FXBG

City of Fredericksburg, Virginia

Annual Comprehensive Financial Report For Fiscal Year Ended

June 30, 2025

CITY OF FREDERICKSBURG, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2025

Prepared By:

Department of Finance
City of Fredericksburg, Virginia

CITY OF FREDERICKSBURG, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

		Page
Front Cover		1
Title Page		2
Table of Contents		3-6
INTRODUCTORY SECTION		
Letter of Transmittal		7-14
Organizational Chart		15
Directory of Principal Officials		16
GFOA Certificate of Achievement		17
FINANCIAL SECTION		
Independent Auditors' Report		18-21
Management's Discussion and Analysis		22-34
Basic Financial Statements:		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	37
Exhibit 2	Statement of Activities	38-39
Fund Financial Statements:		
Exhibit 3	Balance Sheet—Governmental Funds	41
Exhibit 4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	42
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	43
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	44
Exhibit 7	Statement of Net Position—Proprietary Funds	45
Exhibit 8	Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	46
Exhibit 9	Statement of Cash Flows—Proprietary Funds	47
Exhibit 10	Statement of Fiduciary Net Position—Fiduciary Funds	48
Exhibit 11	Statement of Changes in Fiduciary Net Position—Fiduciary Funds	49
Exhibit 12	Statement of Activities—Component Units	50
Notes to Financial Statements		51-143

TABLE OF CONTENTS: (CONTINUED)

		Page
FINANCIAL SECTION: (CONTINUED)		
Required Supplementary Information:		
Exhibit 13	Budgetary Comparison Schedule—General Fund	145-150
Exhibit 14	Budgetary Comparison Schedule—COVID-19 Relief Fund	151
Exhibit 15	Schedule of Employer's Proportionate Share of the Net Pension Liability	152
Exhibit 16	Schedule of Changes in Net Pension Liability and Related Ratios—Component Unit School Board (nonprofessional)	153-154
Exhibit 17	Schedule of Employer Contributions—Pension Plans	155
Exhibit 18	Notes to Required Supplementary Information—Pension Plans	156
Exhibit 19	Schedule of City of Fredericksburg, Virginia's Share of Net OPEB Liability—Group Life Insurance Program	157
Exhibit 20	Schedule of Employer Contributions—Group Life Insurance Program	158
Exhibit 21	Notes to Required Supplementary Information—Group Life Insurance Program	159
Exhibit 22	Schedule of Fredericksburg School Board's Share of Net OPEB Liability—Teacher Employee Health Insurance Credit (HIC) Program	160
Exhibit 23	Schedule of Employer Contributions— Teacher Employee Health Insurance Credit (HIC) Program	161
Exhibit 24	Notes to Required Supplementary Information— Teacher Employee Health Insurance Credit (HIC) Program	162
Exhibit 25	Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios—Component Unit School Board	163
Exhibit 26	Notes to Required Supplementary Information—Component Unit School Board Pay-As-You-Go OPEB Plan	164
Exhibit 27	Schedule of Changes in the City’s Net OPEB Liability and Related Ratios	165-166
Exhibit 28	Schedule of Employer Contributions—OPEB	167
Exhibit 29	Schedule of Investment Returns	168
Exhibit 30	Schedule of Changes in the Fredericksburg City School Board’s Net OPEB Liability and Related Ratios—Health Insurance Credit (HIC) Plan	169
Exhibit 31	Schedule of Employer Contributions—Health Insurance Credit (HIC) Plan	170
Exhibit 32	Notes to Required Supplementary Information——Health Insurance Credit (HIC) Plan	171

TABLE OF CONTENTS: (CONTINUED)

		Page
FINANCIAL SECTION: (CONTINUED)		
Other Supplementary Information:		
Exhibit 33	Combining Balance Sheet—Nonmajor Governmental Funds	173
Exhibit 34	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	174
Exhibit 35	Combining Balance Sheet—Nonmajor Special Revenue Funds	175
Exhibit 36	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Special Revenue Funds	176
Exhibit 37	Combining Balance Sheet—Nonmajor Capital Projects Funds	177
Exhibit 38	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Capital Projects Funds	178
Exhibit 39	Combining Balance Sheet—Nonmajor Debt Service Funds	179
Exhibit 40	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Debt Service Funds	180
Exhibit 41	Combining Statement of Fiduciary Net Position—Custodial Funds	181
Exhibit 42	Combining Statement of Changes in Assets and Liabilities— Custodial Funds	182
Exhibit 43	Revenues and Expenditures Budgetary Comparison Schedule for Nonmajor and Other Funds with Legally Adopted Budgets	183-188
Exhibit 44	Component Unit School Board—Combining Balance Sheet	189
Exhibit 45	Component Unit School Board—Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	190
Exhibit 46	Component Unit School Board—Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	191
Exhibit 47	Component Unit School Board—Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	192
Exhibit 48	Component Unit School Board—School Operating Fund—Revenues and Expenditures Budgetary Comparison Schedule	193
Exhibit 49	Component Unit School Board—Special School Fund—Revenues and Expenditures Budgetary Comparison Schedule	194
Exhibit 50	Component Unit School Board—School Capital Projects Fund—Revenues and Expenditures Budgetary Comparison Schedule	195

TABLE OF CONTENTS: (CONTINUED)

		Page
STATISTICAL SECTION		
Table 1	Net Position by Component—Last Ten Fiscal Years	197
Table 2	Changes in Net Position—Last Ten Fiscal Years	198-200
Table 3	Fund Balances of Governmental Funds—Last Ten Fiscal Years	201
Table 4	Changes in Fund Balances of Governmental Funds—Last Ten Fiscal Years	202
Table 5	General Governmental Tax Revenues by Source—Last Ten Fiscal Years	203
Table 6	Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years	204
Table 7	Property Tax Rates—Last Ten Fiscal Years	205
Table 8	Principal Property Taxpayers—Current Year and the Period Nine Years Prior	206
Table 9	Property Tax Levies and Collections—Last Ten Fiscal Years	207
Table 10	Ratios of Outstanding Debt by Type—Last Ten Fiscal Years	208
Table 11	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years	209
Table 12	Legal Debt Margin Information—Last Ten Fiscal Years	210
Table 13	Pledged-Revenue Coverage—Last Ten Fiscal Years	211
Table 14	Direct and Overlapping Debt	212
Table 15	Demographic and Economic Statistics—Last Ten Fiscal Years	213
Table 16	Principal Employers—Current Year and the Period Nine Years Prior	214
Table 17	Full-time Equivalent City Government Employees by Function—Last Ten Fiscal Years	215
Table 18	Operating Indicators by Function—Last Ten Fiscal Years	216-217
Table 19	Capital Asset Statistics by Function—Last Ten Fiscal Years	218-219
COMPLIANCE SECTION		
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*		220-221
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		222-224
Schedule of Expenditures of Federal Awards		225-227
Notes to Schedule of Expenditures of Federal Awards		228
Schedule of Findings and Questioned Costs		229
Summary Schedule of Prior Audit Findings		230

December 9, 2025

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, 2025. 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, 2025, 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, 2025. 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 defined sections intended to enhance the reader's efficient review. The sectional 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, 2024.

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.

Sections of the ACFR (Continued)

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 approximately an hour's drive from the Washington, D.C. and Richmond, Virginia, 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 28,029 as of the July 2024 estimate of the Weldon Cooper Center for Public Service at the University of Virginia.

Legislative and policy-making authority are vested in the governing council, which consists of a mayor and a six-member City 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 latest City Council elections were held in November of 2025, and the City will welcome two new members of council and three new constitutional officers.

The City of Fredericksburg is an independent City under the laws of the Commonwealth of Virginia, and does not share jurisdiction with a separate county-level of government. The City provides a full range of local government services including police and fire protection, the maintenance of streets, collection of residential refuse, court facilities, recreational activities and cultural events, and public education. The City is also a full partner in a variety of local government services provided on a regional basis, including the Rappahannock Regional Jail, the Rappahannock Juvenile Center, and the Central Rappahannock Regional Library. The City operates water, sewer, and transit systems and a parking garage.

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 Convention Center, and a Wegmans supermarket. A multi-use stadium at Celebrate Virginia South is home to the Fredericksburg Nationals, a Minor League Baseball affiliate of the Washington Nationals that had their inaugural season in Fredericksburg in 2021.

Economic Condition and Outlook (Continued)

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 of health care in the City is Mary Washington Hospital, a division of Mary Washington Healthcare. Mary Washington Hospital is a 471-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 3,800 undergraduate students. The university offers over 90 different majors and programs of study as well as several different master's degree programs. UMW is also making significant ongoing investments including a technology center, campus center, various renovations and a $100-million-dollar-plus performing arts center.

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. The Publisher Hotel, an upscale destination hotel and the only full-service hotel in the region, opened in this area in July of 2025.

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 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.

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.

Economic Condition and Outlook (Continued)

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 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, and additional developments are slated along the City's few remaining greenfield sites. 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 2025, the City sustained its planning activities for key capital initiatives and continued to make measurable progress on projects in active construction.

In October 2022, the City Council approved a Comprehensive Agreement, executed under the Public-Private Education Facilities and Infrastructure Act of 2002, between Fredericksburg City Public Schools and First Choice, LLC for the construction of a new middle school located at the intersection of Gateway Boulevard and Idlewild Boulevard. General Obligation bonds were issued in FY 2023 to finance the project, which carries a total budget of $75,780,000. The newly constructed Walker-Grant Middle School opened in August 2025 and now provides City students with a modern, state-of-the-art learning environment.

The City is a participant in a major Spotsylvania County initiative to upgrade and expand the Motts Run Water Treatment Facility. Upon completion, currently scheduled for the fourth quarter of calendar year 2026, the plant's treatment capacity will increase from 12 million gallons per day (MGD) to 24 MGD. The project also includes enhancements to the raw water intake on the Rappahannock River. Following completion, the City will have the option to acquire an additional 2 MGD of treatment capacity. This expansion is expected to meet the City's drinking water needs for the foreseeable future.

The City of Fredericksburg has begun construction on the largest municipal project in its history - the upgrade and expansion of the City's Wastewater Treatment Plant (WWTP) – following nearly a decade of exploration, discussion and planning. In 2021, City Council adopted a resolution authorizing the design, improvement, and expansion of the City's WWTP. Construction is expected to last approximately 4 years, with completion anticipated in 2029. The City has partnered with design-builder Ulliman Schutte to complete the estimated $180 million project.

The expansion portion of the project will increase the WWTP's treatment capacity from 4.5 million gallons per day (mgd) to 6.0 mgd. This added capacity will support future residential, commercial, and industrial growth while ensuring reliable, sustainable wastewater service for decades to come.

Major Capital Initiatives (Continued)

In addition to expanding capacity, the project will modernize the treatment process by incorporating enhanced nutrient removal technology. This major upgrade is designed to reduce nitrogen and phosphorus discharged into the Rappahannock River and, ultimately, the Chesapeake Bay. By implementing this advanced system, Fredericksburg will meet all state-mandated requirements for water quality while supporting the City's long-term environmental stewardship goals.

In November 2025, the City of Fredericksburg celebrated the completion of Phase I of the AMI (Advanced Metering Infrastructure) Project. This project is a major milestone in the modernization of the City's water utility system by replacing or upgrading all water meters with new smart meter technology, enhancing efficiency, accuracy, and customer service. This phase was completed ahead of schedule. The City invested $4.5 million in this comprehensive upgrade, replacing infrastructure that had reached the end of its useful life, with work beginning in September 2024. Prior to the project, water meters transmitted readings via radio technology to Public Works crews that drove through the City. If that process failed, the meters had to be read manually. At the start of the project, there were 3,700 manually read meters across the City. The new AMI technology eliminates the need for these manual readings, resulting in long-term savings of about $150,000 per year while also improving service delivery.

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. The City Council reviews the budget recommendations and holds at least one public hearing, usually the third Tuesday in April. The City Council may change recommendations 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, and may amend the budget as necessary after adoption in accordance with state law.

Annual budgets are prepared by fund and department. All appropriations lapse at year end; however, the unexpended funds may be re-appropriated 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 43.

Key Financial Policies (Continued)

Fund Balance Policy

The City's adopted Financial Management Policy establishes guidelines to support and maintain the City's long-term financial health. As part of this policy, the Unassigned General Fund Balance is identified as a critical resource to ensure adequate working capital and to provide a buffer for emergencies or unexpected revenue declines without the need for borrowing. The policy sets a minimum target for the Unassigned General Fund Balance at 15 percent of the prior fiscal year's actual General Fund revenues. The current Unassigned Fund Balance significantly exceeds this target, standing at 19.64% percent of fiscal year 2024 General Fund revenues.

Long-Term Financial Planning

The City develops a five-year Capital Improvement Plan (CIP) each year to project future capital and financing needs and to support the budgetary objectives established by the City Council. The current CIP outlines several major capital initiatives scheduled for the coming years, including the construction of a new fire station and multiple upgrades to the utility system infrastructure. These projects will be financed through a combination of bond issuances, grant funding, and local resources.

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. The City Council has been adding funds to the OPEB Trust ever since, in varying amounts, in addition to continuing to provide benefits to retirees as part of annual operations. Through a combination of additional contributions to the Trust and overall gains in the Trust's investments, the market value of the Trust is $3,022,547 as of June 30, 2025.

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 the City a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This marks the thirty-sixth consecutive year that the City has received this prestigious recognition. To earn a Certificate of Achievement, a government must publish an Annual Comprehensive Financial Report that is easily readable, well-organized, and compliant with both generally accepted accounting principles (GAAP) and applicable legal requirements.

Because a Certificate of Achievement is valid for only one year, we believe that the current ACFR continues to meet the program's standards, and we are submitting it to GFOA for consideration for another certificate.

The preparation of this report was made possible through the dedicated and efficient efforts of the Finance Department staff. Special recognition is extended to Katherine Spooner, Deputy Finance Director, for her significant contributions, particularly in the accurate implementation of accounting standards and steadfast commitment to strong internal controls. We also thank individuals from various other departments whose assistance was essential to completing this report. Management further extends its appreciation to the Mayor and City Council for their continued support and their commitment to upholding the highest standards of professionalism in the City's financial management.

Sincerely,

Timothy J. Baroody
City Manager

Amanda L. Six
Director of Finance

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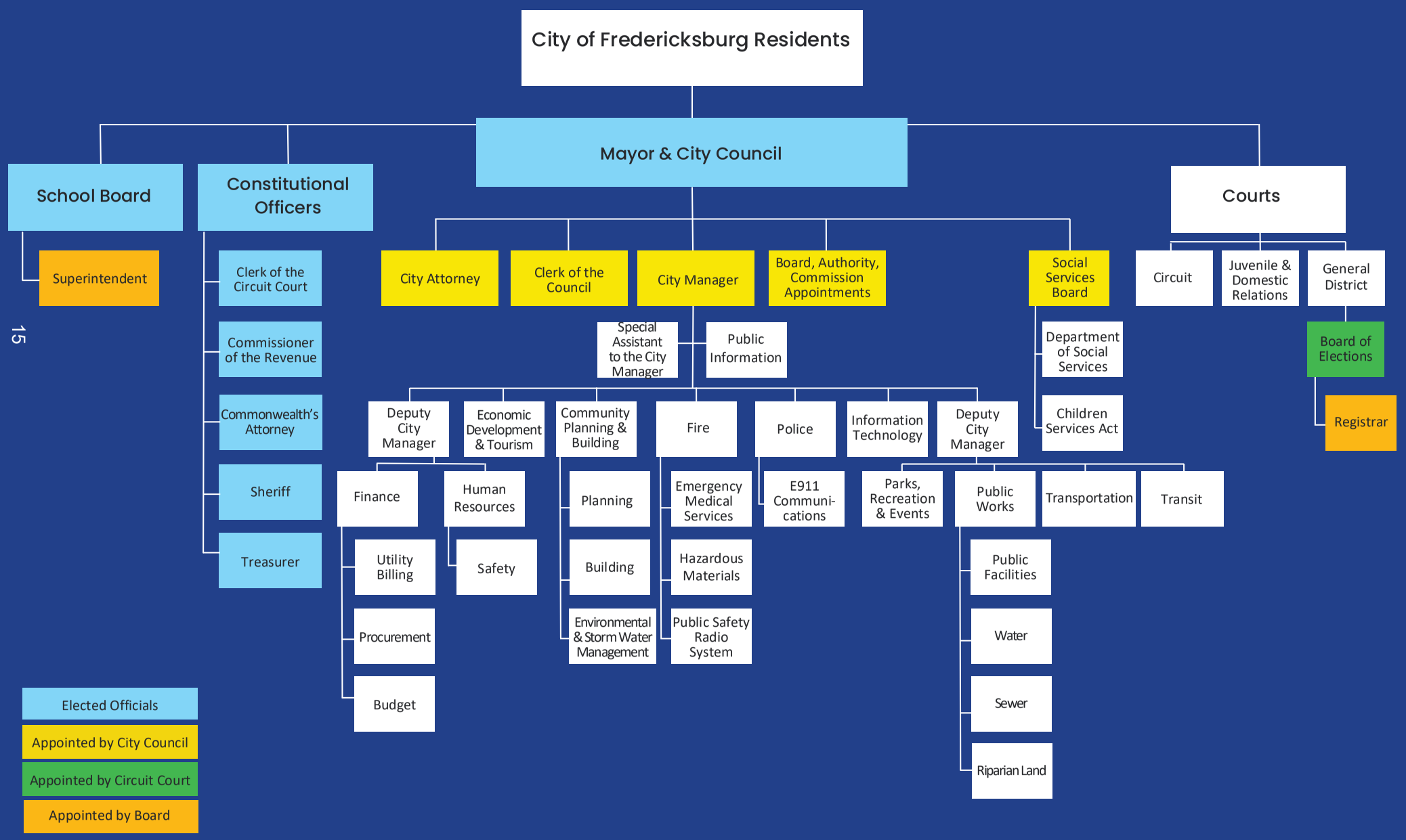
City of Fredericksburg, VA

City-Wide Organizational Chart



City of Fredericksburg, Virginia
Principal Officials
June 30, 2025

CITY COUNCIL

Kerry P. Devine ..... Mayor, At-Large
Charlie L. Frye, Jr. ..... Vice Mayor, Ward 4
Will B. Mackintosh, Ph.D. ..... At-Large
Jannan W. Holmes ..... At-Large
Jason N. Graham ..... Ward 1
Jonathan A. Gerlach ..... Ward 2
Susanna R. Finn. ..... Ward 3

CONSTITUTIONAL OFFICERS

Jeff Small ..... Clerk of the Circuit Court
Lois B. Jacob ..... Commissioner of the Revenue
Elizabeth K. Humphries ..... Commonwealth Attorney
J. Scott Foster ..... Sheriff
Brenda A. Wood ..... Treasurer

CITY ADMINISTRATIVE OFFICERS

Timothy J. Baroody ..... City Manager
D. Mark Whitley ..... Deputy City Manager
David T. Brown ..... Deputy City Manager
Kelly J. Lackey ..... City Attorney
Tonya B. Lacey ..... Clerk of the City Council
Michael J. Jones ..... Chief, Fire Department
Brian F. Layton ..... Chief, Police Department
Amanda L. Six ..... Director, Finance
Joshua A. Summits ..... Director, Economic Development and Tourism
Lesley A. Moore ..... Director, Human Resources
Suzanne R. Tills ..... Chief Information Officer, Information Technology
Todd A. Brown ..... Director, Parks, Recreation and Events
Michael Craig ..... Director, Community Planning and Building
William Morris ..... Director, Public Works
Christen C. Gallik ..... Director, Social Services
Jessica B. Atkinson ..... General Registrar
Jamie T. Jackson ..... Director, Transit

SCHOOL BOARD

Matthew D. Rowe ..... Chairperson, Ward 1
Kathleen V. Pomeroy ..... Vice Chairperson, Ward 2
Jennifer Boyd ..... Ward 3
Malvina Rollins Kay ..... Ward 4
Molly McFadden ..... At-Large
Reverend Jarvis E. Bailey ..... At-Large

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 Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 and for the year ended June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fredericksburg, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2025, the City restated beginning balances to reflect the requirements of GASB Statement No. 101. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fredericksburg, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Fredericksburg, Virginia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fredericksburg, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fredericksburg, Virginia's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of 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 City of Fredericksburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 5, 2025

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, 2025. 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 7-14 of this report.

Financial Highlights

- Total net position for governmental activities was $177,720,483 at the end of fiscal year 2025. This figure is based on assets and deferred outflows of resources totaling $396,562,931 and liabilities and deferred inflows of resources of $218,842,448.
- Total net position for business-type activities was $103,169,232 at the end of fiscal year 2025. The four components of that total are the Water Fund ($29,117,875); Sewer Fund ($45,091,222); Transit Fund ($23,016,046); and the Parking Fund ($5,944,089).
- Total net position for the primary government was $280,889,715 at the end of fiscal year 2025. Current assets were $208,790,970 as compared to total current and other liabilities of $ 23,376,175. The resulting net working capital of $185,414,795 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 15.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2025 unassigned General Fund balance was 19.64% of the fiscal year 2024 General Fund revenue total of $120,911,413.
- General Fund revenues increased $5,544,502, or 4.59%, as compared to the preceding fiscal year.
- General Fund expenditures increased $4,352,626 or 4.31% as compared to fiscal year 2024.

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 37-39 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 19 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, the Public Works Capital Fund, and the School Bond Funded Capital Fund, which are considered to be major funds. Data from the other 15 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 41-44 of this report.

Overview of the Financial Statements (Continued)

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 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 45-47 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 48 and 49 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 51-143 of this report.

Government-wide Financial Analysis

Statement of Net Position[1]:

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 $280,889,715 at the close of fiscal year 2025.

Approximately 2/3, or 66.3%, of the City's net position[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 $88,219,589 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.

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[1] See Exhibit 1 in this report.

[2] $191,477,660 is the net investment in capital assets.

Government-wide Financial Analysis: (Continued)

Statement of Net Position: (Continued)

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

The following table presents the condensed Statement of Net Position:

TABLE 1
Summary of Net Position
As of June 30, 2025
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Assets:								
Current and other assets	$ 150.29	$ 131.97	$ 53.50	$ 76.82	$ 203.79	$ 208.79	$ 16.20	$ 20.92
Capital assets	229.15	255.94	77.77	89.09	306.92	345.03	36.78	38.97
Total assets	$ 379.44	$ 387.91	$ 131.27	$ 165.91	$ 510.71	$ 553.82	$ 52.98	$ 59.89
Deferred Outflow of Resources:								
Pension related items	$ 6.53	$ 7.97	$ 1.09	$ 1.42	$ 7.62	$ 9.39	$ 10.24	$ 10.75
OPEB related items	0.92	0.66	0.07	0.07	0.99	0.73	1.70	1.47
Deferred charge on refunding	0.05	0.03	0.14	0.09	0.19	0.12	0.00	
Total Deferred Outflows of Resources	$ 7.50	$ 8.66	$ 1.30	$ 1.58	$ 8.80	$ 10.24	$ 11.94	$ 12.22
Liabilities:								
Current and other liabilities	$ 17.71	$ 14.52	$ 6.76	$ 8.86	$ 24.47	$ 23.38	$ 4.16	$ 5.37
Long-term liabilities	202.24	197.98	26.66	54.54	228.90	252.52	42.60	38.99
Total Liabilities	$ 219.95	$ 212.50	$ 33.42	$ 63.40	$ 253.37	$ 275.90	$ 46.76	$ 44.36
Deferred Inflows of Resources:								
Unavailable revenue - property taxes	$ 0.85	$ 0.80	$ 0.00	$ 0.00	$ 0.85	$ 0.80	$ 0.00	$ 0.00
Deferred gain on refunding	0.21	0.19	0.00	0.00	0.21	0.19	0.00	0.00
Pension related items	2.18	3.70	0.23	0.46	2.41	4.16	3.86	5.51
Lease related items	0.61	0.50	0.51	0.38	1.12	0.88	0.00	
OPEB related items	1.70	1.15	0.10	0.07	1.80	1.22	3.20	3.21
Total Deferred Inflows of Resources	$ 5.55	$ 6.34	$ 0.83	$ 0.91	$ 6.39	$ 7.25	$ 7.06	$ 8.72
Net position:								
Net invested in capital assets	$ 110.62	$ 120.82	$ 61.62	$ 70.65	$ 172.24	$ 191.47	$ 35.44	$ 36.76
Restricted	1.18	1.20	0.00	0.00	1.18	1.20	1.72	1.12
Unrestricted	49.65	55.70	36.71	32.52	86.36	88.22	(26.07)	(18.84)
Total net position	$ 161.45	$ 177.72	$ 98.33	$ 103.17	$ 259.78	$ 280.89	$ 11.09	$ 19.04

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

Changes in Net Position[3]:

[3] See Exhibit 2 in this report.

