400120	\$ 266,249	\$ -
Medicaid Cluster:				
Medical Assistance Program	93.778	1200121/1200120	\$ 515,767	\$ -
Total Medicaid Cluster			\$ 515,767	\$ -
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0950119/0950120	21,680	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500120/500121	12,409	-
Low-Income Home Energy Assistance	93.568	0600421/0600420	40,881	-
Adoption and Legal Guardianship Incentive Payments	93.603	1130118	1,787	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900120/900121	154	-
Foster Care - Title IV-E	93.658	1100121/1100120	228,424	-
Adoption Assistance	93.659	1120121/1120120	1,001,415	-
Social Services Block Grant	93.667	1000121/1000120	264,473	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/95180119	3,744	-
Children's Health Insurance Program	93.767	0540121/0540120	9,835	-
Total Department of Health and Human Services			\$ 3,704,958	\$ -
Department of Homeland Security:				
Direct Payments:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$ 191,333	\$ -
Pass-through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	116193	33,307	-
Emergency Management Performance Grants	97.042	202005026386	10,680	-
Total Department of Homeland Security			\$ 235,320	\$ -
Election Assistance Commission:				
Pass-through Payments:				
Virginia Department of Elections:				
COVID-19 HAVA Election Security Grants	90.404	116912	\$ 51,302	\$ -
Total Election Assistance Commission			\$ 51,302	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2021 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Agriculture:				
Pass-through Payments:				
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010121/0040120/0040121	\$ 554,998	\$ -
Total SNAP Cluster			\$ 554,998	\$ -
Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution Service	10.555	202121N109941/ 202020N109941	\$ 216,154	\$ -
Virginia Department of Education:				
COVID-19 National School Lunch Program	10.555	202020N850341	37,609	-
Total 10.555			\$ 253,763	\$ -
COVID-19 School Breakfast Program	10.553	202020N850341	23,580	-
Summer Food Service Program for Children	10.559	202121N109941/ 202020N109941	\$ 1,603,300	\$ -
COVID-19 Summer Food Service Program for Children	10.559	202020N850341/ 201919N109941	413,979	-
Total 10.559			\$ 2,017,279	\$ -
Total Child Nutrition Cluster			\$ 2,294,622	\$ -
Total Department of Agriculture			\$ 2,849,620	\$ -
Department of Education:				
Pass-through Payments:				
Virginia Council on Higher Education:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	PS334S140027	\$ 8,649	\$ -
Virginia Department of Education:				
COVID-19 Education Stabilization Funds:				
Elementary and Secondary School Emergency Education Relief Fund	84.425D	S425D200008	352,866	
Governor's Emergency Education Relief Fund	84.425C	S425C200042	140,585	
Total COVID-19 Education Stabilization Funds			493,451	-
Title I Grants to Local Educational Agencies	84.010	S010A200046/ S010A190046	1,138,253	-
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A190107/ H027A200107	\$ 610,888	\$ -
Special Education - Preschool Grants	84.173	H173A190112/ H173A180112	49,306	-
Total Special Education Cluster (IDEA)			\$ 660,194	\$ -
English Language Acquisition State Grants	84.365	S365A180046/ S365A190046	17,180	-
Career and Technical Education - Basic Grants to States	84.048	V048A200046/ V048A190046	72,493	-
Student Support and Academic Enrichment Program	84.424	S424A180048	8,552	-
Supporting Effective Instruction State Grants	84.367	S367A200044/ S367A190044	115,673	-
Total Department of Education			\$ 2,514,445	\$ -
Total Expenditures of Federal Awards - Reporting Entity			\$ 18,046,036	\$ 108,817

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Fredericksburg, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City of Fredericksburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fredericksburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10% de minimus indirect cost rate.

Note 3 - Loan Balances

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary Government:

General Fund	\$ 104,875
Special Revenue Funds:	
Virginia Public Assistance Fund	2,794,862
Children's Services Act Fund	76,908
State, Federal, and Local Grants Fund	400,115
COVID-19 Relief Fund	4,967,704
Proprietary Funds:	
Transit Fund	2,738,336
Water Fund	17,370
Wastewater Fund	44,635
Total Primary Government	\$ 11,144,805

Component Unit School Board:

Special School Fund	\$ 6,914,411
Total Component Unit School Board	\$ 6,914,411

Less:

Build America Bonds Interest Subsidy	\$ (13,180)
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards

\$ 18,046,036

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
20.507	Federal Transit Cluster
21.019	COVID-19 - Coronavirus Relief Fund (CRF)
84.425C/84.425D	COVID-19 Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
-----------------------------------------------------------------------------	-----------

Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

CITY OF FREDERICKSBURG, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

There were no prior year findings.