Governmental Activities

Governmental activities net position experienced an increase of $18,657,260. The City of Fredericksburg benefits from a strong local economy and a diverse revenue stream, including property taxes, sales taxes, and a variety of excise taxes, in addition to traditional fees-for-service. Overall, total governmental revenues and transfers increased by $8,168,233 from FY 2024 to FY 2025, for a total of $124,068,093. Real and personal property taxes constitute the largest source of revenue for governmental activities. This source increased by $6,670,203 to $61,916,164 in FY 2025 primarily due to an increase in the real estate tax rate. Sales taxes and meals taxes continue to provide strong support to City operations. Combined, these two sources provided $32,968,141 in revenue for the City in FY 2025.

Total governmental activities expenses experienced an increase of $5,293,204 to a total expense amount of $135,406,130. Of this amount, $29,995,297 or 22.15%, was offset with program revenues consisting of $4,967,514 in charges for services and $25,027,783 for operating and capital grants and contributions. Total expenses net of charges, grants, and contributions in FY 2025 was $105,410,833. 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 single program, with education expenses representing 26.63% of the total expenses for governmental activities in fiscal year 2025. Total expenses for education in FY 2025 were $36,055,307, although there was a capital grant that totaled $4,652,888 that offset this expense. The amount transferred from the City for School Board operations and capital improvements, to include joint tenancy asset transfers, totaled $31,402,419. Public safety expenses, which mainly consists of expenses related to the Fredericksburg Fire Department and the Fredericksburg Police Department, are a larger category in terms of gross expenses than education in FY 2025. The total expenses for public safety of $34,220,414 constitute 25.27% of the City's total primary government expenses.

Business-type Activities

The City reports positive growth in the overall net position of Business-type activities of $5,159,577 Total net position for the four business-type functions of the City total $103,169,232.

Water Fund revenues from charges for services totaled $5.22 million in FY 2025; Sewer Fund charges for services totaled $8.7 million. The revenues in FY 2025 from availability and connection fees were $138,770 in the Water Fund and $214,360 in the Sewer Fund.

There are two major utility capital projects currently in-work by the City. The City has recently begun the multi-year capital project to upgrade and expand the capacity of the City's Wastewater Treatment facility. In addition, the City is a financial partner with Spotsylvania County, which is expanding and upgrading the Motts Run Water Treatment facility.

The fiscal year 2025 budget included ten percent increase in water and five percent increase in sewer rates to help offset increasing operating costs and both current and future planned capital and debt service costs. Future rate increases will be needed as the major Motts Run Water Treatment and City Wastewater Treatment Plant capital projects are completed over the next few years.

Component Units

The School Board's net position increased $8,015,712 for fiscal year 2025. The overall net position of the School Board is $17,193,449. The net position of the City Economic Development Authority increased by $149,983, to $1,840,394. Additional details are found on Exhibit 12 of this report, on page 50.

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 2025 the City's asset transfer to the School Board was $3,065,001.

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

TABLE 2
Changes in Net Position
For the Fiscal Year ended June 30, 2025
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Revenues:								
Program Revenues:								
Charges for services	$ 4.14	$ 4.97	$ 13.90	$ 14.33	$ 18.04	$ 19.30	$ 0.38	$ 0.25
Oper. grants & contributions	18.45	18.54	4.84	5.36	23.29	23.90	38.88	35.77
Capital grants and contributions	7.24	6.49	5.32	3.36	12.56	9.85	-	0.40
General Revenues:								
Property taxes	55.25	61.92	-	-	55.25	61.92	-	-
Other local taxes	48.01	49.97	0.56	0.53	48.57	50.50	-	-
Grants & cont. not restricted	3.37	3.35	-	-	3.37	3.35	33.45	35.96
Use of property	-	-	-	-	-	-	-	-
Investment earnings	8.48	6.68	0.57	1.47	9.05	8.15	0.08	0.14
Gain(Loss) on Disposal of Capital Asset	-	-	-	-	-	-	0.06	-
Miscellaneous	1.66	1.18	0.49	0.59	2.15	1.77	0.98	1.21
Total Revenues	$ 146.60	$ 153.10	$ 25.68	$ 25.64	$ 172.28	$ 178.74	$ 73.83	$ 73.73
Expenses:								
General government	$ 12.45	$ 13.36	$ -	$ -	$ 12.45	$ 13.36	$ -	$ -
Judicial administration	7.28	7.73	-	-	7.28	7.73	-	-
Public safety	35.17	34.22	-	-	35.17	34.22	-	-
Public works	13.30	15.14	-	-	13.30	15.14	-	-
Health and welfare	12.12	12.87	-	-	12.12	12.87	-	-
Education	33.61	36.06	-	-	33.61	36.06	67.19	64.87
Parks, recreation, and cultural	6.24	6.55	-	-	6.24	6.55	-	-
Community development	4.78	4.56	-	-	4.78	4.56	0.94	0.69
Interest	5.17	4.91	-	-	5.17	4.91	-	-
Water	-	-	5.06	6.44	5.06	6.44	-	-
Sewer	-	-	6.03	6.26	6.03	6.26	-	-
Transit	-	-	6.15	6.29	6.15	6.29	-	-
Parking	-	-	0.62	0.51	0.62	0.51	-	-
Total Expenses	$ 130.12	$ 135.40	$ 17.86	$ 19.50	$ 147.98	$ 154.90	$ 68.13	$ 65.56
Excess (deficiency) of revenues over exp. before transfers	$ 16.48	$ 17.70	$ 7.82	$ 6.14	$ 24.30	$ 23.84	$ 5.70	$ 8.17
Transfers	(0.86)	0.98	0.86	(0.98)	-	-	-	-
Change in net position	$ 15.62	$ 18.68	$ 8.68	$ 5.16	$ 24.30	$ 23.84	$ 5.70	$ 8.17
Net Position, beginning of year	145.84	159.06	89.65	98.01	235.49	257.07	5.40	10.87
Net Position, end of year	$ 161.46	$ 177.72	$ 98.33	$ 103.17	$ 259.79	$ 280.89	$ 11.10	$ 19.03

(1) 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.

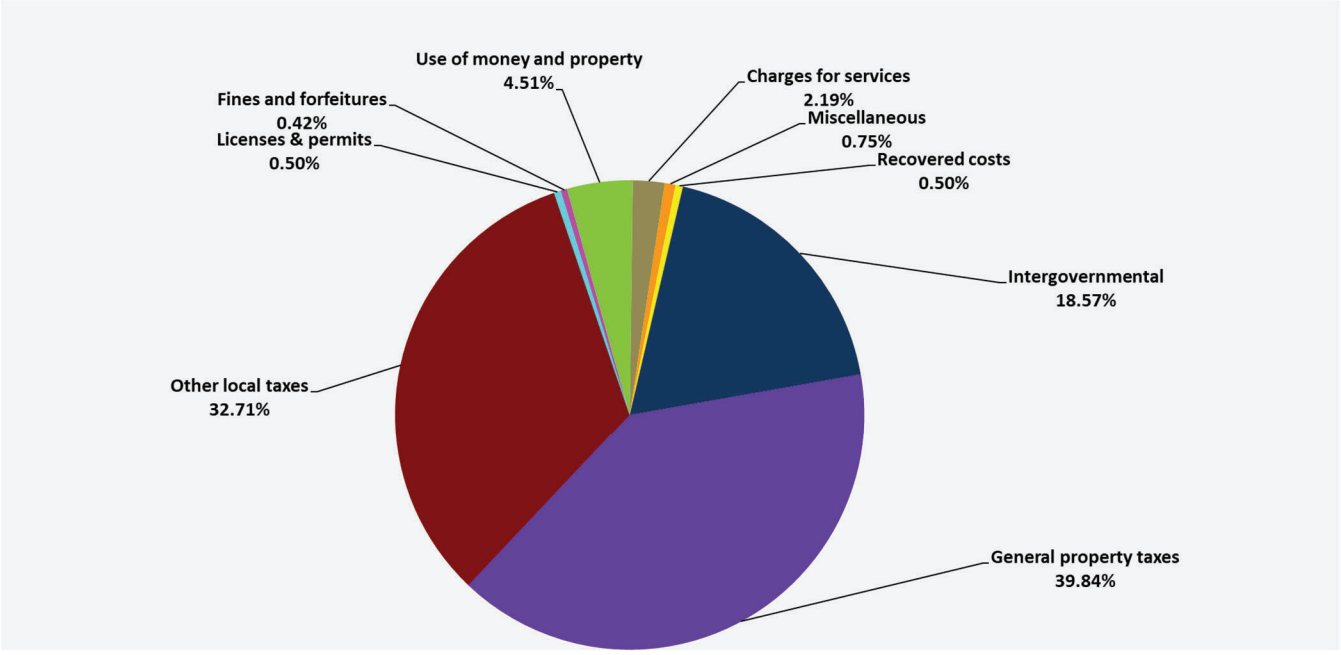
Revenues:

A summary table and chart of the general revenue sources for the governmental funds for fiscal years 2024 and 2025 is presented below:

TABLE 3
Governmental Funds - Revenues

	FY 2024	FY 2025	Percentage of Total Revenues FY 2025	Increase (Decrease) from FY 2024
General property taxes	$ 55,982,161	$ 60,862,156	39.84%	$ 4,879,995
Other local taxes	48,006,453	49,968,439	32.71%	1,961,986
Licenses and permits	742,340	760,662	0.50%	18,322
Fines and forfeitures	453,765	647,688	0.42%	193,923
Use of money and property	8,685,309	6,896,516	4.51%	(1,788,793)
Charges for services	2,734,149	3,344,703	2.19%	610,554
Miscellaneous	1,236,502	1,147,599	0.75%	(88,903)
Recovered costs	801,787	768,557	0.50%	(33,230)
Intergovernmental	29,068,498	28,373,135	18.57%	(695,363)
Totals	$ 147,710,964	$ 152,769,455	100.00%	$ 5,058,491

Chart 1: FY2025 Governmental Funds - Revenues



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

Revenues: (Continued)

The City's total revenues in the governmental funds were $152,769,455 in fiscal year 2025, an increase of $5,058,491 or 3.42%, compared to Fiscal Year 2024. Increased revenue from investment earnings, sales taxes, meals taxes, property taxes, and intergovernmental revenue were the largest factors in the overall revenue increase. Property tax revenue constitutes 39.84% of governmental fund revenue in FY 2025 and is the largest source of revenue for the City. The City's real estate tax rate for FY 2025 was $0.80 per $100 valuation, most of which goes to support the City's General Fund.

The City maintains a Stormwater Management Fund, and dedicates revenue from $0.02 per $100 of the total real estate tax rate towards the operations and maintenance of the City's municipal separate storm sewer system. This fund also supports the City's regulatory function of private storm sewer and erosion control activities.

Revenue from other local taxes increased by $1,961,986 during the fiscal year. The City's strong local economic base and advantageous location continue to support growth from consumption-based taxes such as sales tax and meals tax. Sales tax revenue saw a slight increase and the total for the fiscal year was $16,631,705. Sales tax revenue accounted for 10.89% of Governmental Fund revenues for fiscal year 2025.

Meals tax revenue, which accounted for 10.69% of Governmental Fund revenues for the current fiscal year, totaled $16,336,436 in FY 2025.

The City's General Fund is supported by diverse revenues, from a variety of sources allowed under the laws of the Commonwealth. The City receives significant revenue from tax sources other than real estate or personal property taxes, and the following table provides a more in-depth analysis of "other local tax revenue" for the General Fund for Fiscal Years 2024 & 2025:

TABLE 4
Other Local Taxes - General Fund

	FY 2024	FY 2025	Percentage of Total Other Local Taxes FY 2025	Increase (Decrease) from FY 2024
Sales and use tax	$ 16,342,562	$ 16,631,705	34.52%	$ 289,143
Consumer utility tax	1,834,404	1,969,130	3.87%	134,726
Business license tax	8,077,974	8,310,995	17.06%	233,021
Bank stock tax	1,269,784	1,099,280	2.68%	(170,504)
Recordation tax	517,548	706,428	1.09%	188,880
Tobacco tax	382,760	372,000	0.81%	(10,760)
Amusement tax	482,489	505,357	1.02%	22,868
Hotel lodging tax	2,676,617	2,825,533	5.65%	148,916
Meals tax	15,640,045	16,336,436	33.04%	696,391
Surplus Motor Fuels Tax	36,900	21,400	0.08%	(15,500)
Other	79,941	92,256	0.17%	12,315
Totals	$ 47,341,024	$ 48,870,520	100.00%	$ 1,529,496

Expenditures:

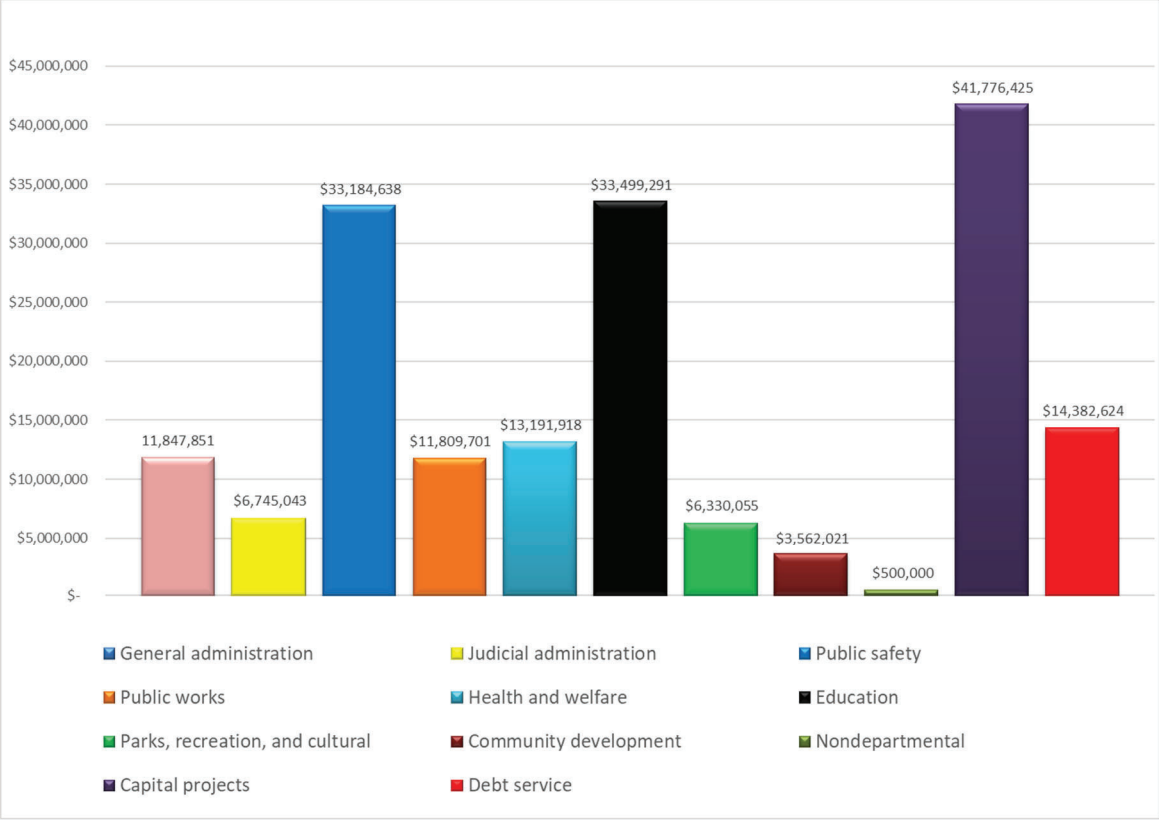
The expenditures of governmental funds in FY 2025 totaled $176,829,567, a 1.92% increase from the prior fiscal year.

The City's expenditures for education and health and welfare also increased in FY 2025 compared to FY 2024. Public Safety expenditures decreased by $374,720 largely due to vacancy savings so this decrease is considered one time in nature. In addition, the City continues to increase personnel and benefit costs for Police and Fire / EMS personnel as competition for these positions in the region has increased. Education expenditures increased as the City's local contribution increased to reflect increased operating capital costs associated with expanding the school system from three to four schools. Health and welfare spending increased from FY 2024 to FY 2025 due to increased service demand.

TABLE 5
Governmental Funds - Expenditures

	FY 2024	FY 2025	Percentage of Total Expenditures FY 2025	Increase (Decrease) from 2024
General administration	$ 11,568,461	$ 11,847,851	6.67%	$ 279,390
Judicial administration	6,455,157	6,745,043	3.72%	289,886
Public safety	33,559,358	33,184,638	19.34%	(374,720)
Public works	10,927,767	11,809,701	6.30%	881,934
Health and welfare	12,328,069	13,191,918	7.11%	863,849
Education	31,084,291	33,499,291	17.92%	2,415,000
Parks, recreation, and cultural	5,922,270	6,330,055	3.41%	407,785
Community development	3,870,054	3,562,021	2.23%	(308,033)
Nondepartmental	75,000	500,000	0.04%	425,000
Capital projects	43,207,806	41,776,425	24.90%	(1,431,381)
Debt service	14,493,613	14,382,624	8.35%	(110,989)
Totals	$ 173,491,846	$ 176,829,567	100.00%	$ 3,337,721

Chart 2: FY 2025 General Fund Expenditures by Category



General Fund Budgetary Highlights

Over the course of fiscal year 2025, 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 2025, actual General Fund expenditures were $105,225,285 compared to the final budgeted expenditures totaling $109,474,146. The City retained a favorable budget variance for expenditures of $4,248,861.

Actual General Fund revenues were $126,455,915 compared to the final budgeted revenues totaling $121,835,726. This resulted in a budget variance of $4,620,189. The largest source of budget variance was revenue from the use of money and property and other local taxes. This is mainly due to meals tax and interest earnings receipts exceeding budget forecasts.

The amended General Fund budget for fiscal year 2025 included a use of fund balance totaling $6,478,698. During FY25, due to positive budget variations from revenue in excess of budget forecasts and expenditures lower than budget limits, the City was able to increase its fund balance by $2,315,189.

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, 2024	Net Additions/ Deletions	Balance June 30, 2025
Capital assets not being depreciated:			
Land	$ 26,446,907	$ -	$ 26,446,907
Construction in progress	45,521,539	26,059,520	71,581,059
Other capital assets:			
Land improvements	28,267,688	525,844	28,793,532
Buildings and building improvements	67,732,666	1,624,580	69,357,246
Lease buildings and building improvements	25,644,390	-	25,644,390
Joint tenancy assets	25,950,000	(3,065,001)	22,884,999
Machinery, equipment, and vehicles	35,544,717	4,410,013	39,954,730
Lease equipment	461,293	-	461,293
Infrastructure	110,745,515	3,847,692	114,593,207
Accumulated depreciation	(137,163,470)	(6,615,946)	(143,779,416)
Totals	$ 229,151,245	$ 26,786,702	$ 255,937,947

The net increase in capital assets during the fiscal year was $26,786,702, mainly due to construction in progress.

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. As of June 30, 2025, the City is rated AA+ by Fitch Investors Services, Aa1 by Moody's Investors Services and AA by Standard and Poor's Investor Services.

Governmental activities general obligation debt totaled $124,508,478 at the end of the fiscal year. This debt includes projects such as the construction of three new schools, building renovations, construction and renovation of court facilities, and construction of new parks. Business-type activities general obligation debt total outstanding balance is $47,533,035.

During fiscal year 2025, the City completed issuance of $31,780,000 General Obligation Public Improvement Bonds, Series 2024A to fund fire pumping engines, pedestrian bridges, sewer interceptors and the City's share of the Motts Run Water Treatment facility expansion and upgrade.

Long-term Debt (Continued)

The City has a self-imposed debt limitation of 5.00% of the total assessed value of all real property. As of June 30, 2025, the City's outstanding long-term indebtedness amount totaled $180,626,373. After an adjustment to reflect the reserve of $7,803,277 for future debt service payments and $1,830,396 of revenue bonded debt net of unamortized premium, the remaining net debt applicable to the debt limit of $170,992,700 is below the policy debt limit of $384,041,136.

The table below reflects a summary of the City's long-term obligations outstanding for fiscal years 2024 and 2025:

TABLE 7
Long-Term Obligations
As of June 30, 2025

	Governmental Activities		Business-type Activities		Total	
	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025
GO Bonds	$ 98,499,708	$ 98,662,104	$ 16,585,292	$ 43,517,896	$ 115,085,000	$ 142,180,000
Direct Placement						
GO Bonds	2,014,945	1,201,374	5,241,954	4,015,139	7,256,899	5,216,513
GO School Bonds	25,950,000	22,885,000	-	-	25,950,000	22,885,000
Revenue bonds	2,005,000	1,760,000	-	-	2,005,000	1,760,000
Subtotal : LT Bonds	128,469,653	124,508,478	21,827,246	47,533,035	150,296,899	172,041,513
Unam. Bond Prem.	6,533,682	6,132,815	662,631	2,452,045	7,196,313	8,584,860
Other Liabilities	67,235,625	67,337,508	4,167,436	4,559,143	71,403,061	71,896,651
Total LT Obligations	$ 202,238,960	$ 197,978,801	$ 26,657,313	$ 54,544,223	$ 228,896,273	$ 252,523,024

The "Other Liabilities" listed in the summary table include: lease liabilities, landfill post-closure costs, compensated absences, net pension liability, and net OPEB liability. 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.

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 is a walkable, mixed-use environment that is attractive to residents, tourists and daytime workers. The City continues to invest in the downtown area through strategic initiatives such as the recently completed Riverfront Park.

Economic Factors and Next Year's Budget (Continued)

Other areas of the City are also receiving investment and revitalization. The Virginia Department of Transportation in partnership with the City, is working on several major and minor transportation projects in the U.S. Route 1 and State Route 3 corridors over the next six years, including the replacement of the Falmouth Bridge over the Rappahannock River and the U.S. 1 Bridge over the Rappahannock Canal. The Celebrate Virginia South area of the City, which is the location of Virginia Credit Union Stadium (home of the Fredericksburg Nationals) and the Fredericksburg Convention Center, is also home to the technology overlay district.

The fiscal year 2026 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.

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, City of Fredericksburg, 715 Princess Anne Street, Fredericksburg, Virginia, 22401 or visit our website at www.fredericksburgva.gov.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position
At June 30, 2025

	Governmental Activities	Business-type Activities	Total	Component Units: School Board	Component Units: Economic Development Authority
Assets:					
Cash and cash equivalents	$ 101,334,198	$ 69,972,125	$ 171,306,323	$ 15,399,482	$ 1,278,050
Receivables, net of allowance for uncollectibles	7,889,619	2,875,835	10,765,454	60,012	-
Due from other governments	5,582,234	2,475,955	8,058,189	2,237,073	-
Inventory, at cost	70,260	281,618	351,878	-	-
Prepaid items	2,274,667	48,324	2,322,991	632,529	-
Investment in joint venture	14,302,145	-	14,302,145	-	-
Loans receivable	-	-	-	-	562,344
Leases receivable	516,323	381,713	898,036	-	-
Net pension asset	-	-	-	747,529	-
Restricted:					
Cash and cash equivalents	-	785,954	785,954	-	-
Capital assets:					
Land, construction in progress and other	98,027,966	26,823,557	124,851,523	3,421,188	-
Other capital assets, net of accumulated depreciation	157,909,981	62,265,941	220,175,922	35,552,660	-
Capital assets, net	$ 255,937,947	$ 89,089,498	$ 345,027,445	$ 38,973,848	$ -
Total assets	$ 387,907,393	$ 165,911,022	$ 553,818,415	$ 58,050,473	$ 1,840,394
Deferred Outflows of Resources:					
Pension related items	$ 7,968,576	$ 1,417,755	$ 9,386,331	$ 10,747,513	$ -
OPEB related items	660,273	67,690	727,963	1,471,710	-
Deferred charge on refunding	26,689	89,351	116,040	-	-
Total deferred outflows of resources	$ 8,655,538	$ 1,574,796	$ 10,230,334	$ 12,219,223	$ -
Liabilities:					
Accounts payable	$ 3,955,265	$ 5,669,023	$ 9,624,288	$ 2,431,653	$ -
Accrued liabilities	7,899,898	1,139,163	9,039,061	2,940,861	-
Unearned revenue	756,408	1,263,734	2,020,142	-	-
Claims payable	463,000	-	463,000	-	-
Amounts held for others	1,443,730	-	1,443,730	-	-
Liabilities payable from restricted assets	-	785,954	785,954	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	2,887,060	272,604	3,159,664	664,314	-
Revenue bonds	260,000	-	260,000	-	-
General obligation bonds	8,896,804	3,238,222	12,135,026	-	-
Accrued landfill post-closure costs	90,000	-	90,000	-	-
Lease liabilities	937,889	-	937,889	130,531	-
Energy performance contract	-	-	-	295,000	-
Due in more than one year:					
Compensated absences	4,428,886	513,326	4,942,212	1,400,249	-
Net OPEB liability	14,334,383	811,652	15,146,035	9,159,374	-
Revenue bonds	1,500,000	-	1,500,000	-	-
General obligation bonds	119,984,489	46,746,858	166,731,347	-	-
Lease liabilities	21,259,600	-	21,259,600	229,424	-
Energy performance contract	-	-	-	608,000	-
Net pension liability	21,829,200	2,961,561	24,790,761	26,497,439	-
Accrued landfill post-closure costs	1,570,490	-	1,570,490	-	-
Total liabilities	$ 212,497,102	$ 63,402,097	$ 275,899,199	$ 44,356,845	$ -
Deferred Inflows of Resources:					
Deferred revenue - property taxes	$ 803,169	$ -	$ 803,169	$ -	$ -
Deferred gain on refunding	191,412	-	191,412	-	-
Pension related items	3,696,842	463,902	4,160,744	5,508,876	-
Leases related	504,913	376,807	881,720	-	-
OPEB related items	1,149,010	73,780	1,222,790	3,210,526	-
Total deferred inflows of resources	$ 6,345,346	$ 914,489	$ 7,259,835	$ 8,719,402	$ -
Net Position:					
Net investment in capital assets	$ 120,831,009	$ 70,646,651	$ 191,477,660	$ 36,759,503	$ -
Restricted:					
Net pension asset	-	-	-	747,529	-
Opioid settlement	1,192,466	-	1,192,466	-	-
Other	-	-	-	365,342	-
Unrestricted	55,697,008	32,522,581	88,219,589	(20,678,925)	1,840,394
Total net position	$ 177,720,483	$ 103,169,232	$ 280,889,715	$ 17,193,449	$ 1,840,394

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

Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	$ 13,364,946	$ 155,983	$ 789,587	$ -
Judicial administration	7,732,429	179,711	1,486,181	-
Public safety	34,220,414	2,194,051	2,908,888	-
Public works	15,139,887	1,464,499	4,547,008	1,635,150
Health and welfare	12,870,555	22,920	8,645,513	-
Education	36,055,307	-	-	4,652,888
Parks, recreation and cultural	6,553,578	700,499	99,261	-
Community development	4,564,000	249,851	59,187	204,120
Interest on long-term debt	4,905,014	-	-	-
Total governmental activities	$ 135,406,130	$ 4,967,514	$ 18,535,625	$ 6,492,158
Business-type activities				
Water	$ 6,435,367	$ 5,224,005	$ 138,770	$ 1,133,291
Wastewater	6,264,161	8,710,910	220,665	-
Transit	6,291,487	8,000	4,999,521	2,224,069
Parking	506,680	389,736	-	-
Total business-type activities	$ 19,497,695	$ 14,332,651	$ 5,358,956	$ 3,357,360
Total Primary Government	$ 154,903,825	$ 19,300,165	$ 23,894,581	$ 9,849,518
Component Units				
Fredericksburg City Public Schools	$ 64,867,577	$ 127,442	$ 35,752,281	$ 400,000
Fredericksburg Economic Development Authority	693,192	121,687	9,597	-
Total Component Units	$ 65,560,769	$ 249,129	$ 35,761,878	$ 400,000

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

Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government				
Governmental activities				
General government administration	$ (12,419,376)	$ -	$ (12,419,376)	$ -
Judicial administration	(6,066,537)	-	(6,066,537)	-
Public safety	(29,117,475)	-	(29,117,475)	-
Public works	(7,493,230)	-	(7,493,230)	-
Health and welfare	(4,202,122)	-	(4,202,122)	-
Education	(31,402,419)	-	(31,402,419)	-
Parks, recreation and cultural	(5,753,818)	-	(5,753,818)	-
Community development	(4,050,842)	-	(4,050,842)	-
Interest on long-term debt	(4,905,014)	-	(4,905,014)	-
Total governmental activities	$ (105,410,833)	$ -	$ (105,410,833)	$ -
Business-type activities				
Water	$ -	$ 60,699	$ 60,699	$ -
Wastewater	-	2,667,414	2,667,414	-
Transit	-	940,103	940,103	-
Parking	-	(116,944)	(116,944)	-
Total business-type activities	$ -	$ 3,551,272	$ 3,551,272	$ -
Total Primary Government	$ (105,410,833)	$ 3,551,272	$ (101,859,561)	$ -
Component Units				
Fredericksburg City Public Schools				$ (28,587,854)
Fredericksburg Economic Development Authority				(561,908)
Total Component Units				$ (29,149,762)
General Revenues				
Taxes:				
General property taxes, real and personal	$ 61,916,164	$ -	$ 61,916,164	$ -
Local sales and use taxes	16,631,705	-	16,631,705	-
Consumer utility taxes	1,969,130	-	1,969,130	-
Business license taxes	8,310,995	-	8,310,995	-
Hotel/lodging taxes	2,825,533	-	2,825,533	-
Meals taxes	16,336,436	-	16,336,436	-
Other local taxes	3,894,640	526,322	4,420,962	-
Payment from City of Fredericksburg:				
Education	-	-	-	35,961,915
Grants and contributions not restricted to specific programs	3,345,352	-	3,345,352	-
Use of property	-	-	-	-
Interest and investment earnings	6,682,055	1,467,140	8,149,195	141,617
Miscellaneous	1,177,007	593,919	1,770,926	1,211,925
Transfers	979,076	(979,076)	-	-
Total general revenues and transfers	$ 124,068,093	$ 1,608,305	$ 125,676,398	$ 37,315,457
Change in net position	$ 18,657,260	$ 5,159,577	$ 23,816,837	$ 8,165,695
Net position, beginning of year, as previously reported	161,458,902	98,325,134	259,784,036	11,097,119
Restatement	(2,395,679)	(315,479)	(2,711,158)	(228,971)
Net position, beginning of year, as restated	159,063,223	98,009,655	257,072,878	10,868,148
Net position, end of year	$ 177,720,483	$ 103,169,232	$ 280,889,715	$ 19,033,843

Fund Financial Statements

Balance Sheet
Governmental Funds
At June 30, 2025

	General	School Bond Funded Capital Fund	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 43,579,078	$ 10,639,702	$ 14,885,513	$ 39,688	$ 31,354,116	$ 100,498,097
Receivables (net of allowances for uncollectibles):						
Property taxes	3,705,429	-	-	-	54,341	3,759,770
Accounts	323,108	-	-	-	-	323,108
Accrued revenue	2,597,962	-	121,164	-	1,087,615	3,806,741
Leases receivable	516,323	-	-	-	-	516,323
Inventory, at cost	70,260	-	-	-	-	70,260
Prepaid items	910,578	-	-	13,987	1,350,102	2,274,667
Due from other governments	4,091,444	-	10,000	-	1,480,790	5,582,234
Total assets	$ 55,794,182	$ 10,639,702	$ 15,016,677	$ 53,675	$ 35,326,964	$ 116,831,200
Liabilities:						
Accounts payable	$ 1,156,923	$ 1,422,762	$ 143,356	$ 21,532	$ 1,118,468	$ 3,863,041
Accrued liabilities	2,654,842	3,234,755	63,765	-	302,032	6,255,394
Amounts held for others	1,443,730	-	-	-	-	1,443,730
Unearned revenue	67,385		636,880	32,143	20,000	756,408
Total liabilities	$ 5,322,880	$ 4,657,517	$ 844,001	$ 53,675	$ 1,440,500	$ 12,318,573
Deferred Inflows of Resources:						
Leases related	$ 504,913	$ -	$ -	$ -	$ -	$ 504,913
Unavailable revenue - other	-	-	-	-	806,120	806,120
Unavailable revenue - property taxes	3,482,964	-	-	-	38,914	3,521,878
Total deferred inflows of resources	$ 3,987,877	$ -	$ -	$ -	$ 845,034	$ 4,832,911
Fund Balances:						
Nonspendable	$ 992,248	$ -	$ -	$ 13,987	$ 1,350,102	$ 2,356,337
Restricted	-	-	-	-	95,250	95,250
Committed	19,469,078	-	755,282	-	18,341,462	38,565,822
Assigned	2,281,009	5,982,185	13,417,394	-	13,254,616	34,935,204
Unassigned	23,741,090	-	-	(13,987)	-	23,727,103
Total fund balances	$ 46,483,425	$ 5,982,185	$ 14,172,676	$ -	$ 33,041,430	$ 99,679,716
Total liabilities, deferred inflows of resources and fund balances	$ 55,794,182	$ 10,639,702	$ 15,016,677	$ 53,675	$ 35,326,964	$ 116,831,200

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, 2025

Total fund balances for governmental funds (Exhibit 3)		$ 99,679,716
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	$ 26,446,907	
Construction in progress	71,581,059	
Land improvements, net of accumulated depreciation	19,542,462	
Buildings and improvements, net of accumulated depreciation	40,494,958	
Lease buildings and improvements, net of accumulated depreciation	21,461,717	
Joint tenancy assets, net of accumulated depreciation	16,788,474	
Infrastructure, net of accumulated depreciation	44,369,309	
Lease equipment, net of accumulated depreciation	88,098	
Machinery, vehicles, and equipment, net of accumulated depreciation	15,164,963	
Total capital assets		255,937,947
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.		280,877
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture		14,302,145
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	$ 26,689	
Pension related items	7,968,576	
OPEB related items	660,273	8,655,538
Some of the City's property, other taxes and revenues 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.		3,524,829
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	$ (1,644,504)	
Bonds and notes payable	(124,508,478)	
Lease liabilities	(22,197,489)	
Premium on long-term debt, net of accumulated amortization	(6,132,815)	
Net pension liability	(21,829,200)	
Net OPEB liability	(14,334,383)	
Landfill post-closure costs	(1,660,490)	(192,307,359)
Compensated absences not reported as fund liabilities		(7,315,946)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (3,696,842)	
Deferred gain on refunding	(191,412)	
OPEB related items	(1,149,010)	(5,037,264)
Total net position of governmental activities (Exhibits 1 and 2)		$ 177,720,483

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, 2025

	General Fund	School Bond Funded Capital Fund	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	$ 58,782,638	$ -	$ -	$ -	$ 2,079,518	$ 60,862,156
Other local taxes	48,870,520	-	400,000	-	697,919	49,968,439
Permits, privilege fees and regulatory licenses	697,487	-	-	-	63,175	760,662
Fines and forfeitures	360,065	-	-	-	287,623	647,688
Use of money and property	2,188,610	-	670,866	-	4,037,040	6,896,516
Charges for services	3,244,903	-	-	-	99,800	3,344,703
Miscellaneous	387,627	-	141,118	-	618,854	1,147,599
Recovered costs	504,991	-	-	-	263,566	768,557
Intergovernmental:						
Revenue from the Commonwealth	11,304,258	4,652,888	54,085	-	5,126,342	21,137,573
Revenue from the Federal Government	114,816	-	182,124	2,387,563	4,551,059	7,235,562
Total revenues	$ 126,455,915	$ 4,652,888	$ 1,448,193	$ 2,387,563	$ 17,824,896	$ 152,769,455
Expenditures						
Current:						
General government administration	$ 11,488,366	$ -	$ -	$ 359,485	$ -	$ 11,847,851
Judicial administration	6,398,261	-	-	24,764	322,018	6,745,043
Public safety	31,998,127	-	-	174,679	1,011,832	33,184,638
Public works	10,784,928	-	-	291,246	733,527	11,809,701
Health and welfare	1,245,286	-	-	-	11,946,632	13,191,918
Education - local community college and other	34,291	-	-	-	-	34,291
Education - public school system	33,465,000	-	-	-	-	33,465,000
Parks, recreation and cultural	6,100,278	-	-	99,261	130,516	6,330,055
Community development	3,013,820	-	-	39,187	509,014	3,562,021
Capital projects	-	26,662,376	6,115,238	-	8,998,811	41,776,425
Nondepartmental	500,000	-			-	500,000
Debt service:						
Principal payments	180,903	-	-	-	8,384,553	8,565,456
Interest and fiscal charges	16,025	-	-	-	5,801,143	5,817,168
Total expenditures	$ 105,225,285	$ 26,662,376	$ 6,115,238	$ 988,622	$ 37,838,046	$ 176,829,567
Excess (deficiency) of revenues over (under) expenditures	$ 21,230,630	$ (22,009,488)	$ (4,667,045)	$ 1,398,941	$ (20,013,150)	$ (24,060,112)
Other financing sources (uses)						
Issuance of bonds	$ -	$ -	$ 1,340,681	$ -	$ 2,379,319	$ 3,720,000
Bond premium	-	-	159,029	-	276,409	435,438
Proceeds from the sale of capital assets	81,913	-	-	-	-	81,913
Transfers in	1,220,014	-	1,847,191	-	20,078,781	23,145,986
Transfers out	(20,217,368)	-	-	(1,398,941)	(550,601)	(22,166,910)
Total other financing sources (uses)	$ (18,915,441)	$ -	$ 3,346,901	$ (1,398,941)	$ 22,183,908	$ 5,216,427
Net change in fund balance	$ 2,315,189	$ (22,009,488)	$ (1,320,144)	$ -	$ 2,170,758	$ (18,843,685)
Fund balances, beginning of year	44,168,236	27,991,673	15,492,820	-	30,870,672	118,523,401
Fund balances, end of year	$ 46,483,425	$ 5,982,185	$ 14,172,676	$ -	$ 33,041,430	$ 99,679,716

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, 2025

Net change in fund balances - total governmental funds (Exhibit 5)		$ (18,843,685)
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	$ 45,214,043	
Depreciation	(10,292,722)	34,921,321
Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board		(1,917,849)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		(6,216,770)
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.		1,001,503
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		2,689,955
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:		
General obligation bonds	$ (3,720,000)	
Premium on debt issued	(435,438)	
Amortization of premium on long-term debt	836,305	
Repayments of long-term debt:		
General obligation bonds	7,681,175	
Lease liabilities	884,281	
Net adjustment		5,246,323
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	$ (596,403)	
OPEB expense	811,045	
Pension expense	1,422,846	
Accrued interest on bonds and loans	88,432	
Amortization of deferred charge/gain on refunding	(12,583)	
Accrued landfill post-closure costs	(20,711)	
Net adjustment		1,692,626
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.		83,836
Change in net position of governmental activities (Exhibit 2)		$ 18,657,260

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

Statement of Net Position
Proprietary Funds
At June 30, 2025

	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	$ 39,856,101	$ 17,422,776	$ 11,577,364	$ 1,115,884	$ 69,972,125	$ 836,101
Accounts receivable, net of allowance for uncollectibles	1,073,915	1,671,936	-	-	2,745,851	-
Accrued revenue	20,391	30,291	39,804	39,498	129,984	-
Leases receivable	50,550	-	-	50,628	101,178	-
Inventory, at cost	237,189	44,429	-	-	281,618	-
Prepaid items	-	-	34,989	13,335	48,324	-
Due from other governments	-	828,945	1,647,010	-	2,475,955	-
Restricted assets:						
Cash and cash equivalents	785,954	-	-	-	785,954	-
Total current assets	$ 42,024,100	$ 19,998,377	$ 13,299,167	$ 1,219,345	$ 76,540,989	$ 836,101
Noncurrent assets:						
Leases receivable	$ 92,338	$ -	$ -	$ 188,197	$ 280,535	$ -
Capital Assets:						
Land	701,345	114,880	858,573	782,125	2,456,923	-
Construction in progress	10,303,163	13,601,774	461,697	-	24,366,634	-
Land improvements	-	-	976,403	-	976,403	-
Dams and reservoirs	2,531,502	-	-	-	2,531,502	-
Buildings and systems	25,378,081	49,210,226	10,185,298	6,942,467	91,716,072	-
Furniture, machinery and equipment	1,227,825	6,227,338	6,578,082	150,463	14,183,708	-
Intangible assets	7,734,882	1,556,496	-	-	9,291,378	-
Total property, plant and equipment	$ 47,876,798	$ 70,710,714	$ 19,060,053	$ 7,875,055	$ 145,522,620	$ -
Accumulated depreciation	(15,870,184)	(30,630,533)	(7,147,789)	(2,784,616)	(56,433,122)	-
Capital assets, net	$ 32,006,614	$ 40,080,181	$ 11,912,264	$ 5,090,439	$ 89,089,498	$ -
Total noncurrent assets	$ 32,098,952	$ 40,080,181	$ 11,912,264	$ 5,278,636	$ 89,370,033	$ -
Total assets	$ 74,123,052	$ 60,078,558	$ 25,211,431	$ 6,497,981	$ 165,911,022	$ 836,101
Deferred Outflows of Resources:						
Pension related items	$ 151,688	$ 359,225	$ 882,776	$ 24,066	$ 1,417,755	$ -
OPEB related items	10,695	23,000	32,761	1,234	67,690	-
Deferred charge on refunding	4,642	84,709	-	-	89,351	-
Total deferred outflows of resources	$ 167,025	$ 466,934	$ 915,537	$ 25,300	$ 1,574,796	$ -
Liabilities:						
Current liabilities:						
Accounts payable	$ 4,149,527	$ 980,276	$ 538,803	$ 417	$ 5,669,023	$ 92,224
Accrued liabilities	482,474	69,814	90,404	5,633	648,325	-
Interest payable	388,677	102,161	-	-	490,838	-
Compensated absences, current portion	90,483	68,522	110,008	3,591	272,604	-
Claims payable	-	-	-	-	-	463,000
Unearned revenue, current portion	-	50,220	-	-	50,220	-
General obligation bonds, current portion	1,626,730	1,316,969	-	294,523	3,238,222	-
Current liabilities payable from restricted assets:						
Customer deposits	785,954	-	-	-	785,954	-
Total current liabilities	$ 7,523,845	$ 2,587,962	$ 739,215	$ 304,164	$ 11,155,186	$ 555,224
Noncurrent liabilites:						
Unearned revenue, noncurrent portion	$ -	$ 1,213,514	$ -	$ -	$ 1,213,514	$ -
Compensated absences, noncurrent portion	138,459	115,117	248,895	10,855	513,326	-
Net OPEB liability	158,173	397,658	252,021	3,800	811,652	-
Net pension liability	414,060	876,097	1,613,334	58,070	2,961,561	-
General obligation bonds, noncurrent portion	36,649,308	10,097,537	-	13	46,746,858	-
Total noncurrent liabilities	$ 37,360,000	$ 12,699,923	$ 2,114,250	$ 72,738	$ 52,246,911	$ -
Total liabilities	$ 44,883,845	$ 15,287,885	$ 2,853,465	$ 376,902	$ 63,402,097	$ 555,224
Deferred Inflows of Resources:						
Pension related items	$ 95,023	$ 133,174	$ 231,252	$ 4,453	$ 463,902	$ -
Leases related	179,605	-	-	197,202	376,807	-
OPEB related items	13,729	33,211	26,205	635	73,780	-
Total deferred inflows of resources	$ 288,357	$ 166,385	$ 257,457	$ 202,290	$ 914,489	$ -
Net Position:						
Net investment in capital assets	$ 22,880,370	$ 31,058,114	$ 11,912,264	$ 4,795,903	$ 70,646,651	$ -
Unrestricted	6,237,505	14,033,108	11,103,782	1,148,186	32,522,581	280,877
Total net position	$ 29,117,875	$ 45,091,222	$ 23,016,046	$ 5,944,089	$ 103,169,232	$ 280,877

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, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Operating revenues:						
Charges for services	$ 5,224,005	$ 8,710,910	$ -	$ 389,736	$ 14,324,651	$ 8,056,036
Operating expenses:						
Personal services	$ 744,808	$ 1,368,442	$ 2,917,446	$ 152,378	$ 5,183,074	$ -
Fringe benefits	299,752	632,435	1,137,539	43,903	2,113,629	6,685,275
Contractual services	2,270,709	1,419,203	365,167	36,768	4,091,847	-
Other operating expenses	653,500	1,061,809	974,300	73,457	2,763,066	1,286,925
Depreciation expense	954,017	1,368,530	897,035	179,866	3,399,448	-
Total operating expenses	$ 4,922,786	$ 5,850,419	$ 6,291,487	$ 486,372	$ 17,551,064	$ 7,972,200
Total operating income (loss)	$ 301,219	$ 2,860,491	$ (6,291,487)	$ (96,636)	$ (3,226,413)	$ 83,836
Nonoperating revenues (expenses):						
Interest income	$ 995,055	$ 177,307	$ 147,389	$ 147,389	$ 1,467,140	$ -
Gasoline tax receipts	-	-	229,315	297,007	526,322	-
Availability/connection fees	138,770	214,360	-	-	353,130	-
Miscellaneous	406,637	31,239	156,043	-	593,919	-
Gain (loss) on disposal of capital assets	-	-	8,000	-	8,000	-
State and local grant funds	-	-	1,266,528	-	1,266,528	-
Federal grant funds	-	6,305	3,732,993	-	3,739,298	-
Interest expense	(1,512,581)	(413,742)	-	(20,308)	(1,946,631)	-
Total nonoperating revenues (expenses)	$ 27,881	$ 15,469	$ 5,540,268	$ 424,088	$ 6,007,706	$ -
Income (loss) before contributions and transfers	$ 329,100	$ 2,875,960	$ (751,219)	$ 327,452	$ 2,781,293	$ 83,836
Capital grants and contributions:						
State and local grant funds	$ -	$ -	$ 540,562	$ -	$ 540,562	$ -
Federal grant funds	-	1,133,291	1,683,507	-	2,816,798	-
Total capital grants and contributions	$ -	$ 1,133,291	$ 2,224,069	$ -	$ 3,357,360	$ -
Transfers:						
Transfers in	$ -	$ 240,939	$ -	$ -	$ 240,939	$ -
Transfers out	(385,196)	(550,000)	(284,819)	-	(1,220,015)	-
Net transfers	(385,196)	(309,061)	(284,819)	-	(979,076)	-
Change in net position	$ (56,096)	$ 3,700,190	$ 1,188,031	$ 327,452	$ 5,159,577	$ 83,836
Net position, beginning of year, as previously reported	29,254,489	41,411,015	22,032,333	5,627,297	98,325,134	197,041
Restatement	(80,518)	(19,983)	(204,318)	(10,660)	(315,479)	
Net position, beginning of year, as restated	29,173,971	41,391,032	21,828,015	5,616,637	98,009,655	197,041
Net position, end of year	$ 29,117,875	$ 45,091,222	$ 23,016,046	$ 5,944,089	$ 103,169,232	$ 280,877

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2025

	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	$ 5,273,420	$ 8,789,268	$ -	$ 398,882	$ 14,461,570	$ -
Receipts from interfund services provided	-	-	-	-	-	8,056,036
Other miscellaneous receipts	406,560	31,239	386,637	297,007	1,121,443	-
Payments to suppliers	(1,024,786)	(2,709,800)	(1,116,115)	(110,569)	(4,961,270)	(1,194,701)
Payments to and for employees	(1,056,712)	(2,013,214)	(4,066,078)	(197,954)	(7,333,958)	(6,772,275)
Net cash provided by (used for) operating activities	$ 3,598,482	$ 4,097,493	$ (4,795,556)	$ 387,366	$ 3,287,785	$ 89,060
Cash flows from noncapital financing activities:						
Availability and connection fees	$ 138,770	$ 214,360	$ -	$ -	$ 353,130	$ -
State, federal and local grant funds	-	(43,915)	4,387,339	-	4,343,424	-
Transfers in	-	240,939	-		240,939	-
Transfers out	(385,196)	(550,000)	(284,819)	-	(1,220,015)	-
Net cash provided by (used for) noncapital financing activities	$ (246,426)	$ (138,616)	$ 4,102,520	$ -	$ 3,717,478	$ -
Cash flows from investing activities:						
Interest income	$ 995,055	$ 177,307	$ 147,389	$ 147,389	$ 1,467,140	$ -
Cash flows from capital and related financing activities:						
Purchase of capital assets	$ (9,134,054)	$ (3,261,704)	$ (2,345,524)	$ -	$ (14,741,282)	$ -
Disposal of capital assets	-	-	25,522	-	25,522	-
State, federal and local grant funds	-	4,892,721	2,224,069	-	7,116,790	-
Proceeds from issuance of debt	27,015,000	1,045,000	-	-	28,060,000	-
Premium on issuance of debt	1,868,027	72,138	-	-	1,940,165	-
Principal payment on debt	(838,259)	(1,229,323)	-	(286,629)	(2,354,211)	-
Interest paid on debt	(1,333,583)	(401,137)	-	(10,376)	(1,745,096)	-
Net cash provided by (used for) capital and related financing activities	$ 17,577,131	$ 1,117,695	$ (95,933)	$ (297,005)	$ 18,301,888	$ -
Increase (decrease) in cash and cash equivalents for the year	$ 21,924,242	$ 5,253,879	$ (641,580)	$ 237,750	$ 26,774,291	$ 89,060
Cash and cash equivalents (including restricted), beginning of year	18,717,813	12,168,897	12,218,944	878,134	43,983,788	747,041
Cash and cash equivalents (including restricted), end of year	$ 40,642,055	$ 17,422,776	$ 11,577,364	$ 1,115,884	$ 70,758,079	$ 836,101
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	$ 301,219	$ 2,860,491	$ (6,291,487)	$ (96,636)	$ (3,226,413)	$ 83,836
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	954,017	1,368,530	897,035	179,866	3,399,448	-
Other miscellaneous receipts	406,637	31,239	385,358	297,007	1,120,241	-
Changes in assets and liabilities:						
Accounts receivable	(7,193)	68,063	-	-	60,870	-
Inventory	80,135	3,610	-	-	83,745	-
Accrued revenue	14,124	10,295	1,279	13,079	38,777	-
Leases receivable	83,353	-	-	45,367	128,720	
Prepaid items	-	-	1,173	(264)	909	-
Deferred outflows of resources - pension related items	(25,581)	(75,916)	(232,454)	3,654	(330,297)	-
Deferred outflows of resources - OPEB related items	2,214	5,488	(3,495)	(198)	4,009	-
Accounts payable	1,431,198	(242,037)	216,880	(80)	1,405,961	92,224
Accrued liabilities	388,090	9,639	5,299	(274)	402,754	-
Net OPEB liability	(6,114)	(11,149)	5,091	171	(12,001)	-
Net pension liability	(36,374)	(16,729)	98,481	(8,959)	36,419	-
Claims payable	-	-	-	-	-	(87,000)
Compensated absences	31,949	35,090	(14,632)	(597)	51,810	-
Deferred inflows of resources - pension related items	27,284	65,877	140,058	4,443	237,662	-
Deferred inflows of resources - OPEB related items	(5,530)	(14,998)	(4,142)	87	(24,583)	-
Deferred inflows of resources - leases related	(83,430)	-	-	(49,300)	(132,730)	-
Deposits payable from restricted assets	42,484	-	-	-	42,484	-
Net cash provided by (used for) operating activities	$ 3,598,482	$ 4,097,493	$ (4,795,556)	$ 387,366	$ 3,287,785	$ 89,060

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2025

	Custodial Funds	Other Postemployment Benefit Plan Fund	Private Purpose Trust Fund
Assets:			
Cash and cash equivalents	$ 2,075,033	$ -	$ 1,818,053
Accounts receivable	230,686	-	6,133
Prepaid items	69,871	-	-
Pension asset	404,082	-	-
Investments at fair value:			
Investment in pooled funds	-	3,022,547	-
Capital assets net of accumulated depreciation	6,367,051	-	-
Total assets	$ 9,146,723	$ 3,022,547	$ 1,824,186
Deferred Outflows of Resources:			
Pension related items	$ 177,217	$ -	$ 15,513
OPEB related items	16,701	-	1,287
Total deferred outflows of resources	$ 193,918	$ -	$ 16,800
Liabilities:			
Accounts payable	$ 644,780	$ -	$ 251
Accrued liabilities	380,399	-	12,892
Notes payable	3,138,096	-	-
Lease liabilities	210,362	-	-
Net OPEB liability	55,949	-	19,616
Net pension liability	416,588	-	40,396
Amounts held for others	594,726	-	-
Total liabilities	$ 5,440,900	$ -	$ 73,155
Deferred Inflows of Resources:			
Pension related items	$ 271,812	$ -	$ 20,736
OPEB related items	20,338	-	1,720
Total deferred inflows of resources	$ 292,150	$ -	$ 22,456
Net Position:			
Net position restricted for OPEB and other purposes	$ 3,607,591	$ 3,022,547	$ 1,745,375

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, 2025

	Custodial Funds	Other Post-employment Benefit Plan Fund	Private Purpose Trust Fund
Additions:			
Contributions:			
Contributions	$ 2,108,856	$ 75,000	$ 127,287
Investment income:			
Interest earned on investments	-	242,463	80,759
Miscellaneous	2,937,953	-	-
Total additions	$ 5,046,809	$ 317,463	$ 208,046
Deductions:			
Payments for property management	$ -	$ -	$ 119,016
Other charges	4,639,283	2,165	-
Total deductions	$ 4,639,283	$ 2,165	$ 119,016
Net increase (decrease) in plan assets	$ 407,526	$ 315,298	$ 89,030
Net position held in trust for OPEB benefits and other purposes:			
Balance, beginning of year, as previously reported	3,213,526	2,707,249	1,656,345
Restatement	(13,461)	-	-
Balance, beginning of year, as restated	3,200,065	2,707,249	1,656,345
Balance, end of year	$ 3,607,591	$ 3,022,547	$ 1,745,375

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

Statement of Activities
Component Units
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: School Board	Net (Expense) Revenue and Changes in Net Position: Economic Development Authority	Totals
School Board							
Education	$ 64,833,345	$ 127,442	$ 35,752,281	$ 400,000	$ (28,553,622)	$ -	$ (28,553,622)
Interest on long-term debt	34,232	-	-	-	(34,232)	-	(34,232)
Total School Board	$ 64,867,577	$ 127,442	$ 35,752,281	$ 400,000	$ (28,587,854)	$ -	$ (28,587,854)
Economic Development Authority							
Community development	$ 693,192	$ 121,687	$ 9,597	$ -	$ -	$ (561,908)	$ (561,908)
Total Economic Development Authority	$ 693,192	$ 121,687	$ 9,597	$ -	$ -	$ (561,908)	$ (561,908)
Total Component Units	$ 65,560,769	$ 249,129	$ 35,761,878	$ 400,000	$ (28,587,854)	$ (561,908)	$ (29,149,762)
	General revenues						
	Payment from/(to) City of Fredericksburg				$ 35,382,848	$ 579,067	$ 35,961,915
	Interest and investment income				56,515	85,102	141,617
	Miscellaneous				1,164,203	47,722	1,211,925
	Total general revenues				$ 36,603,566	$ 711,891	$ 37,315,457
	Change in net position				$ 8,015,712	$ 149,983	$ 8,165,695
	Net position, beginning of year, as previously reported				9,406,708	1,690,411	11,097,119
	Restatement				(228,971)	-	(228,971)
	Net position, beginning of year, as restated				9,177,737	1,690,411	10,868,148
	Net position, end of year				$ 17,193,449	$ 1,840,394	$ 19,033,843

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

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 both legally and substantively 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 $3,605,247 in operating and other funds to the Center in 2025.

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 $1,570,000 in operating funds to the Library in 2025.

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, 2025. 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, 2025 was $14,302,145.

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 $9.9 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2025 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 2025 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 $373,619 to the Board in 2025.

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 2025.

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 $20,476 in operating grants and $10,000 in unsheltered homelessness grants to the Commission in 2025.

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 $1,194,562 to the Center in 2025.

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 $102,137 in operating funds to the Home in 2025.

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 2025.

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 2025.

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.

Fire Tax Fund – This fund accounts for the revenues, expenditures, and other financing resources for the fire tax levy.

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.

School Bond Funded Capital Fund – This fund accounts for construction, renovation, and improvements of the Component Unit School Board's buildings and facilities. Financing is provided primarily by bond proceeds. The School Bond Funded Capital Fund is a major 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 Custodial Funds and OPEB Trust Fund use the economic resources measurement focus.

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, 2025. 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, 2025.

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, 2025, the allowance totaled $1,483,071 with $900,191 in the General Fund and $582,880 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 (or life of the associated contract for lease and subscription assets):

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
Lease buildings and improvements	5 to 30 years
Lease equipment	3 to 5 years

To the extent the City's capitalization threshold of $10,000 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 (except for intangible right-to-use assets (lease), the measurement of which is discussed in more detail below), 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 recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, several types of leave qualify for liability recognition for compensated absences. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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

K. Compensated Absences (Continued)

Sick and Vacation Leave

The City and School Board policies permit employees to accumulate earned but unused vacation and sick leave. A portion of accumulated benefits are paid to employees when they separate from service with the City and School Board. In addition, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Other Leave

In addition to sick and vacation leave the City's liability for compensated absences includes other ancillary leave types including a voluntary sick leave bank, and compensatory leave.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net assets 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 resulted from the difference between 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 pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, opioid settlements, and leases are reported as deferred inflows of resources. 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, 2025 was $836,305 and $150,751 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/amortization 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 Balance

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 not less than 15% of the actual General Fund revenues for the preceding fiscal year. In addition, a revenue stabilization fund reserve will be not less than 2% of the actual General Fund revenues for the preceding fiscal year by the close of Fiscal Year 2027.

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

T. Fund Balance: (Continued)

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

	General Fund	School Bond Funded Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 70,260	$ -	$ -	$ -	$ 70,260
Leases	11,410	-		-	11,410
Prepaids	910,578	-	13,987	1,350,102	2,274,667
Total Nonspendable Fund Balance	$ 992,248	$ -	$ 13,987	$ 1,350,102	$ 2,356,337
Restricted:					
Housing initiatives	$ -	$ -	$ -	$ 95,250	$ 95,250
Total Restricted Fund Balance	$ -	$ -	$ -	$ 95,250	$ 95,250
Committed:					
Social services	$ -	$ -	$ -	$ 628,782	$ 628,782
Comprehensive services	-	-	-	223,088	223,088
Cowan Boulevard debt service	-	-	-	35,611	35,611
Public safety construction projects	-	-	-	2,192,323	2,192,323
Public facilities construction projects	-	-	-	1,204,405	1,204,405
Public works construction projects	-	-	-	755,282	755,282
Blight abatement	-	-	-	252,037	252,037
Economic development opportunities	-	-	-	364,252	364,252
Grant related expenditures	-	-	-	2,028,270	2,028,270
Forfeited asset sharing program	-	-	-	137,698	137,698
Stormwater management	-	-	-	1,384,698	1,384,698
Education debt service	-	-	-	801,865	801,865
Debt service	-	-	-	8,824,189	8,824,189
Revenue stabilization	3,000,000	-	-	-	3,000,000
Detention stabilization	2,071,004	-	-	-	2,071,004
City capital projects	8,878,926	-	-	-	8,878,926
School capital projects	1,250,000	-	-	-	1,250,000
Homelessness initiatives	2,000,000	-	-	-	2,000,000
Health insurance claims	1,200,000	-	-	-	1,200,000
Other purposes	1,069,148	-	-	264,244	1,333,392
Total Committed Fund Balance	$ 19,469,078	$ -	$ -	$ 19,096,744	$ 38,565,822
Assigned:					
Public works construction projects	$ -	$ -	$ -	$ 13,417,394	$ 13,417,394
Public facilities construction projects	-	-	-	9,419,420	9,419,420
Public safety construction projects	-	-	-	2,867,217	2,867,217
Education construction projects	-	5,982,185	-	-	5,982,185
Court facilities construction projects	-	-	-	967,979	967,979
Upfront capital costs	2,000,000	-	-	-	2,000,000
Economic development opportunities	75,000	-	-	-	75,000
Other purposes	206,009	-	-	-	206,009
Total Assigned Fund Balance	$ 2,281,009	$ 5,982,185	$ -	$ 26,672,010	$ 34,935,204
Unassigned	$ 23,741,090	$ -	$ (13,987)	$ -	$ 23,727,103
Total Fund Balances	$ 46,483,425	$ 5,982,185	$ -	$ 47,214,106	$ 99,679,716

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 HIC, 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. Leases and Subscription-Based IT Arrangements

The City has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee

The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of lease payments made. Subsequently, the lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

V. Leases and Subscription-Based IT Arrangements: (Continued)

Subscriptions

The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of subscription payments made. Subsequently, the subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Subsequently, the subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The City uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.

- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The City monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The City will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

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

W. Adoption of Accounting Principles

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences.

The change in accounting principle resulted in the following restatements of net position:

	Governmental Activities	Business-type Activities	Component Unit School Board	Custodial Funds
July 1, 2024, as previously reported	$ 161,458,902	$ 98,325,134	$ 9,406,708	$ 3,213,526
Implementation of GASB 101	(2,395,679)	(315,479)	(228,971)	(13,461)
July 1, 2024, as restated	$ 159,063,223	$ 98,009,655	$ 9,177,737	$ 3,200,065

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 & 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, 2024 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.

Note 2—Deposits and Investments: (Continued)

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 & 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, 2025 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	$ -	$ 4,533,272	$ -	$ -
Corporate Debt	-	2,485,851	998,961	5,048,929
U.S. Treasuries	-	36,846,583	-	-
VML/VACO Pooled Trust	3,022,547	-	-	-
Virginia State Non-Arbitrage Program	80,778,886	-	-	-
Money Market Mutual Fund	19,624,930	-	-	-
Total	$ 103,426,363	$ 43,865,706	$ 998,961	$ 5,048,929

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	$ 4,533,272	$ -	$ 4,533,272
U.S. Treasuries	36,846,583	16,136,286	20,710,297
VML/VACO Pooled Trust	3,022,547	3,022,547	-
Virginia State Non-Arbitrage Program	80,778,886	80,778,886	-
Corporate Debt	8,533,741	6,043,105	2,490,636
Total	$ 133,715,029	$ 105,980,824	$ 27,734,205

Note 2—Deposits and Investments: (Continued)

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, VACO/VML 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
- 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, 2025:

Investment	June 30, 2025	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Agencies	$ 4,533,272	$ 4,533,272
U.S. Treasuries	36,846,583	36,846,583
Money Market Mutual Fund	19,624,930	19,624,930
Corporate Debt	8,533,741	8,533,741
Total	$ 69,538,526	$ 69,538,526
Investments measured at NAV:		
Virginia Investment Pool	$ 3,022,547	
Total investments measured at fair value	$ 72,561,073	

At June 30, 2025, there were no withdraw limitations associated with investments held by the Virginia Investment Pool.

Note 4—Real and Personal Property Tax Data:

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

	Real Property	Personal Property
Levy	July 1	January 1
Due Date	June 5/December 5 (50% each date)	June 5/December 5 (50% each date)
Lien Date	May 16/November 16	May 16/November 16

Note 5—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2025 consist of the following:

Primary Government:

	Governmental Activities				
	General	Special Revenue	Capital Projects	Total	Business-Type Activities
Property taxes	$ 4,529,879	$ 54,341	$ -	$ 4,584,220	$ -
Water charges	-	-	-	-	1,311,019
Wastewater charges	-	-	-	-	2,017,712
Meals tax	1,832,256	-	-	1,832,256	-
Refuse disposal fees	232,148	-	-	232,148	-
Opioid settlements	-	806,120	-	806,120	-
Lodging tax	300,608	-	-	300,608	-
Investment earnings	121,164	-	363,492	484,656	121,164
Other	510,635	39,167	-	549,802	8,820
Total	$ 7,526,690	$ 899,628	$ 363,492	$ 8,789,810	$ 3,458,715
Allowance for uncollectibles	(900,191)	-	-	(900,191)	(582,880)
Net receivables	$ 6,626,499	$ 899,628	$ 363,492	$ 7,889,619	$ 2,875,835

Component Units

	School Board
Other	$ 60,012
Total	$ 60,012
Allowance for uncollectibles	-
Net receivables	$ 60,012

Note 6—Due From Other Governmental Units:

	Governmental Activities				Business-Type Activities	Component Unit School Board
	General	Special Revenue	Capital Projects	Total		
Primary Government:						
Commonwealth of Virginia:						
Local sales taxes	$ 2,936,084	$ -	$ -	$ 2,936,084	$ -	$ -
Telecommunication sales tax	95,971	-	-	95,971	-	-
PPTRA	676,647	-	-	676,647	-	-
Children's Services Act	-	529,276	-	529,276	-	-
Shared expenses and grants	215,353	-	-	215,353	-	-
Virginia Department of Transportation	-	-	10,000	10,000	-	-
Virginia Department of Emergency Management	1,556	44,665	-	46,221	-	-
Virginia Department of Environmental Quality	-	-	-	-	603,019	-
Virginia Department of Criminal Justice Services	-	13,469	-	13,469	-	-
Social services grants	-	669,375	-	669,375	-	-
Other	49,642	57,832	-	107,474	76,209	635,807
Federal government:						
Transit grants	-	-	-	-	1,007,212	-
Criminal justice grants	-	77,411	-	77,411	-	-
Department of Housing and and Community Development	-	11,906	-	11,906	-	-
Other	-	-	-	-	-	-
Others:						
Other	116,191	76,856	-	193,047	517,217	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	272,298	-
Component Unit School Board:						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	877,400
Federal pass-through:						
School funds	-	-	-	-	-	723,866
Federal government:						
Head Start	-	-	-	-	-	
Total	$ 4,091,444	$ 1,480,790	$ 10,000	$ 5,582,234	$ 2,475,955	$ 2,237,073

Note 7—Interfund Balances and Activity:

Primary Government:

Balances due To/From other funds at June 30, 2025:

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	$	1,818,854
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs		376,789
Transfer to the Children's Services Act Fund for the local share of the program costs		1,004,204
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs		4,690,013
Transfers to the Education Debt Service Fund to pay school debt service and related costs		7,132,952
Transfers to the Public Works Capital Fund to fund infrastructure and related capital projects		1,847,191
Transfers to the Public Safety Capital Fund to fund capital projects		1,210,599
Transfers to the Public Facilities Capital Fund to fund building improvements and related costs		3,845,370
Transfers to the Wastewater Fund to reimburse grant expenditures		240,939
Transfers to the General Fund for various programs		1,220,014
Total transfers	$	23,386,925

Reconciliation of transfers:

Transfers out from governmental funds	$	22,166,910
Transfers from enterprise funds to governmental funds		1,220,015
Total transfers	$	23,386,925

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, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	$ 26,446,907	$ -	$ -	$ 26,446,907
Construction in progress:				
Infrastructure	$ 536,383	$ 2,098,602	$ 2,363,175	$ 271,810
Land improvements	639,135	750,274	421,594	967,815
Joint tenancy assets	42,244,191	26,662,375	-	68,906,566
Machinery, equipment and vehicles	-	316,868	228,738	88,130
Buildings	2,101,830	2,100,072	2,855,164	1,346,738
Total construction in progress	$ 45,521,539	$ 31,928,191	$ 5,868,671	$ 71,581,059
Total capital assets not being depreciated	$ 71,968,446	$ 31,928,191	$ 5,868,671	$ 98,027,966
Other capital assets:				
Land improvements	$ 28,267,688	$ 525,844	$ -	$ 28,793,532
Buildings and improvements	67,732,666	3,519,275	1,894,695	69,357,246
Lease buildings and improvements	25,644,390	-	-	25,644,390
Joint tenancy assets	25,950,000	-	3,065,001	22,884,999
Infrastructure	110,745,515	3,963,033	115,341	114,593,207
Lease equipment	461,293	-	-	461,293
Machinery, equipment and vehicles	35,544,717	5,277,700	867,687	39,954,730
Total other capital assets	$ 294,346,269	$ 13,285,852	$ 5,942,724	$ 301,689,397
Accumulated depreciation:				
Land improvements	$ 8,492,525	$ 758,545	$ -	$ 9,251,070
Buildings and improvements	28,546,091	1,862,793	1,546,596	28,862,288
Lease buildings and improvements	3,179,672	1,003,001	-	4,182,673
Joint tenancy assets	6,605,510	638,167	1,147,152	6,096,525
Infrastructure	66,830,774	3,508,465	115,341	70,223,898
Lease equipment	340,872	32,323	-	373,195
Machinery, equipment and vehicles	23,168,026	2,489,428	867,687	24,789,767
Total accumulated depreciation	$ 137,163,470	$ 10,292,722	$ 3,676,776	$ 143,779,416
Other capital assets, net	$ 157,182,799	$ 2,993,130	$ 2,265,948	$ 157,909,981
Net capital assets	$ 229,151,245	$ 34,921,321	$ 8,134,619	$ 255,937,947

Depreciation is allocated to:	
General government administration	$ 632,697
Judicial administration	1,144,908
Public safety	1,539,586
Public works	4,385,157
Health and welfare	103,269
Education	638,167
Parks and recreation	864,737
Community development	984,201
Total	$ 10,292,722

Note 8—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	$ 2,456,923	$ -	$ -	$ 2,456,923
Construction in progress	12,694,512	11,672,122	-	24,366,634
Total capital assets not being depreciated	$ 15,151,435	$ 11,672,122	$ -	$ 26,823,557
Other capital assets:				
Land improvements	$ 976,403	$ -	$ -	$ 976,403
Buildings and systems	91,413,497	302,575	-	91,716,072
Dams and reservoirs	2,531,502	-	-	2,531,502
Intangible assets	9,291,378	-	-	9,291,378
Furniture, machinery and equipment	11,607,060	2,766,583	189,935	14,183,708
Total other capital assets	$ 115,819,840	$ 3,069,158	$ 189,935	$ 118,699,063
Accumulated depreciation:				
Land improvements	$ 359,870	$ 35,987	$ -	$ 395,857
Buildings and systems	40,246,987	2,041,794	-	42,288,781
Dams and reservoirs	724,485	88,076	-	812,561
Intangible assets	4,237,300	308,577	-	4,545,877
Furniture, machinery and equipment	7,637,446	925,014	172,414	8,390,046
Total accumulated depreciation	$ 53,206,088	$ 3,399,448	$ 172,414	$ 56,433,122
Other capital assets, net	$ 62,613,752	$ (330,290)	$ 17,521	$ 62,265,941
Net capital assets	$ 77,765,187	$ 11,341,832	$ 17,521	$ 89,089,498

Depreciation is allocated to:	
Water operations	$ 954,017
Wastewater operations	1,368,530
Parking garage operations	179,866
Transit operations	897,035
Total	$ 3,399,448

Note 8—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	$ 472,679	$ -	$ -	$ 472,679
Construction in progress	1,198,420	1,750,089	-	2,948,509
Total capital assets not being depreciated	$ 1,671,099	$ 1,750,089	$ -	$ 3,421,188
Other capital assets:				
Land improvements	$ 1,203,632	$ -	$ -	$ 1,203,632
Buildings and improvements	61,843,411	3,065,000	-	64,908,411
Lease equipment	412,637	318,596	-	731,233
Machinery, equipment and vehicles	13,077,477	1,118,956	-	14,196,433
Total other capital assets	$ 76,537,157	$ 4,502,552	$ -	$ 81,039,709
Accumulated depreciation:				
Land improvements	$ 217,259	$ 54,494	$ -	$ 271,753
Buildings and improvements	34,081,629	3,067,033	-	37,148,662
Lease equipment	263,362	111,659	-	375,021
Machinery, equipment and vehicles	6,863,104	828,509	-	7,691,613
Total accumulated depreciation	$ 41,425,354	$ 4,061,695	$ -	$ 45,487,049
Other capital assets, net	$ 35,111,803	$ 440,857	$ -	$ 35,552,660
Net capital assets	$ 36,782,902	$ 2,190,946	$ -	$ 38,973,848
Depreciation allocated to education		$ 4,061,695		

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.	$ -	$ 1,263,734
Unspent grant funds and other items	756,408	-
Total unearned revenue	$ 756,408	$ 1,263,734

	Deferred/Unavailable Revenue	
	Balance Sheet	Government-wide Statements
	Governmental Funds	Governmental Activities
Deferred/unavailable revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	$ 803,169	$ 803,169
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.	2,718,709	-
Other unavailable revenues	1,311,033	-
Total deferred/unavailable revenue	$ 4,832,911	$ 803,169

Note 10—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024 As Restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2025	Current Portion
Primary Government:					
Long-term obligations payable from governmental activities:					
General obligation bonds	$ 98,499,708	$ 3,720,000	$ 3,557,604	$ 98,662,104	$ 4,015,011
Direct borrowings and placements:					
General obligation bonds	2,014,945	-	813,571	1,201,374	840,277
General obligation school bonds	25,950,000	-	3,065,000	22,885,000	3,225,000
Revenue bonds	2,005,000	-	245,000	1,760,000	260,000
Add: Unamortized bond premium	6,533,682	435,438	836,305	6,132,815	816,516
Other liabilities:					
Lease liabilities	23,081,770	-	884,281	22,197,489	937,889
Landfill post-closure costs	1,639,779	20,711	-	1,660,490	90,000
Compensated absences *	6,719,543	596,403	-	7,315,946	2,887,060
Net pension liability	23,331,422	16,501,434	18,003,656	21,829,200	-
Net OPEB liability	14,858,790	1,660,496	2,184,903	14,334,383	-
Total	$ 204,634,639	$ 22,934,482	$ 29,590,320	$ 197,978,801	$ 13,071,753
Long-term obligations payable from business-type activities:					
General obligation bonds	$ 16,585,292	$ 28,060,000	$ 1,127,396	$ 43,517,896	$ 1,764,989
Direct borrowings and placements:					
General obligation bonds	5,241,954	-	1,226,815	4,015,139	1,252,592
Add: Unamortized bond premium	662,631	1,940,165	150,751	2,452,045	220,641
Other liabilities:					
Compensated absences *	734,120	51,810	-	785,930	272,604
Net pension liability	2,925,142	2,474,687	2,438,268	2,961,561	-
Net OPEB liability	823,653	141,502	153,503	811,652	-
Total	$ 26,972,792	$ 32,668,164	$ 5,096,733	$ 54,544,223	$ 3,510,826
Total primary government	$ 231,607,431	$ 55,602,646	$ 34,687,053	$ 252,523,024	$ 16,582,579
Component Unit School Board:					
Long-term obligations payable from component unit School Board activities:					
Energy performance contract	$ 1,192,000	$ -	$ 289,000	$ 903,000	$ 295,000
Lease liabilities	150,195	318,596	108,836	359,955	130,531
Compensated absences *	2,059,206	5,357	-	2,064,563	664,314
Net pension liability	29,589,853	12,301,778	15,394,192	26,497,439	-
Net OPEB liability	9,835,106	1,697,180	2,372,912	9,159,374	-
Total component unit School Board	$ 42,826,360	$ 14,322,911	$ 18,164,940	$ 38,984,331	$ 1,089,845

The change in the compensated absences liability is presented as a net change.

Note 10—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2025:

	Governmental Activities							
	Direct Borrowings and Direct Placements						Lease	
Year Ending	General Obligation Bonds		Revenue Bonds		General Obligation Bonds		Liabilities	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 4,065,277	$ 998,862	$ 260,000	$ 83,538	$ 4,015,011	$ 4,047,060	$ 937,889	$ 349,955
2027	3,563,250	823,745	270,000	69,957	4,242,005	3,842,897	865,662	334,327
2028	3,732,850	652,098	285,000	55,735	4,444,559	3,635,089	855,665	197,899
2029	3,720,000	476,454	300,000	40,744	4,651,985	3,424,400	809,129	240,871
2030	3,904,997	295,592	315,000	24,984	4,829,701	3,202,571	758,160	291,840
2031	645,000	188,547	330,000	8,456	5,066,908	2,968,782	770,226	279,774
2032	670,000	159,100	-	-	5,309,096	2,723,057	782,484	267,516
2033	700,000	130,744	-	-	5,566,794	2,471,097	794,937	255,063
2034	730,000	103,525	-	-	5,224,548	2,246,292	807,589	242,411
2035	755,000	75,272	-	-	5,301,991	2,046,785	820,441	229,559
2036	785,000	45,959	-	-	4,920,750	1,851,969	833,499	216,501
2037	815,000	15,509	-	-	5,106,047	1,662,062	846,764	203,236
2038	-	-	-	-	5,291,634	1,477,748	860,240	189,760
2039	-	-	-	-	3,441,075	1,322,735	873,931	176,069
2040	-	-	-	-	2,940,000	1,196,269	887,839	162,161
2041	-	-	-	-	3,065,000	1,076,169	901,969	148,031
2042	-	-	-	-	3,185,000	951,169	916,324	133,676
2043	-	-	-	-	3,315,000	821,169	930,907	119,093
2044	-	-	-	-	3,455,000	685,769	945,722	104,278
2045	-	-	-	-	3,595,000	544,769	960,773	89,227
2046	-	-	-	-	3,745,000	397,969	976,064	73,936
2047	-	-	-	-	3,895,000	245,169	991,598	58,402
2048	-	-	-	-	4,055,000	83,634	1,007,379	42,621
2049	-	-	-	-	-	-	1,023,412	26,588
2050	-	-	-	-	-	-	1,038,886	10,299
	$ 24,086,374	$ 3,965,407	$ 1,760,000	$ 283,414	$ 98,662,104	$ 42,924,630	$ 22,197,489	$ 4,443,093

Note 10—Long-term Obligations: (Continued)

	Business-type Activities			
	Direct Borrowings and Direct Placements			
Year Ending	General Obligation Bonds		General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest
2026	$ 1,252,592	$ 72,217	$ 1,764,989	$ 1,937,800
2027	976,013	47,766	1,842,995	1,847,123
2028	997,320	26,360	1,925,441	1,752,034
2029	391,170	12,470	1,998,015	1,652,678
2030	398,044	6,289	2,090,299	1,551,239
2031	-	-	2,178,092	1,447,387
2032	-	-	2,265,904	1,338,667
2033	-	-	2,368,206	1,223,459
2034	-	-	1,850,452	1,117,004
2035	-	-	1,918,009	1,021,178
2036	-	-	1,379,250	933,197
2037	-	-	1,448,953	867,726
2038	-	-	1,518,366	800,118
2039	-	-	1,578,925	714,570
2040	-	-	1,290,000	664,269
2041	-	-	1,350,000	601,494
2042	-	-	1,415,000	542,069
2043	-	-	1,475,000	486,269
2044	-	-	1,535,000	428,169
2045	-	-	1,595,000	367,769
2046	-	-	1,665,000	304,869
2047	-	-	1,730,000	239,369
2048	-	-	1,800,000	171,084
2049	-	-	1,735,000	102,800
2050	-	-	1,800,000	34,700
	$ 4,015,139	$ 165,102	$ 43,517,896	$ 22,147,041

	Component Unit School Board			
Year Ending	Lease Liabilities		Energy Performance Contract	
June 30,	Principal	Interest	Principal	Interest
2026	$ 130,531	$ 11,452	295,000	$ 18,150
2027	74,570	8,042	301,000	12,221
2028	64,175	5,219.00	307,000	6,171
2029	66,893	2,501	-	-
2030	23,786	247	-	-
	$ 359,955	$ 27,461	$ 903,000	$ 36,542

The above schedule does not include premiums.

Note 10—Long-term Obligations: (Continued)

At June 30, 2025, 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%	$ 14,960,000	$ 2,710,000
2014A General Obligation Refunding Bonds	2015	2026	2.37%	745,000	745,000
2014B General Obligation Refunding Bonds	2015	2028	2.55%	2,330,000	760,000
2015A General Obligation Bonds	2015	2035	2.32%	6,380,000	575,000
2016A General Obligation Bonds	2016	2037	3.8%-5.125%	8,140,000	730,000
2018A General Obligation Bonds	2018	2039	3.125%-5.0%	11,825,000	695,000
2020 General Obligation Refunding Bonds	2020	2038	2.0%-5.0%	21,640,000	1,280,000
2020B General Obligation Refunding Bonds	2021	2030	1.58%	1,926,513	372,869
2022A General Obligation Bonds	2023	2048	4.0%-5.0%	70,555,000	2,350,000
2024A General Obligation Bonds	2025	2050		31,780,000	880,000
Total general obligation bonds				$ 170,281,513	$ 11,097,869
Revenue bonds:					
Virginia Resources Authority Revenue Bonds	2024	2031	5.125%	$ 1,760,000	$ 260,000
Unamortized bond premium:					
2004A General Obligation School Bonds				$ 95,187	$ 33,338
2016A General Obligation Bonds				720,481	112,957
2018A General Obligation Bonds				484,977	69,450
2020 General Obligation Refunding Bonds				1,815,141	295,271
2022A General Obligation Bonds				3,106,682	302,277
2023B Virginia Resources Authority Revenue Bonds				70,396	20,750
2024A General Obligation Bonds				2,291,996	203,114
Total unamortized bond premium				$ 8,584,860	$ 1,037,157
Lease liabilities:					
Warehouse space - Industrial Park	2024	2029	3.00%	$ 404,918	$ 107,823
Stadium lease	2021	2050	1.58%	21,731,288	797,370
Office space - circuit court	2024	2027	3.00%	61,283	32,696
Total lease liabilities				$ 22,197,489	$ 937,889
Other liabilities:					
Net pension liability				$ 24,790,761	$ -
Compensated absences				$ 8,101,876	$ 3,159,664
Net OPEB liability				$ 15,146,035	$ -
Landfill post-closure costs				$ 1,660,490	$ 90,000
Total primary government				$ 252,523,024	$ 16,582,579
Component Unit School Board:					
Lease liabilities:					
Copier leases	Various	2027	.32%-4.17%	$ 359,955	$ 130,531
Energy performance contract	2013	2028	2.0%	$ 903,000	$ 295,000
Compensated absences				$ 2,064,563	$ 664,314
Net pension liability				$ 26,497,439	$ -
Net OPEB liability				$ 9,159,374	$ -
Total component unit School Board				$ 38,984,331	$ 1,089,845

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. 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—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.

Note 11—Pension Plan: (Continued)

Benefit Structures (Continued)

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.

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.

Note 11—Pension Plan: (Continued)

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, 2025 was 16.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $5,872,794 and $5,257,903 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $131,488 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $156,032 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $13,148,782 for the year ended June 30, 2025.

Net Pension Liability

At June 30, 2025, the City reported a liability of $24,790,761 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024 and 2023 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2024 and 2023, the City's proportion was 98.19% and 97.93%, respectively.

Note 11—Pension Plan: (Continued)

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, 2023, 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, 2024.

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

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 11—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2023, 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, 2024.

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

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Note 11—Pension Plan: (Continued)

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

Mortality rates:

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 11—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 11—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. For the year ended June 30, 2024, employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. Through the fiscal year ended June 30, 2024, 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 112% of the actuarially determined contribution rate. From July 1, 2024 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)	$ 45,930,099	$ 24,790,761	$ 7,386,241

Note 11—Pension Plan: (Continued)

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

For the year ended June 30, 2025, the City recognized pension expense of $4,379,960. 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	$ 3,170,571	$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	342,966	273,794
Net difference between projected and actual earnings on pension plan investments	-	3,886,950
Employer contributions subsequent to the measurement date	5,872,794	-
Total	$ 9,386,331	$ 4,160,744

$5,872,794 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, 2026. 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
2026	$ (1,235,458)
2027	2,136,258
2028	(728,970)
2029	(819,037)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 11—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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	23
Inactive members:	
Vested inactive members	4
Non-vested inactive members	23
Inactive members active elsewhere in VRS	4
Total inactive members	31
Active members	57
Total covered employees	111

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2025 was 3.51% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $82,135 and $56,871 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $14,736 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $18,421 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,473,645 for the year ended June 30, 2025.

Note 11—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, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

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, 2023	$ 6,064,724	$ 6,971,780	$ (907,056)
Changes for the year:			
Service cost	$ 186,570	$ -	$ 186,570
Interest	408,715	-	408,715
Differences between expected and actual experience	384,879	-	384,879
Contributions - employer	-	56,383	(56,383)
Contributions - employee	-	99,096	(99,096)
Net investment income	-	669,573	(669,573)
Benefit payments, including refunds of employee contributions	(392,506)	(392,506)	-
Administrative expenses	-	(4,550)	4,550
Other changes	-	135	(135)
Net changes	$ 587,658	$ 428,131	$ 159,527
Balances at June 30, 2024	$ 6,652,382	$ 7,399,911	$ (747,529)

Note 11—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)	$ (40,175)	$ (747,529)	$ (1,351,957)

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

For the year ended June 30, 2025, the Component Unit School Board (nonprofessional) recognized pension expense of ($24,602). At June 30, 2025, 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	$ 272,011	$ 78,299
Net difference between projected and actual earnings on pension plan investments	-	194,662
Employer contributions subsequent to the measurement date	82,135	-
Total	$ 354,146	$ 272,961

Note 11—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)

$82,135 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, 2025. 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	Component Unit School Board (nonprofessional)
2026	$ (128,371)
2027	160,383
2028	8,465
2029	(41,427)

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, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $4,274,672 and $4,760,948 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $140,860 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $106,318 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $14,086,000 for the year ended June 30, 2025.

Note 11—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, 2025, the school division reported a liability of $26,497,439 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was .2823% as compared to .2928% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized pension expense of $2,583,793. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, 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	$ 4,596,932	$ 545,601
Change in assumptions	480,964	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,040,799	1,042,925
Net difference between projected and actual earnings on pension plan investments	-	3,647,389
Employer contributions subsequent to the measurement date	4,274,672	-
Total	$ 10,393,367	$ 5,235,915

Note 11—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)

$4,274,672 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, 2026. 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	Component Unit School Board (professional)
2026	$ (1,576,600)
2027	2,493,836
2028	428,687
2029	(463,143)
2030	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Note 11—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, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	60,622,260
Plan Fiduciary Net Position		51,235,326
Employers' Net Pension Liability (Asset)	$	9,386,934
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		84.52%

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:

		Rate				
		(5.75%)		(6.75%)		(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$	49,227,048	$	26,497,439	$	7,882,612

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2024-annualreport pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Pension Plan: (Continued)

Aggregate Pension Information

VRS Pension Plans:	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
Primary Government	$ 9,386,331	$ 4,160,744	$ 24,790,761	$ 4,379,960
Totals	$ 9,386,331	$ 4,160,744	$ 24,790,761	$ 4,379,960
Component Unit School Board				
School Board Nonprofessional	$ 354,146	$ 272,961	$ (747,529)	$ (24,602)
School Board Professional	10,393,367	5,235,915	26,497,439	2,583,793
Totals	$ 10,747,513	$ 5,508,876	$ 25,749,910	$ 2,559,191

Note 12—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 13—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.

Note 13—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, 2025, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately $24,911,547 at June 30, 2025.

Note 14—Litigation:

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

Note 15—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, 2025. The $1,660,490 reported as landfill post-closure liability at June 30, 2025 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 2025 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, 2024	$	1,639,779
Increase/(Decrease) in estimate		20,711
Balance at June 30, 2025	$	1,660,490

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.

Note 16—Surety Bonds:

	Amount
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 17—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.

Note 17—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	$ 463,000
City General Fund: Committed Fund Balance for estimated reserves	1,200,000
Total	$ 1,663,000

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
2023	$ 483,000	$ 6,336,608	$ 6,373,608	$ 446,000
2024	446,000	6,595,453	6,491,453	550,000
2025	550,000	6,598,275	6,685,275	463,000

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 18—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, seatbelt 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 $9,532 as of June 30, 2025.

Note 18—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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $170,597 and $184,962 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions to School Professional Plan were $141,759 and $162,575 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions to the School Nonprofessional Plan were $10,998 and $12,319 for the years ended June 30, 2025 and June 30, 2024, 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, 2025, the Primary Government, School Board (Professional) and School Board (Nonprofessional) reported liabilities of $1,488,643, $1,308,419, and $99,205, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, School Board (Professional) and School Board (Nonprofessional)'s proportion were .11725% and .00889% respectively, as compared to .12307% and .00905% at June 30, 2023.

The City of Fredericksburg proportionate share was .13622% at June 30, 2024 compared to .13155% at June 30, 2023. 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 98.19% at June 30, 2024 compared to 97.93% at June 30, 2023.

For the year ended June 30, 2025, the Primary Government, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of $57,311, $19,967, and $7,300, 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.

Note 18—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, 2025, 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	$ 234,793	$ 36,362	$ 206,368	$ 31,960	$ 15,647	$ 2,423
Net difference between projected and actual earnings on GLI OPEB program investments	-	125,476	-	110,286	-	8,362
Change in assumptions	8,485	73,773	7,458	64,843	565	4,916
Changes in proportionate share	83,504	13,254	46,279	78,508	17,132	2,409
Employer contributions subsequent to the measurement date	170,597	-	141,759	-	10,998	-
Total	$ 497,379	$ 248,865	$ 401,864	$ 285,597	$ 44,342	$ 18,110

$170,597, $141,759, and $10,998 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, 2026. 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
2026	$ (44,741)	$ (66,641)	$ 642
2027	47,880	21,097	5,437
2028	20,119	6,149	3,744
2029	23,260	4,113	4,161
2030	31,399	9,790	1,250
Thereafter	-	-	-

Note 18—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, 2023, 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, 2024. 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

Mortality Rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 18—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 18—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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 18—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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2024, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	$	1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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 OPEL 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.

Note 18—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023 the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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, 2024, 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

Note 18—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Proportionate share of the GLI Plan Net OPEB Liability:			
Primary Government	$ 2,315,032	$ 1,488,643	$ 821,029
School Professional	2,034,761	1,308,419	721,630
School Nonprofessional	154,277	99,205	54,715

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 19—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 19—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, 2025 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $363,994 and $363,317 for the years ended June 30, 2025 and June 30, 2024, 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, 2025, the school division reported a liability of $3,238,819 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, 2024 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, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion of the VRS Teacher Employee HIC was .28026% as compared to . 29033% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of $231,856. 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 proportionate share and differences between actual and expected contributions.

Note 19—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, 2025, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 153,448
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	11,521
Change in assumptions	55,796	-
Change in proportionate share and differences between actual and expected contributions	144,390	172,545
Employer contributions subsequent to the measurement date	363,994	-
Total	$ 564,180	$ 337,514

$363,994 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, 2026. 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:

Year Ended June 30	
2026	$ (37,414)
2027	(21,725)
2028	(24,339)
2029	(13,940)
2030	(19,185)
Thereafter	(20,725)

Note 19—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, 2023, 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, 2024.

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

Mortality Rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 19—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2024, 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	$	1,478,105
Plan Fiduciary Net Position		322,457
Teacher Employee net HIC OPEB Liability (Asset)	$	1,155,648
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		21.82%

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.

Note 19—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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, 2024, the rate contributed by each school

Note 19—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, 2024 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	$ 3,683,345	$ 3,238,819	$ 2,862,042

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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 20—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.

Note 20—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, 2024 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	529
Total retirees and surviving spouses with coverage	10
Total	539

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, 2025 was $152,113.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024 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 and position
Discount Rate	5.20% for accounting and funding disclosures as of June 30, 2025
	3.93% for accounting and funding disclosures as of June 30, 2024

Note 20—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 PUB-2010 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale MP to 2020; males setback 1 year, 85% of rates; females set forward 2 years. 25% of deaths are assumed to be service related. Mortality rates for retired employees were based on RP-2010 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale MP to 2020; males set forward 1 year;

The date of the most recent actuarial experience study for which significant assumptions were based was June 30, 2020.

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 5.20% 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, 2024	$	4,701,944
Changes for the year:		
Service cost		239,060
Interest		191,221
Difference between expected and actual experience		-
Changes in assumptions		(490,679)
Benefit payments		(152,113)
Net changes	$	(212,511)
Balances at June 30, 2025	$	4,489,433

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 (4.20%) or one percentage point higher (6.20%) than the current discount rate:

Rate		
1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
$ 4,871,923	$ 4,489,433	$ 4,136,562

Note 20—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 (5.90% decreasing to an ultimate rate of 2.90%) or one percentage point higher (7.90% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.90% decreasing to 2.90%)	Healthcare Cost Trend (6.90% decreasing to 3.90%)	1% Increase (7.90% decreasing to 4.90%)
$ 3,974,201	$ 4,489,433	$ 5,092,908

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

For the year ended June 30, 2025, the School Board recognized OPEB expense in the amount of ($16,050). At June 30, 2025, 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	$ -	$ 1,145,418
Changes in assumptions	445,068	1,393,061
Total	$ 445,068	$ 2,538,479

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	
2026	$ (446,331)
2027	(446,331)
2028	(477,695)
2029	(509,065)
2030	(213,989)
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 21—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 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, 2024 (valuation date), the following employees were covered by the benefit terms:

Active plan members	494
Retirees and surviving spouses	166
Spouses of current retirees	8
Total	668

Note 21—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 2025, the City contributed $1,406,630 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, 2025:

Asset Class	Target Percentage
US Core Fixed Income	20.00%
Private Equity	10.00%
Large Cap US Equities	21.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Hedge FOF Strategic	6.00%
Private Real Estate Property	15.00%
Total	100.00%

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return of the City's OPEB investments, net of investment expense was 8.78%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

Note 21—Health Insurance – (OPEB Plan) - City: (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2025. 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, 2024, 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 PUB-2010 Amount Weighted General Employee Rates for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2020.

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.

Note 21—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, 2024	$ 16,862,760	$ 2,707,249	$ 14,155,511
Changes for the year:			
Service cost	104,787	-	104,787
Interest	1,060,294	-	1,060,294
Contributions - employer	-	1,406,630	(1,406,630)
Net investment income	-	243,363	(243,363)
Administrative expenses	-	(3,065)	3,065
Benefit payments	(1,331,630)	(1,331,630)	-
Net changes	(166,549)	315,298	(481,847)
Balances at June 30, 2025	$ 16,696,211	$ 3,022,547	$ 13,673,664

Note the Changes in Net OPEB Liability presented above is for the entire plan. The Primary Government's proportionate share at June 30, 2025 was 99.88% compared to 99.88% at June 30, 2024. The Primary Government's proportionate share of Net OPEB Liability at June 30, 2025 totaled $13,657,392.

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 Proportionate Share of Net OPEB Liability	$ 15,230,146	$ 13,657,392	$ 12,311,756

Note 21—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 (5.90% decreasing to an ultimate rate of 2.90% for pre-65 benefits, 3.80% decreasing to an ultimate rate of 2.90% for post-65 benefits) or one percentage point higher (7.90% decreasing to an ultimate rate of 4.90%, 5.80% decreasing to an ultimate rate of 4.90% or post-65 benefits) than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government Proportionate Share of Net OPEB Liability	$ 12,268,187	$ 13,657,392	$ 15,271,317

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

For the year ended June 30, 2025, the City recognized OPEB expense in the amount of $674,366. At June 30, 2025, 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	$ -	$ 880,759
Changes in assumptions	230,584	61,337
Net difference between projected and actual earnings on OPEB plan investments	-	31,829
Total	$ 230,584	$ 973,925

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	
2026	$ (226,434)
2027	(259,437)
2028	(208,584)
2029	(48,886)

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 22—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.

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.

Note 22—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	4
Total inactive members	11
Active members	57
Total covered employees	68

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, 2025 was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $10,998 and $10,687 for the years ended June 30, 2025 and June 30, 2024, respectively.

Note 22—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, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

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

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Note 22—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 22—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 22—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, 2024, 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, 2024 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, 2023	$ 55,683	$ 24,162	$ 31,521
Changes for the year:			
Service cost	$ 1,407	$ -	$ 1,407
Interest	3,754	-	3,754
Differences between expected and actual experience	277	-	277
Contributions - employer	-	10,688	(10,688)
Net investment income	-	2,816	(2,816)
Benefit payments	(2,961)	(2,961)	-
Administrative expenses	-	(43)	43
Net changes	$ 2,477	$ 10,500	$ (8,023)
Balances at June 30, 2024	$ 58,160	$ 34,662	$ 23,498

Note 22—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	$ 29,435	$ 23,498	$ 18,396

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, 2025, the Fredericksburg City School Board recognized HIC Plan OPEB expense of ($3,529). At June 30, 2025, 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
Differences between expected and actual experience	$ 226	$ 30,270
Net difference between projected and actual earnings on HIC OPEB plan investments	-	556
Change in assumptions	5,032	-
Employer contributions subsequent to the measurement date	10,998	-
Total	$ 16,256	$ 30,826

$10,998 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, 2026.

Note 22—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2026	$ (6,843)
2027	(7,288)
2028	(8,466)
2029	(2,993)
2030	22
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 23—Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:

City OPEB Plans	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Primary Government				
City OPEB Plan (Note 21)	$ 13,657,392	$ 230,584	$ 973,925	$ 674,366
Group Life - City (Note 18)	1,488,643	497,379	248,865	57,311
Total	$ 15,146,035	$ 727,963	$ 1,222,790	$ 731,677
Component Unit School Board				
School Board Pay-as-you-go (Note 20)	$ 4,489,433	$ 445,068	$ 2,538,479	$ (16,050)
Nonprofessional HIC Program (Note 22)	23,498	16,256	30,826	(3,529)
Teacher HIC Program (Note 19)	3,238,819	564,180	337,514	231,856
Group Life - School Professional (Note 18)	1,308,419	401,864	285,597	19,967
Group Life - School Nonprofessional (Note 18)	99,205	44,342	18,110	7,300
Total	$ 9,159,374	$ 1,471,710	$ 3,210,526	$ 239,544

Note 24—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.

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, 2025, the City's tax incentives totaled $0 under the technology zone program.

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:

Note 24—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Tourism Zones (Continued)

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.

For the fiscal year ended June 30, 2025, the City's tax incentives totaled $70,294 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	2025 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 Total	$ $	18,536 18,536
New business locates to City Downtown Tourism Zone 6/10/19 - 6/10/29 (10 Years) Opening Date: TBD Delayed	Executed lease for at least 9,000 Sq Ft $500,000 Capital Investment Obtain Certificate of Occupancy by 12/31/2020 Hold regular community-oriented events First annual report submitted 12 mos after Certificate of Occupancy issued	Years 1 - 5: 100% Reimbursement of 1% Local Sales Tax Years 6-10: 50% Reimbursement of 1% Local Sales Tax	Sales Tax Total	$ $	51,758 51,758

Note 24—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

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.

The City provided $525,000 of incentive under other tax incentives agreements during the year ended June 30, 2025.

Note 25—New Accounting Standards:

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025,* effective for fiscal years beginning after June 15, 2025.

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

Note 26—Lease Receivable:

The City leases property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2025:

	Governmental Activities			
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2025	Deferred Inflow of Resources June 30, 2025
Office Space	2.00%	2028	$ 275,689	$ 264,279
Rights of Way	Various	Various	240,634	240,634
Total			$ 516,323	$ 504,913

	Business-type Activities			
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2025	Deferred Inflow of Resources June 30, 2025
Cell Tower	3.00%	2026	$ -	$ 6,198
Cell Tower	3.00%	2029	142,887	173,408
Parking Lease	2.75% - 6.00%	2029	238,826	197,201
Total			$ 381,713	$ 376,807

Lease revenue totaled $109,356 and $132,730 for the Governmental and Business-type Activities respectively for the year ended June 30, 2025. Lease interest revenue totaled $6,712 and $20,046 for the Governmental and Business-type Activities respectively for the year ended June 30, 2025.

Note 27—COVID-19:

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 were to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

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 $32,143 from the initial allocation are reported as unearned revenue as of June 30.

Note 27—COVID-19: (Continued)

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.

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, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	$ 43,763,000	$ 43,763,000	$ 43,534,790	$ (228,210)
Public service corporations	950,000	950,000	817,889	(132,111)
Personal property	12,737,970	12,737,970	13,559,297	821,327
Machinery and tools	103,000	103,000	141,539	38,539
Penalties	375,000	375,000	449,613	74,613
Interest	190,000	190,000	279,510	89,510
Total general property taxes	$ 58,118,970	$ 58,118,970	$ 58,782,638	$ 663,668
Other local taxes:				
Local sales and use taxes	$ 16,100,000	$ 16,100,000	$ 16,631,705	$ 531,705
Utility taxes	1,800,000	1,800,000	1,969,130	169,130
Business licenses and rental tax	7,874,000	7,874,000	8,310,995	436,995
Bank stock taxes	1,100,000	1,100,000	1,099,280	(720)
Recordation taxes	675,000	675,000	706,428	31,428
Tobacco tax	540,000	540,000	372,000	(168,000)
Amusement tax	620,400	620,400	505,357	(115,043)
Hotel/lodging taxes	2,425,000	2,425,000	2,825,533	400,533
Meals taxes	14,900,000	14,900,000	16,336,436	1,436,436
Other	222,400	222,400	113,656	(108,744)
Total other local taxes	$ 46,256,800	$ 46,256,800	$ 48,870,520	$ 2,613,720
Permits, privilege fees and licenses:				
Permits and other licenses	$ 856,900	$ 856,900	$ 691,374	$ (165,526)
Animal licenses	7,000	7,000	6,113	(887)
Total permits, privilege fees and licenses	$ 863,900	$ 863,900	$ 697,487	$ (166,413)
Fines and forfeitures	$ 459,000	$ 459,000	$ 360,065	$ (98,935)
Revenue from use of money and property:				
Revenue from use of money	$ 1,240,000	$ 1,240,000	$ 2,165,690	$ 925,690
Revenue from use of property	17,400	17,400	22,920	5,520
Total revenue from use of money and property	$ 1,257,400	$ 1,257,400	$ 2,188,610	$ 931,210
Charges for services:				
Court costs	$ 149,200	$ 149,200	$ 120,787	$ (28,413)
Commonwealth's Attorney	7,000	7,000	6,401	(599)
Sanitation and waste removal	1,350,000	1,350,000	1,355,605	5,605
Parks and recreation	517,000	517,000	653,222	136,222
Fire and rescue services	1,050,000	1,050,000	954,891	(95,109)
Administrative charges	139,000	139,000	153,997	14,997
Total charges for services	$ 3,212,200	$ 3,212,200	$ 3,244,903	$ 32,703

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Payments in-lieu of taxes	$ 42,000	$ 42,000	$ 37,772	$ (4,228)
Souvenir sales	40,000	40,000	45,216	5,216
Donations - parks and recreation	50,000	50,000	86,636	36,636
Other	97,300	205,706	218,003	12,297
Total miscellaneous	$ 229,300	$ 337,706	$ 387,627	$ 49,921
Recovered costs:				
Health department	$ 141,000	$ 141,000	$ 136,286	$ (4,714)
Social services	120,000	120,000	120,596	596
Other	178,690	178,690	248,109	69,419
Total recovered costs	$ 439,690	$ 439,690	$ 504,991	$ 65,301
Total revenue from local sources	$ 110,837,260	$ 110,945,666	$ 115,036,841	$ 4,091,175
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	$ 200,000	$ 200,000	$ 229,180	$ 29,180
Communication sales tax	1,200,000	1,200,000	1,152,278	(47,722)
Personal property relief	1,728,800	1,728,800	1,728,833	33
Other	12,000	12,000	14,565	2,565
Total noncategorical aid	$ 3,140,800	$ 3,140,800	$ 3,124,856	$ (15,944)
Categorical aid - shared expenses:				
Commonwealth's Attorney	$ 768,000	$ 768,000	$ 951,014	$ 183,014
Sheriff	721,000	721,000	811,118	90,118
Commissioner of Revenue	176,000	176,000	176,775	775
Treasurer	148,000	148,000	171,022	23,022
Registrar	75,000	75,000	82,305	7,305
Clerk of the Circuit Court	458,000	458,000	482,696	24,696
Total categorical aid - shared expenses	$ 2,346,000	$ 2,346,000	$ 2,674,930	$ 328,930
Categorical aid - other:				
Street and highway maintenance	$ 4,130,000	$ 4,130,000	$ 4,243,262	$ 113,262
Law enforcement assistance	1,001,260	1,001,260	1,037,104	35,844
Wireless E-911 grants	162,000	162,000	165,377	3,377
Other	-	-	58,729	58,729
Total categorical aid - other	$ 5,293,260	$ 5,293,260	$ 5,504,472	$ 211,212
Total revenue from the Commonwealth	$ 10,780,060	$ 10,780,060	$ 11,304,258	$ 524,198

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	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	$ 110,000	$ 110,000	$ 114,816	$ 4,816
Total revenue from the Federal Government	$ 110,000	$ 110,000	$ 114,816	$ 4,816
Total revenues	$ 121,727,320	$ 121,835,726	$ 126,455,915	$ 4,620,189
Expenditures				
General government administration:				
Legislative:				
City Council	$ 267,964	$ 257,333	$ 251,311	$ 6,022
Clerk of Council	185,445	196,377	196,376	1
Total legislative	$ 453,409	$ 453,710	$ 447,687	$ 6,023
General and financial administration:				
City manager	$ 1,190,927	$ 1,190,769	$ 1,170,205	$ 20,564
Insurance program	1,145,300	1,145,300	898,644	246,656
Risk management	136,466	136,466	130,604	5,862
Human resources	783,565	790,536	790,535	1
Independent auditor	109,600	124,700	106,205	18,495
Commissioner of the revenue	1,514,464	1,518,380	1,295,893	222,487
Board of Real Estate Assessors	-	12,741	-	12,741
Equalization Board	7,500	7,500	1,800	5,700
Treasurer	1,117,084	1,148,948	1,148,948	-
Finance	1,174,819	1,118,683	982,349	136,334
Information technology	3,449,208	3,181,041	3,134,452	46,589
Public information	172,316	214,329	214,329	-
Diversity and training	30,000	30,000	16,920	13,080
Copying and postage	13,950	13,950	13,239	711
Legal services	668,528	605,767	559,402	46,365
Total general and financial administration	$ 11,513,727	$ 11,239,110	$ 10,463,525	$ 775,585
Board of elections:				
Registrar and electoral board	$ 648,838	$ 650,388	$ 577,154	$ 73,234
Total general government administration	$ 12,615,974	$ 12,343,208	$ 11,488,366	$ 854,842
Judicial administration:				
Courts:				
Circuit Court	$ 132,866	$ 132,866	$ 127,327	$ 5,539
General District Court	25,400	26,002	25,996	6
Special magistrate	3,000	3,000	-	3,000
Juvenile and Domestic Relations District Court	66,160	66,160	50,936	15,224
Clerk of the Circuit Court	1,027,246	1,028,150	967,751	60,399
Sheriff	3,302,772	3,306,513	3,195,565	110,948
JDR services	137,979	137,979	78,966	59,013
Juries	73,100	73,100	50,047	23,053
Court appointed attorney	10,000	10,000	-	10,000
Total courts	$ 4,778,523	$ 4,783,770	$ 4,496,588	$ 287,182

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth Attorney:				
Commonwealth Attorney	$ 2,008,980	$ 2,014,100	$ 1,901,673	$ 112,427
Total judicial administration	$ 6,787,503	$ 6,797,870	$ 6,398,261	$ 399,609
Public safety:				
Law enforcement and traffic control:				
Police department	$ 12,570,804	$ 11,809,284	$ 11,481,364	$ 327,920
E-911 communications	2,242,129	2,074,864	1,993,406	81,458
Total law enforcement and traffic control	$ 14,812,933	$ 13,884,148	$ 13,474,770	$ 409,378
Fire and rescue:				
Fire department	$ 7,930,928	$ 8,763,742	$ 8,763,742	$ -
Rescue services	167,283	167,283	154,953	12,330
Emergency medical services	3,108,134	3,040,667	3,000,515	40,152
Hazardous materials	74,300	82,854	52,483	30,371
Total fire and rescue	$ 11,280,645	$ 12,054,546	$ 11,971,693	$ 82,853
Correction and detention:				
Juvenile Detention Center	$ 724,479	$ 1,194,563	$ 1,194,562	$ 1
Rappahannock Security Center	3,605,247	3,605,247	3,605,247	-
Total correction and detention	$ 4,329,726	$ 4,799,810	$ 4,799,809	$ 1
Inspections:				
Building and development services	$ 1,166,372	$ 1,175,954	$ 1,175,954	$ -
Other protection:				
Animal control	$ 134,132	$ 134,992	$ 134,992	$ -
Public safety radio system	507,671	531,429	440,449	90,980
Medical Examiner	610	610	460	150
Total other protection	$ 642,413	$ 667,031	$ 575,901	$ 91,130
Total public safety	$ 32,232,089	$ 32,581,489	$ 31,998,127	$ 583,362
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	$ 1,335,895	$ 1,194,201	$ 1,060,155	$ 134,046
Street maintenance	1,663,754	1,663,365	1,519,991	143,374
Street lights	481,500	481,500	462,191	19,309
Snow removal	130,322	130,322	109,653	20,669
Industrial park rail spur	15,500	15,500	-	15,500
Traffic engineering	1,177,876	1,193,776	1,019,125	174,651
Shop and garage	1,494,787	1,495,087	1,419,718	75,369
Total maintenance of streets, highways, bridges and sidewalks	$ 6,299,634	$ 6,173,751	$ 5,590,833	$ 582,918

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	$ 1,203,468	$ 1,152,344	$ 944,434	$ 207,910
Urban forestry program	152,600	152,600	84,816	67,784
Refuse collection	797,870	843,860	691,324	152,536
Refuse disposal	442,850	442,850	341,407	101,443
Recycling collection	232,338	227,338	224,273	3,065
Total sanitation and waste removal	$ 2,829,126	$ 2,818,992	$ 2,286,254	$ 532,738
Maintenance of buildings and grounds:				
Public facilities	$ 2,753,328	$ 2,867,388	$ 2,458,976	$ 408,412
Courthouse maintenance	403,803	424,903	361,665	63,238
Commuter rail	82,700	100,706	87,200	13,506
Total maintenance of buildings and grounds	$ 3,239,831	$ 3,392,997	$ 2,907,841	$ 485,156
Total public works	$ 12,368,591	$ 12,385,740	$ 10,784,928	$ 1,600,812
Health and welfare:				
Health:				
Supplement to local health department	$ 475,078	$ 475,078	$ 475,078	$ -
Mental health and mental retardation:				
Rappahannock Area Community Services Board	$ 354,857	$ 373,619	$ 373,619	$ -
Social services:				
Other contributions	$ 402,119	$ 402,119	$ 396,589	$ 5,530
Total health and welfare	$ 1,232,054	$ 1,250,816	$ 1,245,286	$ 5,530
Education:				
Community colleges	$ 34,291	$ 34,291	$ 34,291	$ -
Appropriations to public school system	33,465,000	33,465,000	33,465,000	-
Total education	$ 33,499,291	$ 33,499,291	$ 33,499,291	$ -
Parks, recreation and cultural:				
Parks and recreation:				
Administration	$ 926,499	$ 1,019,626	$ 1,019,626	$ -
Programs	873,357	873,357	690,166	183,191
Maintenance	1,968,149	1,973,929	1,826,994	146,935
Motts Run	155,614	167,964	167,963	1
Dixon Park swimming pool	282,083	282,083	272,391	9,692
Total parks and recreation	$ 4,205,702	$ 4,316,959	$ 3,977,140	$ 339,819
Library:				
Regional library	$ 1,570,000	$ 1,570,000	$ 1,570,000	$ -
Downtown library	296,300	275,200	237,163	38,037
Total library	$ 1,866,300	$ 1,845,200	$ 1,807,163	$ 38,037
Cultural:				
Museums	$ 165,975	$ 315,975	$ 315,975	$ -
Total parks, recreation and cultural	$ 6,237,977	$ 6,478,134	$ 6,100,278	$ 377,856

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Community development:				
Planning and community development:				
Planning	$ 942,708	$ 946,840	$ 870,282	$ 76,558
Zoning Appeals Board	2,300	2,300	150	2,150
Transportation division	79,392	79,392	4,294	75,098
Community development	157,994	157,994	157,994	-
Historic resources	268,058	265,495	191,487	74,008
Clean and Green Commission	5,200	5,200	1,392	3,808
Economic development and tourism	1,826,869	1,821,447	1,786,221	35,226
Total planning and community development	$ 3,282,521	$ 3,278,668	$ 3,011,820	$ 266,848
Environmental management:				
Soil and water conservation district	$ 2,000	$ 2,000	$ 2,000	$ -
Total community development	$ 3,284,521	$ 3,280,668	$ 3,013,820	$ 266,848
Nondepartmental:				
OPEB and pension contributions	$ 160,000	$ 660,000	$ 500,000	$ 160,000
Debt service:				
Principal payments	$ 180,903	$ 180,903	$ 180,903	$ -
Interest and fiscal charges	16,027	16,027	16,025	2
Total debt service	$ 196,930	$ 196,930	$ 196,928	$ 2
Total expenditures	$ 108,614,930	$ 109,474,146	$ 105,225,285	$ 4,248,861
Excess (deficiency) of revenues over expenditures	$ 13,112,390	$ 12,361,580	$ 21,230,630	$ 8,869,050
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	$ 20,000	$ 20,000	$ 81,913	$ 61,913
Transfers in	1,357,090	1,357,090	1,220,014	(137,076)
Transfers out	(19,058,074)	(20,217,368)	(20,217,368)	-
Total other financing sources (uses)	$ (17,680,984)	$ (18,840,278)	$ (18,915,441)	$ (75,163)
Net change in fund balance	$ (4,568,594)	$ (6,478,698)	$ 2,315,189	$ 8,793,887
Fund balance, beginning of year	4,568,594	6,478,698	44,168,236	37,689,538
Fund balance, end of year	$ -	$ -	$ 46,483,425	$ 46,483,425

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, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the Federal Government:				
Categorical aid:				
DCJS ARPA	$ -	$ 9,743	$ -	$ (9,743)
American Rescue Plan Act	-	2,419,711	2,387,563	(32,148)
Total revenue from the Federal Government	$ -	$ 2,429,454	$ 2,387,563	$ (41,891)
Total revenues	$ -	$ 2,429,454	$ 2,387,563	$ (41,891)
Expenditures				
General government administration:				
ARPA city manager	$ -	$ 181,925	$ 178,103	$ 3,822
ARPA finance	-	32,555	27,690	4,865
ARPA information technology	-	237,500	153,692	83,808
Total general government administration	$ -	$ 451,980	$ 359,485	$ 92,495
Judicial administration:				
ARPA city attorney	$ -	$ 26,042	$ 24,764	$ 1,278
Total judicial administration	$ -	$ 26,042	$ 24,764	$ 1,278
Public safety:				
ARPA police	$ -	$ 83,665	$ 138,055	$ (54,390)
ARPA law enforcement equipment	-	9,743	-	9,743
ARPA fire department	-	40,631	36,624	4,007
Total public safety	$ -	$ 134,039	$ 174,679	$ (40,640)
Public works:				
ARPA facilities	$ -	$ 184,168	$ 77,269	$ 106,899
ARPA public works	-	199,900	213,977	(14,077)
Total public works	$ -	$ 384,068	$ 291,246	$ 92,822
Parks, recreation and cultural:				
ARPA parks maintenance	$ -	$ 117,566	$ 99,261	$ 18,305
Total parks, recreation, and cultural	$ -	$ 117,566	$ 99,261	$ 18,305
Community development:				
ARPA economic development	$ -	$ 2,369	$ 1,293	$ 1,076
ARPA planning	-	37,894	37,894	-
Total community development	$ -	$ 40,263	$ 39,187	$ 1,076
Total expenditures	$ -	$ 1,153,958	$ 988,622	$ 165,336
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 1,275,496	$ 1,398,941	$ 123,445
Other Financing Sources (Uses)				
Transfers out	$ -	$ (1,275,496)	$ (1,398,941)	$ (123,445)
Total other financing sources (uses)	$ -	$ (1,275,496)	$ (1,398,941)	$ (123,445)
Net change in fund balance	$ -	$ -	$ -	$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

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, 2015 through June 30, 2024

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					
2024	98.19%	$ 24,790,761	$ 34,205,921	72.48%	85.78%
2023	97.93%	26,256,564	30,316,636	86.61%	84.08%
2022	97.85%	23,727,570	28,260,614	83.96%	84.86%
2021	97.81%	14,750,851	25,927,730	56.89%	90.26%
2020	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%
Component Unit School Board (professional)					
2024	0.2823%	$ 26,497,439	$ 30,026,182	88.25%	84.52%
2023	0.2928%	29,589,853	28,949,361	102.21%	82.45%
2022	0.2853%	27,161,316	26,531,395	102.37%	82.61%
2021	0.2727%	21,171,519	24,075,035	87.94%	85.46%
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%

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, 2015 through June 30, 2024

	2024	2023	2022	2021	2020
Total pension liability					
Service cost	$ 186,570	$ 153,674	$ 141,654	$ 135,157	$ 131,151
Interest	408,715	407,451	390,616	351,881	339,026
Assumption changes	-	-	-	223,930	-
Differences between expected and actual experience	384,879	(216,881)	(10,798)	(50,728)	(75,974)
Benefit payments	(392,506)	(324,322)	(243,840)	(212,231)	(195,309)
Net change in total pension liability	$ 587,658	$ 19,922	$ 277,632	$ 448,009	$ 198,894
Total pension liability - beginning	6,064,724	6,044,802	5,767,170	5,319,161	5,120,267
Total pension liability - ending (a)	$ 6,652,382	$ 6,064,724	$ 6,044,802	$ 5,767,170	$ 5,319,161
Plan fiduciary net position					
Contributions - employer	$ 56,383	$ 56,745	$ 41,801	$ 38,993	$ 31,753
Contributions - employee	99,096	93,733	73,369	69,057	70,262
Net investment income	669,573	429,542	(6,458)	1,494,736	104,257
Benefit payments	(392,506)	(324,322)	(243,840)	(212,231)	(195,309)
Administrator charges	(4,550)	(4,343)	(4,283)	(3,722)	(3,563)
Other	135	173	158	141	(123)
Net change in plan fiduciary net position	$ 428,131	$ 251,528	$ (139,253)	$ 1,386,974	$ 7,277
Plan fiduciary net position - beginning	6,971,780	6,720,252	6,859,505	5,472,531	5,465,254
Plan fiduciary net position - ending (b)	$ 7,399,911	$ 6,971,780	$ 6,720,252	$ 6,859,505	$ 5,472,531
School Division's net pension liability(asset) - ending (a) - (b)	$ (747,529)	$ (907,056)	$ (675,450)	$ (1,092,335)	$ (153,370)
Plan fiduciary net position as a percentage of the total pension liability	111.24%	114.96%	111.17%	118.94%	102.88%
Covered payroll	$ 2,273,795	$ 2,130,322	$ 1,614,535	$ 1,510,953	$ 1,527,529
School Division's net pension liability as a percentage of covered payroll	32.88%	42.58%	41.84%	72.29%	10.04%

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, 2015 through June 30, 2024

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	$ 120,840	$ 124,345	$ 133,150	$ 125,309	$ 130,660
Interest	319,835	309,215	303,206	283,678	273,318
Assumption changes	128,935	-	(96,351)	-	-
Differences between expected and actual experience	77,789	(51,746)	(62,000)	(17,054)	(143,981)
Benefit payments	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)
Net change in total pension liability	$ 454,984	$ 114,040	$ 161,439	$ 282,587	$ 145,346
Total pension liability - beginning	4,665,283	4,551,243	4,389,804	4,107,217	3,961,871
Total pension liability - ending (a)	$ 5,120,267	$ 4,665,283	$ 4,551,243	$ 4,389,804	$ 4,107,217
Plan fiduciary net position					
Contributions - employer	$ 29,680	$ 48,893	$ 50,600	$ 85,248	$ 84,468
Contributions - employee	61,523	60,950	62,163	60,997	60,507
Net investment income	346,765	364,338	549,409	79,053	191,424
Benefit payments	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)
Administrator charges	(3,455)	(3,213)	(3,117)	(2,671)	(2,558)
Other	(218)	(324)	(491)	(33)	(41)
Net change in plan fiduciary net position	$ 241,880	$ 202,870	$ 541,998	$ 113,248	$ 219,149
Plan fiduciary net position - beginning	5,223,374	5,020,504	4,478,506	4,365,258	4,146,109
Plan fiduciary net position - ending (b)	$ 5,465,254	$ 5,223,374	$ 5,020,504	$ 4,478,506	$ 4,365,258
School Division's net pension liability(asset) - ending (a) - (b)	$ (344,987)	$ (558,091)	$ (469,261)	$ (88,702)	$ (258,041)
Plan fiduciary net position as a percentage of the total pension liability	106.74%	111.96%	110.31%	102.02%	106.28%
Covered payroll	$ 1,309,930	$ 1,285,885	$ 1,284,705	$ 1,249,950	$ 1,235,088
School Division's net pension liability as a percentage of covered payroll	26.34%	43.40%	36.53%	7.10%	20.89%

Schedule of Employer Contributions - Pension
Pension Plans
Years Ended June 30, 2016 through June 30, 2025

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					
2025	$ 5,872,794	$ 5,872,794	$ -	$ 36,297,208	16.18%
2024	5,257,903	5,257,903	-	34,205,921	15.37%
2023	4,681,859	4,681,859	-	30,316,636	15.44%
2022	3,831,873	3,831,873	-	28,260,614	13.56%
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%
Component Unit School Board (nonprofessional)					
2025	$ 82,135	$ 82,135	$ -	$ 2,340,031	3.51%
2024	56,871	56,871	-	2,273,795	2.50%
2023	56,753	56,753	-	2,130,322	2.66%
2022	42,139	42,139	-	1,614,535	2.61%
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%
Component Unit School Board (professional)					
2025	$ 4,274,672	$ 4,274,672	$ -	$ 30,082,137	14.21%
2024	4,760,948	4,760,948	-	30,026,182	15.86%
2023	4,621,451	4,621,451	-	28,949,361	15.96%
2022	4,238,212	4,238,212	-	26,531,395	15.97%
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%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2024

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					
2024	0.13622%	$ 1,488,643	$ 34,252,261	4.35%	73.41%
2023	0.13155%	1,543,777	30,321,328	5.09%	69.30%
2022	0.13290%	1,565,199	28,275,639	5.54%	67.21%
2021	0.12880%	1,464,972	26,242,152	5.58%	67.45%
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)					
2024	0.00889%	$ 99,205	$ 2,281,318	4.35%	73.41%
2023	0.00905%	108,538	2,130,322	5.09%	69.30%
2022	0.00740%	89,344	1,614,535	5.53%	67.21%
2021	0.00730%	85,225	1,510,953	5.64%	67.45%
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)					
2024	0.11725%	$ 1,308,419	$ 30,106,556	4.35%	73.41%
2023	0.12307%	1,475,995	28,990,497	5.09%	69.30%
2022	0.12220%	1,471,887	26,591,039	5.54%	67.21%
2021	0.11670%	1,358,588	24,092,530	5.64%	67.45%
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, 2016 through June 30, 2025

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					
2025	$ 170,597	$ 170,597	$ -	$ 29,615,612	0.47%
2024	184,962	184,962	-	34,252,261	0.54%
2023	163,736	163,736	-	30,321,328	0.54%
2022	152,689	152,689	-	28,275,639	0.54%
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%
Component Unit School Board (nonprofessional)					
2025	$ 10,998	$ 10,998	$ -	$ 2,340,031	0.47%
2024	12,319	12,319	-	2,281,318	0.54%
2023	11,504	11,504	-	2,130,322	0.54%
2022	8,718	8,718	-	1,614,535	0.54%
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%
Component Unit School Board (professional)					
2025	$ 141,759	$ 141,759	$ -	$ 30,161,536	0.47%
2024	162,575	162,575	-	30,106,556	0.54%
2023	156,549	156,549	-	28,990,497	0.54%
2022	143,592	143,592	-	26,591,039	0.54%
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%

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2024

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)
2024	0.28026%	$ 3,238,819	$ 30,026,182	10.79%	21.82%
2023	0.29030%	3,517,108	28,949,361	12.15%	17.90%
2022	0.28467%	3,555,661	26,531,395	13.40%	15.08%
2021	0.27222%	3,494,132	24,075,035	14.51%	13.15%
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, 2016 through June 30, 2025

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)
2025	$ 363,994	$ 363,994	$ -	$ 30,082,137	1.21%
2024	363,317	363,317	-	30,026,182	1.21%
2023	350,287	350,287	-	28,949,361	1.21%
2022	321,030	321,030	-	26,531,395	1.21%
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%

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
Years Ended June 30, 2018 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	$ 239,060	$ 315,645	$ 360,999	$ 483,211	$ 332,750	$ 270,826	$ 245,838	$ 254,662
Interest	191,221	238,930	212,060	144,431	126,653	168,418	167,749	148,443
Changes in assumptions	(490,679)	(628,676)	167,626	(1,059,734)	1,033,472	544,980	174,653	(166,508)
Differences between expected and actual experience	-	(1,384,349)	-	(11,377)	(562,964)		-	-
Benefit payments	(152,113)	(138,738)	(140,678)	(121,076)	(128,076)	(125,897)	(145,591)	(123,551)
Net change in total OPEB liability	$ (212,511)	$ (1,597,188)	$ 600,007	$ (564,545)	$ 801,835	$ 858,327	$ 442,649	$ 113,046
Total OPEB liability - beginning	4,701,944	6,299,132	5,699,125	6,263,670	5,461,835	4,603,508	4,160,859	4,047,813
Total OPEB liability - ending	$ 4,489,433	$ 4,701,944	$ 6,299,132	$ 5,699,125	$ 6,263,670	$ 5,461,835	$ 4,603,508	$ 4,160,859
Covered-employee payroll	$ 29,956,502	$ 29,956,502	$ 27,583,676	$ 27,583,676	$ 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	14.99%	15.70%	22.84%	20.66%	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, 2025

Valuation Date: 1/1/2024
Measurement Date: 6/30/2025

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	5.20% as of June 30, 2025 and 3.93% as of June 30, 2024
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.900% and gradually decreases to 3.90% by the year 2073
Salary Increase Rates	3.50% to 5.35% based on years of service and position
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the Pub-2010 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale MP to 2020; males setback 1 year, 85% of rates; females forward 2 years. 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, 2025

	2025	2024	2023	2022	2021
Total OPEB liability					
Service cost	$ 104,787	$ 123,137	$ 155,651	$ 125,452	$ 140,044
Interest	1,060,294	1,127,213	1,091,342	1,066,198	1,065,545
Effect of Economic/Demographic Gains or Losses	-	(945,271)	-	(966,995)	-
Effect of plan changes	-	-	-	1,481,587	-
Changes in assumptions	-	2,570	573,191	(197,878)	-
Benefit payments	(1,331,630)	(1,306,431)	(1,167,383)	(1,136,544)	(1,223,976)
Net change in total OPEB liability	$ (166,549)	$ (998,782)	$ 652,801	$ 371,820	$ (18,387)
Total OPEB liability - beginning	16,862,760	17,861,542	17,208,741	16,836,921	16,855,308
Total OPEB liability - ending (a)	$ 16,696,211	$ 16,862,760	$ 17,861,542	$ 17,208,741	$ 16,836,921
Plan fiduciary net position					
Contributions - employer	$ 1,406,630	$ 1,306,431	$ 1,324,386	$ 1,336,544	$ 1,223,976
Net investment income	243,363	235,056	164,413	(221,250)	504,449
Benefit payments	(1,331,630)	(1,306,431)	(1,167,383)	(1,136,544)	(1,223,976)
Administrative expense	(3,065)	(2,911)	(2,743)	(2,846)	(2,401)
Net change in plan fiduciary net position	$ 315,298	$ 232,145	$ 318,673	$ (24,096)	$ 502,048
Plan fiduciary net position - beginning	2,707,249	2,475,104	2,156,431	2,180,527	1,678,479
Plan fiduciary net position - ending (b)	$ 3,022,547	$ 2,707,249	$ 2,475,104	$ 2,156,431	$ 2,180,527
City's net OPEB liability - ending (a) - (b)	$ 13,673,664	$ 14,155,511	$ 15,386,438	$ 15,052,310	$ 14,656,394
Plan fiduciary net position as a percentage of the total OPEB liability	18.10%	16.05%	13.86%	12.53%	12.95%
Covered payroll	$ 34,550,047	$ 34,550,047	$ 28,104,978	$ 28,104,978	$ 24,140,303
City's net OPEB liability as a percentage of covered payroll	39.58%	40.97%	54.75%	53.56%	60.71%

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 City's Net OPEB Liability and Related Ratios
Years Ended June 30, 2017 through June 30, 2025

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 148,383	$ 135,927	$ 127,035	$ 199,978
Interest	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)	-
Effect of plan changes	-	-	-	-
Changes in assumptions	(1,523,352)	744,226	-	-
Benefit payments	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Net change in total OPEB liability	$ 42,136	$ 846,890	$ (1,335,861)	$ 421,336
Total OPEB liability - beginning	16,813,172	15,966,282	17,302,143	16,880,807
Total OPEB liability - ending (a)	$ 16,855,308	$ 16,813,172	$ 15,966,282	$ 17,302,143
Plan fiduciary net position				
Contributions - employer	$ 1,218,043	$ 1,328,208	$ 1,112,307	$ 1,053,888
Net investment income	49,851	74,635	118,262	128,315
Benefit payments	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Administrative expense	(2,313)	(2,009)	(1,857)	(1,347)
Net change in plan fiduciary net position	$ 47,538	$ 279,016	$ 116,405	$ 238,968
Plan fiduciary net position - beginning	1,630,941	1,351,925	1,235,520	996,552
Plan fiduciary net position - ending (b)	$ 1,678,479	$ 1,630,941	$ 1,351,925	$ 1,235,520
City's net OPEB liability - ending (a) - (b)	$ 15,176,829	$ 15,182,231	$ 14,614,357	$ 16,066,623
Plan fiduciary net position as a percentage of the total OPEB liability	9.96%	9.70%	8.47%	7.14%
Covered payroll	$ 24,140,303	$ 23,337,048	$ 23,337,048	$ 22,344,600
City's net OPEB liability as a percentage of covered payroll	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, 2025

Date	Actuarially Determined Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2025	$ 1,072,436	$ 1,406,630	$ (334,194)	$ 34,550,047	4.07%
2024	1,041,200	1,306,431	(265,231)	34,550,047	3.78%
2023	1,104,983	1,324,386	(219,403)	28,104,978	4.71%
2022	1,072,799	1,336,544	(263,745)	28,104,978	4.76%
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, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	21 years
Asset valuation method	Market Value
Inflation	2.50%
Healthcare cost trend rates	6.90% gradually decreasing to an ultimate rate of 3.90% by 2073
Salary increases	Varies based on years of service
Investment rate of return	6.50%
Retirement age	Varies based on service
Mortality	Pub-2010 mortality tables

Schedule of Investment Returns
Years Ended June 30, 2016 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.78%	9.50%	7.61%	-9.88%	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, 2024

	2024	2023	2022	2021	2020
Total HIC OPEB Liability					
Service cost	$ 1,407	$ 1,242	$ 1,443	$ 1,573	$ -
Interest	3,754	6,418	5,671	4,956	-
Changes in benefit terms	-	-	-	-	73,419
Differences between expected and actual experience	277	(44,908)	(5,332)	-	-
Changes of assumptions	-	-	10,814	3,025	-
Benefit payments	(2,961)	(1,830)	(808)	-	-
Net change in total HIC OPEB liability	$ 2,477	$ (39,078)	$ 11,788	$ 9,554	$ 73,419
Total HIC OPEB Liability - beginning	55,683	94,761	82,973	73,419	-
Total HIC OPEB Liability - ending (a)	$ 58,160	$ 55,683	$ 94,761	$ 82,973	$ 73,419
Plan fiduciary net position					
Contributions - employer	$ 10,688	$ 10,013	$ 7,588	$ 7,101	$ -
Net investment income	2,816	1,305	(145)	1,039	-
Benefit payments	(2,961)	(1,830)	(808)	-	-
Administrator charges	(43)	(38)	(31)	(32)	-
Net change in plan fiduciary net position	$ 10,500	$ 9,450	$ 6,604	$ 8,108	$ -
Plan fiduciary net position - beginning	24,162	14,712	8,108	-	-
Plan fiduciary net position - ending (b)	$ 34,662	$ 24,162	$ 14,712	$ 8,108	$ -
CCT/ABC's net HIC OPEB liability - ending (a) - (b)	$ 23,498	$ 31,521	$ 80,049	$ 74,865	$ 73,419
Plan fiduciary net position as a percentage of the total HIC OPEB liability	59.60%	43.39%	15.53%	9.77%	0.00%
Covered payroll	$ 2,273,795	$ 2,130,322	$ 1,614,535	$ 1,510,953	$ 1,533,662
CCT/ABC's net HIC OPEB liability as a percentage of covered payroll	1.03%	1.48%	4.96%	4.95%	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 - Fredericksburg City School Board
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2020 through June 30, 2025

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)
2025	$ 10,998	$ 10,998	$ -	$ 2,340,031	0.47%
2024	10,687	10,687	-	2,273,795	0.47%
2023	10,013	10,013	-	2,130,322	0.47%
2022	7,588	7,588	-	1,614,535	0.47%
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 - Fredericksburg City School Board
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2025

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 though June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2025

	Special Revenue	Capital Projects	Debt Service	Total
Assets:				
Cash and cash equivalents	$ 4,780,362	$ 16,947,700	$ 9,626,054	$ 31,354,116
Receivables:				
Property taxes	54,341	-	-	54,341
Accrued revenue	845,287	242,328	-	1,087,615
Prepaid items	126,186	1,223,916	-	1,350,102
Due from other governments	1,480,790	-	-	1,480,790
Total assets	$ 7,286,966	$ 18,413,944	$ 9,626,054	$ 35,326,964
Liabilities:				
Accounts payable	$ 712,056	$ 406,412	$ -	$ 1,118,468
Accrued liabilities	294,673	7,359	-	302,032
Unearned revenue	20,000	-	-	20,000
Total liabilities	$ 1,026,729	$ 413,771	$ -	$ 1,440,500
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	$ 38,914	$ -	$ -	$ 38,914
Unavailable revenue - other	806,120	-	-	806,120
Total deferred inflows of resources	$ 845,034	$ -	$ -	$ 845,034
Fund Balances:				
Nonspendable	$ 126,186	$ 1,223,916	$ -	$ 1,350,102
Restricted	95,250	-	-	95,250
Committed	5,193,767	3,521,641	9,626,054	18,341,462
Assigned	-	13,254,616	-	13,254,616
Total fund balances	$ 5,415,203	$ 18,000,173	$ 9,626,054	$ 33,041,430
Total liabilities, deferred inflows of resources and fund balances	$ 7,286,966	$ 18,413,944	$ 9,626,054	$ 35,326,964

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue	Capital Projects	Debt Service	Total
Revenues				
General property taxes	$ 2,079,518	$ -	$ -	$ 2,079,518
Other local taxes	697,919	-	-	697,919
Permits, privilege fees and regulatory licenses	63,175	-	-	63,175
Fines and forfeitures	287,623	-	-	287,623
Use of money and property	119,645	1,396,705	2,520,690	4,037,040
Charges for services	68,694	31,106	-	99,800
Miscellaneous	277,376	-	341,478	618,854
Recovered costs	263,566	-	-	263,566
Intergovernmental:				
Contribution from Component Unit School Board	-	-	-	-
Revenue from the Commonwealth	4,905,846	-	220,496	5,126,342
Revenue from the Federal Government	4,551,059	-	-	4,551,059
Total revenues	$ 13,314,421	$ 1,427,811	$ 3,082,664	$ 17,824,896
Expenditures				
Current:				
Judicial administration	$ 322,018	$ -	$ -	$ 322,018
Public safety	1,011,832	-	-	1,011,832
Public works	733,527	-	-	733,527
Health and welfare	11,946,632	-	-	11,946,632
Parks, recreation and cultural	130,516	-	-	130,516
Community development	509,014	-	-	509,014
Capital projects	-	8,998,811	-	8,998,811
Debt service:				
Principal payments	703,378	-	7,681,175	8,384,553
Interest and fiscal charges	346,622	-	5,454,521	5,801,143
Total expenditures	$ 15,703,539	$ 8,998,811	$ 13,135,696	$ 37,838,046
Excess (deficiency) of revenues over (under) expenditures	$ (2,389,118)	$ (7,571,000)	$ (10,053,032)	$ (20,013,150)
Other financing sources (uses)				
Issuance of bonds	$ -	$ 2,326,475	$ 52,844	$ 2,379,319
Bond premium	-	276,409	-	276,409
Transfers in	3,199,847	5,055,969	11,822,965	20,078,781
Transfers out	(550,601)	-	-	(550,601)
Total other financing sources (uses)	$ 2,649,246	$ 7,658,853	$ 11,875,809	$ 22,183,908
Net change in fund balance	$ 260,128	$ 87,853	$ 1,822,777	$ 2,170,758
Fund balances, beginning of year	5,155,075	17,912,320	7,803,277	30,870,672
Fund balances, end of year	$ 5,415,203	$ 18,000,173	$ 9,626,054	$ 33,041,430

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2025

	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	Fire Tax Fund	Total
Assets:											
Cash and cash equivalents	$ 151,024	$ 1,914,544	$ 151,158	$ 35,611	$ 1,447,604	$ 264,688	$ 364,252	$ 74,478	$ 255,147	$ 121,856	$ 4,780,362
Receivables:											
Property taxes	-	-	-	-	25,140	-	-	-	-	29,201	54,341
Accrued revenue	4,386	807,345	374	-	8,182	-	-	25,000	-	-	845,287
Prepaid items	-	126,186	-	-	-	-	-	-	-	-	126,186
Due from other governments	659,455	274,626	546,709	-	-	-	-	-	-	-	1,480,790
Total assets	$ 814,865	$ 3,122,701	$ 698,241	$ 35,611	$ 1,480,926	$ 264,688	$ 364,252	$ 99,478	$ 255,147	$ 151,057	$ 7,286,966
Liabilities:											
Accounts payable	$ 51,297	$ 30,209	$ 471,465	$ -	$ 57,503	$ 10,972	$ -	$ 87,500	$ 3,110	$	$ 712,056
Accrued liabilities	134,786	16,666	3,688	-	23,515	116,018	-	-	-	-	294,673
Unearned revenue	-	20,000	-	-	-	-	-	-	-	-	20,000
Total liabilities	$ 186,083	$ 66,875	$ 475,153	$ -	$ 81,018	$ 126,990	$ -	$ 87,500	$ 3,110	$ -	$ 1,026,729
Deferred Inflows of Resources:											
Unavailable revenue - property taxes	$ -	$ -	$ -	$ -	$ 15,210	$ -	$ -	$ -	$ -	$ 23,704	$ 38,914
Unavailable revenue - other	-	806,120	-	-	-	-	-	-	-	-	806,120
Total deferred inflows of resources	$ -	$ 806,120	$ -	$ -	$ 15,210	$ -	$ -	$ -	$ -	$ 23,704	$ 845,034
Fund Balances:											
Nonspendable	$ -	$ 126,186	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 126,186
Restricted	-	95,250	-	-	-	-	-	-	-	-	95,250
Committed	628,782	2,028,270	223,088	35,611	1,384,698	137,698	364,252	11,978	252,037	127,353	5,193,767
Total fund balances	$ 628,782	$ 2,249,706	$ 223,088	$ 35,611	$ 1,384,698	$ 137,698	$ 364,252	$ 11,978	$ 252,037	$ 127,353	$ 5,415,203
Total liabilities, deferred inflows of resources and fund balances	$ 814,865	$ 3,122,701	$ 698,241	$ 35,611	$ 1,480,926	$ 264,688	$ 364,252	$ 99,478	$ 255,147	$ 151,057	$ 7,286,966

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2025

	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	Fire Tax Fund	Total
Revenues											
General property taxes	$ -	$ -	$ -	$ -	$ 1,176,483	$ -	$ -	$ 291,242	$ -	$ 611,793	$ 2,079,518
Other local taxes	-	127,183	-	-	-	-	-	570,736	-	-	697,919
Permits, privilege fees and regulatory licenses	-	49,647	-	-	13,528	-	-	-	-	-	63,175
Fines and forfeitures	-	287,623	-	-	-	-	-	-	-	-	287,623
Use of money and property	-	8,519	-	-	-	11,126	-	100,000	-	-	119,645
Charges for services	-	68,694	-	-	-	-	-	-	-	-	68,694
Miscellaneous	-	277,365	-	-	-	-	-	-	-	11	277,376
Recovered costs	25,476	24,060	-	-	31,850	360	50,000	105,000	26,820		263,566
Intergovernmental:											
Revenue from the Commonwealth	2,311,880	401,910	2,157,127	-	-	34,929	-	-	-	-	4,905,846
Revenue from the Federal Government	3,695,268	489,369	366,422	-	-	-	-	-	-	-	4,551,059
Total revenues	$ 6,032,624	$ 1,734,370	$ 2,523,549	$ -	$ 1,221,861	$ 46,415	$ 50,000	$ 1,066,978	$ 26,820	$ 611,804	$ 13,314,421
Expenditures											
Judicial administration	$ -	$ 312,207	$ -	$ -	$ -	$ 9,811	$ -	$ -	$ -	$ -	$ 322,018
Public safety	-	746,713	-	-	-	28,119	-	-	-	237,000	1,011,832
Public works	-	-	-	-	718,117	-	-	-	15,410		733,527
Health and welfare	7,790,194	-	4,156,438	-	-	-	-	-	-	-	11,946,632
Parks, recreation and cultural	-	130,516	-	-	-	-	-	-	-	-	130,516
Community development	-	354,014	-	-	-	-	150,000	5,000	-	-	509,014
Debt service:											
Principal payments	-	-	-	-	-	-	-	703,378	-	-	703,378
Interest and fiscal charges	-	-	-	-	-	-	-	346,622	-	-	346,622
Total expenditures	$ 7,790,194	$ 1,543,450	$ 4,156,438	$ -	$ 718,117	$ 37,930	$ 150,000	$ 1,055,000	$ 15,410	$ 237,000	$ 15,703,539
Excess (deficiency) of revenues over (under) expenditures	$ (1,757,570)	$ 190,920	$ (1,632,889)	$ -	$ 503,744	$ 8,485	$ (100,000)	$ 11,978	$ 11,410	$ 374,804	$ (2,389,118)
Other financing sources (uses)											
Transfers in	$ 1,818,854	$ 376,789	$ 1,004,204	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,199,847
Transfers out	-		-	-	(300,000)	(3,150)	-	-	-	(247,451)	(550,601)
Total other financing sources (uses)	$ 1,818,854	$ 376,789	$ 1,004,204	$ -	$ (300,000)	$ (3,150)	$ -	$ -	$ -	$ (247,451)	$ 2,649,246
Net change in fund balance	$ 61,284	$ 567,709	$ (628,685)	$ -	$ 203,744	$ 5,335	$ (100,000)	$ 11,978	$ 11,410	$ 127,353	$ 260,128
Fund balances, beginning of year	567,498	1,681,997	851,773	35,611	1,180,954	132,363	464,252	-	240,627	-	5,155,075
Fund balances, end of year	$ 628,782	$ 2,249,706	$ 223,088	$ 35,611	$ 1,384,698	$ 137,698	$ 364,252	$ 11,978	$ 252,037	$ 127,353	$ 5,415,203

Combining Balance Sheet
Nonmajor Capital Projects Funds
At June 30, 2025

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Assets:				
Cash and cash equivalents	$ 10,911,823	$ 4,942,985	$ 1,092,892	$ 16,947,700
Accrued revenue	125,773	116,555	-	242,328
Prepaid items	-	1,223,916	-	1,223,916
Total assets	$ 11,037,596	$ 6,283,456	$ 1,092,892	$ 18,413,944
Liabilities:				
Accounts payable	$ 406,412	$ -	$ -	$ 406,412
Accrued liabilities	7,359	-	-	7,359
Total liabilities	$ 413,771	$ -	$ -	$ 413,771
Fund Balances:				
Fund Balance:				
Nonspendable	$ -	$ 1,223,916	$ -	$ 1,223,916
Committed	1,204,405	2,192,323	124,913	3,521,641
Assigned	9,419,420	2,867,217	967,979	13,254,616
Total fund balances	$ 10,623,825	$ 6,283,456	$ 1,092,892	$ 18,000,173
Total liabilities and fund balances	$ 11,037,596	$ 6,283,456	$ 1,092,892	$ 18,413,944

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2025

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Revenues				
Use of money and property	$ 727,368	$ 669,337	$ -	$ 1,396,705
Charges for services	-	-	31,106	31,106
Total revenues	$ 727,368	$ 669,337	$ 31,106	$ 1,427,811
Expenditures				
Capital projects	$ 5,194,252	$ 3,759,884	$ 44,675	$ 8,998,811
Total expenditures	$ 5,194,252	$ 3,759,884	$ 44,675	$ 8,998,811
Excess (deficiency) of revenues over (under) expenditures	$ (4,466,884)	$ (3,090,547)	$ (13,569)	$ (7,571,000)
Other financing sources (uses)				
Issuance of bonds	$ -	$ 2,326,475	$ -	$ 2,326,475
Bond premium	-	276,409	-	276,409
Transfers in	3,845,370	1,210,599	-	5,055,969
Total other financing sources (uses)	$ 3,845,370	$ 3,813,483	$ -	$ 7,658,853
Net change in fund balance	$ (621,514)	$ 722,936	$ (13,569)	$ 87,853
Fund balances, beginning of year	11,245,339	5,560,520	1,106,461	17,912,320
Fund balances, end of year	$ 10,623,825	$ 6,283,456	$ 1,092,892	$ 18,000,173

Combining Balance Sheet
Nonmajor Debt Service Funds
At June 30, 2025

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Assets:			
Cash and cash equivalents	$ 8,824,189	$ 801,865	$ 9,626,054
Fund Balances:			
Committed	$ 8,824,189	$ 801,865	$ 9,626,054
Total fund balances	$ 8,824,189	$ 801,865	$ 9,626,054
Total liabilities and fund balances	$ 8,824,189	$ 801,865	$ 9,626,054

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2025

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Revenues			
Use of money and property	$ 2,520,690	$ -	$ 2,520,690
Miscellaneous	341,478	-	341,478
Intergovernmental:			
Revenue from the Commonwealth	-	220,496	220,496
Total revenues	$ 2,862,168	$ 220,496	$ 3,082,664
Expenditures			
Debt service:			
Principal	$ 3,361,175	$ 4,320,000	$ 7,681,175
Interest and fiscal charges	1,934,370	3,520,151	5,454,521
Total expenditures	$ 5,295,545	$ 7,840,151	$ 13,135,696
Excess (deficiency) of revenues over (under) expenditures	$ (2,433,377)	$ (7,619,655)	$ (10,053,032)
Other financing sources (uses)			
Issuance of bonds	$ 52,844	$ -	$ 52,844
Transfers in	4,690,013	7,132,952	11,822,965
Total other financing sources (uses)	$ 4,742,857	$ 7,132,952	$ 11,875,809
Net change in fund balance	$ 2,309,480	$ (486,703)	$ 1,822,777
Fund balances, beginning of year	6,514,709	1,288,568	7,803,277
Fund balances, end of year	$ 8,824,189	$ 801,865	$ 9,626,054

Combining Statement of Fiduciary Net Position
Custodial Funds
At June 30, 2025

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Assets:							
Cash and cash equivalents	$ 325,729	$ 31,675	$ 247,331	$ 855,121	$ 20,451	$ 594,726	$ 2,075,033
Accounts receivable	1,309	-	9,900	219,477	-	-	230,686
Prepaid items	33,795	-	-	36,076	-	-	69,871
Pension asset	-	-	-	404,082	-	-	404,082
Capital assets net of accumulated depreciation	5,746,317	-	-	620,734	-	-	6,367,051
Total assets	$ 6,107,150	$ 31,675	$ 257,231	$ 2,135,490	$ 20,451	$ 594,726	$ 9,146,723
Deferred Outflows of Resources:							
Pension related items	$ 152,062	$ -	$ 1,393	$ 23,762	$ -	$ -	$ 177,217
OPEB related items	8,474	-	568	7,659	-	-	16,701
Total deferred outflows of resources	$ 160,536	$ -	$ 1,961	$ 31,421	$ -	$ -	$ 193,918
Liabilities:							
Accounts payable	$ 578,102	$ -	$ 24,000	$ 42,678	$ -	$ -	$ 644,780
Accrued liabilities	305,850	-	711	73,838	-	-	380,399
Notes payable	3,138,096	-	-	-	-	-	3,138,096
Lease liabilities	-	-	-	210,362	-	-	210,362
Net OPEB liability	25,538	-	2,584	27,827	-	-	55,949
Net pension liability	416,588	-	-	-	-	-	416,588
Amounts held for others	-	-	-	-	-	594,726	594,726
Total liabilities	$ 4,464,174	$ -	$ 27,295	$ 354,705	$ -	$ 594,726	$ 5,440,900
Deferred Inflows of Resources:							
Pension related items	$ 88,275	$ -	$ 36,042	$ 147,495	$ -	$ -	$ 271,812
OPEB related items	4,270	-	432	15,636	-	-	20,338
Total deferred inflows of resources	$ 92,545	$ -	$ 36,474	$ 163,131	$ -	$ -	$ 292,150
Net Position:							
Net position restricted for individuals and organizations	$ 1,710,967	$ 31,675	$ 195,423	$ 1,649,075	$ 20,451	$ -	$ 3,607,591

Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2025

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Additions:							
Contributions:							
Contributions	$ -	$ -	$ 135,407	$ 1,973,449	$ -	$ -	$ 2,108,856
Miscellaneous	1,793,510	51,372	-	13,000	-	1,080,071	2,937,953
Total additions	$ 1,793,510	$ 51,372	$ 135,407	$ 1,986,449	$ -	$ 1,080,071	$ 5,046,809
Deductions:							
Other charges	$ 1,688,137	$ 42,376	$ 121,189	$ 1,707,510	$	$ 1,080,071	4,639,283
Total deductions	$ 1,688,137	$ 42,376	$ 121,189	$ 1,707,510	$ -	$ 1,080,071	$ 4,639,283
Net increase (decrease) in plan assets	$ 105,373	$ 8,996	$ 14,218	$ 278,939	$ -	$ -	$ 407,526
Net position:							
Balance, beginning of year, as previously reported	1,614,546	22,679	181,205	1,374,645	20,451	-	3,213,526
Restatement	(8,952)	-	-	(4,509)	-	-	(13,461)
Balance, beginning of year, as restated	1,605,594	22,679	181,205	1,370,136	20,451	-	3,200,065
Balance, end of year	$ 1,710,967	$ 31,675	$ 195,423	$ 1,649,075	$ 20,451	$ -	$ 3,607,591

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Recovered costs	$ 54,455	$ 54,455	$ 25,476	$ (28,979)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	$ 2,482,279	$ 2,482,279	$ 2,311,880	$ (170,399)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	$ 4,202,054	$ 4,202,054	$ 3,695,268	$ (506,786)
Total revenues	$ 6,738,788	$ 6,738,788	$ 6,032,624	$ (706,164)
Expenditures				
Health and welfare	$ 8,707,642	$ 8,707,642	$ 7,790,194	$ 917,448
State, Federal and Local Grants Fund				
Revenues				
Other local taxes:				
Plastic bag tax	$ 84,000	$ 84,000	$ 127,183	$ 43,183
Permits and other licenses	$ 24,000	$ 24,000	$ 49,647	$ 25,647
Fines and forfeitures	$ 900,000	$ 900,000	$ 287,623	$ (612,377)
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 8,519	$ 8,519
Miscellaneous	$ 184,993	$ 182,654	$ 277,365	$ 94,711
Charges for services:				
Court costs	$ 26,000	$ 26,000	$ 21,417	$ (4,583)
Parks and recreation fees	38,235	38,235	47,277	9,042
Total charges for services	$ 64,235	$ 64,235	$ 68,694	$ 4,459
Recovered costs:				
Other	$ 29,000	$ 29,000	$ 24,060	(4,940)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Four-for-life	$ 80,000	$ 80,000	$ 42,480	$ (37,520)
Fire services program	125,988	125,988	143,406	17,418
VA domestic violence victim fund	45,000	45,000	43,884	(1,116)
Victim-witness program	42,556	51,934	49,031	(2,903)
Other	86,353	171,660	123,109	(48,551)
Total revenue from the Commonwealth	$ 379,897	$ 474,582	$ 401,910	$ (72,672)
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	$ 116,443	$ 752,559	$ 265,249	$ (487,310)
Community development block grants	205,000	205,000	204,120	(880)
Other	-	20,000	20,000	-
Total revenue from the Federal Government	$ 321,443	$ 977,559	$ 489,369	$ (488,190)
Total revenues	$ 1,987,568	$ 2,736,030	$ 1,734,370	$ (1,001,660)
Expenditures				
Judicial administration:				
Victim-witness program	$ 219,140	$ 228,518	$ 202,188	$ 26,330
Domestic violence victim fund grant	100,962	100,962	82,312	18,650
Records preservation program	41,103	41,103	27,707	13,396
Total judicial administration	$ 361,205	$ 370,583	$ 312,207	$ 58,376

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
State, Federal and Local Grants Fund: (continued)				
Expenditures: (continued)				
Public safety:				
Hazardous materials response program	$ 30,000	$ 105,038	$ 7,744	$ 97,294
Fire services program	125,988	230,586	145,573	85,013
VRSA risk management grant	5,000	5,000	-	5,000
PD golf tournament	30,000	43,082	29,727	13,355
Four-for-life	80,000	80,000	42,480	37,520
JAG grants	-	122,601	76,710	45,891
LEMPG	-	10,860	10,106	754
ICAC grant	5,000	5,000	4,532	468
Community projects	14,100	33,923	16,288	17,635
Employee wellness	1,500	3,000	1,404	1,596
Police department grants	-	32,500	9,787	22,713
School zone speed cameras	900,000	900,000	86,815	813,185
School resource officer	-	161,587	145,610	15,977
E-summons	26,000	58,770	2,297	56,473
Prisoner extradition	24,000	45,584	12,845	32,739
DOJ mental health	-	93,859	33,844	60,015
State homeland security grant	-	347,900	34,272	313,628
DMV grants	34,400	41,296	44,629	(3,333)
Opioid settlement	22,393	344,253	37,050	307,203
Other	32,750	130,184	5,000	125,184
Total public safety	$ 1,331,131	$ 2,795,023	$ 746,713	$ 2,048,310
Public works:				
Urban forestry restitution	$ -	$ 5,500	$ -	$ 5,500
Total public works	$ -	$ 5,500	$ -	$ 5,500
Parks, recreation and cultural:				
Farmers' market	$ 44,000	$ 81,234	$ 74,771	$ 6,463
Midnight madness	-	33,976	2,557	31,419
Fredericksburg Arts Commission	29,500	55,272	16,321	38,951
Old mill park	38,235	58,832	25,691	33,141
Other	75,000	168,500	11,176	157,324
Total parks, recreation and cultural	$ 186,735	$ 397,814	$ 130,516	$ 267,298
Community development:				
Community development block grant	$ 295,203	$ 466,545	$ 273,930	$ 192,615
United Way special events	25,000	35,645	28,565	7,080
Other	99,000	572,415	51,519	520,896
Total community development	$ 419,203	$ 1,074,605	$ 354,014	$ 720,591
Total expenditures	$ 2,298,274	$ 4,643,525	$ 1,543,450	$ 3,100,075
Children's Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act grants	$ 2,696,180	$ 2,696,180	$ 2,157,127	$ (539,053)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	$ 42,637	$ 42,637	$ 366,422	$ 323,785
Total revenues	$ 2,738,817	$ 2,738,817	$ 2,523,549	$ (215,268)
Expenditures				
Health and Welfare:				
Children's Services Act program	$ 4,343,021	$ 4,343,021	$ 4,156,438	$ 186,583

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
Stormwater Management Fund				
Revenues				
General property taxes	$ 1,160,055	$ 1,160,055	$ 1,176,483	$ 16,428
Permits and other licenses	$ 5,000	$ 5,000	$ 13,528	$ 8,528
Recovered costs	$ 25,000	$ 25,000	$ 31,850	$ 6,850
Total revenues	$ 1,190,055	$ 1,190,055	$ 1,221,861	$ 31,806
Expenditures				
Public works:				
Drainage	$ 557,887	$ 557,887	$ 488,240	$ 69,647
VSMP administration	332,168	343,853	229,877	113,976
Total expenditures	$ 890,055	$ 901,740	$ 718,117	$ 183,623
Blight Abatement Fund				
Revenues				
Recovered costs	$ 10,000	$ 10,000	$ 26,820	$ 16,820
Total revenues	$ 10,000	$ 10,000	$ 26,820	$ 16,820
Expenditures				
Public works:				
Blight abatement	$ 87,500	$ 87,500	$ 15,410	$ 72,090
Forfeited Asset Sharing Program Fund				
Revenues				
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 11,126	$ 11,126
Recovered costs	$ -	$ -	$ 360	$ 360
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited asset sharing program	$ -	$ -	$ 34,929	$ 34,929
Total revenues	$ -	$ -	$ 46,415	$ 46,415
Expenditures				
Judicial administration:				
Forfeited asset sharing program	$ -	$ 78,920	$ 9,811	$ 69,109
Public safety:				
Forfeited asset sharing program	$ -	$ 53,445	$ 28,119	$ 25,326
Total expenditures	$ -	$ 132,365	$ 37,930	$ 94,435
Fredericksburg Opportunity Fund				
Revenues				
Recovered costs	$ 50,000	$ 50,000	$ 50,000	$ -
Expenditures				
Community development:				
Economic development	$ 150,000	$ 150,000	$ 150,000	$ -

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (Continued)				
Multi Purpose Stadium Fund				
Revenues				
General property taxes	$ 300,000	$ 300,000	$ 291,242	$ (8,758)
Other local taxes:				
Local sales and use taxes	$ 35,000	$ 35,000	$ 52,261	$ 17,261
Business licenses and rental tax	50,000	50,000	36,557	(13,443)
Amusement tax	215,000	215,000	206,763	(8,237)
Meals taxes	250,000	250,000	275,155	25,155
Total other local taxes	$ 550,000	$ 550,000	570,736	20,736
Revenue from use of money and property:				
Use of property	$ 100,000	$ 100,000	$ 100,000	$ -
Recovered costs	$ 105,000	$ 105,000	$ 105,000	$ -
Total revenues	$ 1,055,000	$ 1,055,000	$ 1,066,978	$ 11,978
Expenditures				
Community development	$ 5,000	$ 5,000	$ 5,000	$ -
Principal and interest	$ 1,050,000	$ 1,050,000	$ 1,050,000	$ -
Total expenditures	$ 1,055,000	$ 1,055,000	$ 1,055,000	$ -
Fire Tax Fund				
Revenues				
General property taxes	$ 585,000	$ 585,000	$ 611,793	$ 26,793
Miscellaneous	$ -	$ -	$ 11	$ 11
Total revenues	$ 585,000	$ 585,000	$ 611,804	$ 26,804
Expenditures				
Public safety:				
Public safety radio system	$ 272,000	$ 272,000	$ 237,000	$ 35,000
Capital Projects Funds				
Public Works Capital Fund				
Revenues				
Other local taxes:				
Gasoline taxes	$ 400,000	$ 700,000	$ 400,000	$ (300,000)
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 670,866	$ 670,866
Miscellaneous	$ -	$ 15,912	$ 141,118	$ 125,206
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grants	$ -	$ 300,000	$ 54,085	$ (245,915)
VA community flood preparedness	-	626,000	-	(626,000)
Stormwater management grant	-	3,255,162	-	(3,255,162)
Total revenue from the Commonwealth	$ -	$ 4,181,162	$ 54,085	$ (4,127,077)
Revenue from the Federal Government:				
Categorical aid:				
US Economic Development Administration	$ -	$ 228,215	$ -	$ (228,215)
Transportation grants	-	-	182,124	182,124
Total revenue from the Federal Government	$ -	$ 228,215	$ 182,124	$ (46,091)
Total revenues	$ 400,000	$ 5,125,289	$ 1,448,193	$ (3,677,096)
Expenditures				
Capital projects:				
Annual pavement rehabilitation	$ 1,050,000	$ 1,780,000	$ 1,026,710	$ 753,290
Historic district improvements	-	106,313	-	106,313
Culvert repair	400,000	678,614	357,152	321,462
Rolling stock	-	75,866	15,191	60,675
Landfill construction	-	1,250,818	1,318,638	(67,820)
Learning Lane storm sewer	-	1,869,545	2,073,058	(203,513)
Downtown traffic	-	150,775	130,865	19,910
Pond D stream restoration	-	4,881,081	-	4,881,081
Pond D retrofit	-	4,540,291	-	4,540,291
Pond D dam repairs	-	907,840	-	907,840

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (Continued)				
Public Works Capital Fund: (continued)				
Expenditures: (continued)				
Capital projects: (continued)				
Riverfront park improvements	$ -	$ 289,489	$ 32,986	$ 256,503
Pedestrian bridges rehab	-	4,278	-	4,278
Stafford Avenue reconstruction	-	600,000	531,915	68,085
Welcome center access road	-	41,235	41,233	2
Construction contracts	-	67,609	-	67,609
William Street corridor	-	-	10,000	(10,000)
Sidewalks and intersections	225,000	225,000	-	225,000
Equipment and motor vehicle replacement	90,000	588,103	551,946	36,157
Signalization	-	25,545	25,544	1
Total capital projects expenditures	$ 1,765,000	$ 18,082,402	$ 6,115,238	$ 11,967,164
Public Facilities Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 635,827	$ 635,827
Use of property	-	-	91,541	91,541
Total revenue from use of money and property	$ -	$ -	$ 727,368	$ 727,368
Intergovernmental:				
Revenue from the Commonwealth:				
VA outdoors foundation	$ -	$ 15,787	$ -	$ (15,787)
Total revenue from the Commonwealth	$ -	$ 15,787	$ -	$ (15,787)
Revenue from the Federal Government:				
Categorical aid:				
Highway planning and construction	$ 325,000	$ 325,000	$ -	$ (325,000)
Total revenues	$ 325,000	$ 340,787	$ 727,368	$ 386,581
Expenditures				
Capital projects:				
City shop improvements	$ 275,000	$ 300,862	$ 4,049	$ 296,813
Motts Run improvements	90,000	90,000	-	90,000
Dorothy Hart community center	240,000	195,650	42,540	153,110
IT utility network	100,000	100,000	-	100,000
Computer equipment replacement	325,827	385,601	342,154	43,447
Library improvements	600,000	800,000	646,594	153,406
City hall renovation	-	39,114	24,195	14,919
Executive Plaza building	-	1,395,628	1,249,848	145,780
Energy retrofits	-	692,962	692,962	-
IT cybersecurity	164,600	164,600	33,762	130,838
Fiberoptic network expansion	111,128	578,441	682,023	(103,582)
IT facility security	120,000	120,000	56,008	63,992
Parks general maintenance`	-	67,902	60,050	7,852
Bankside trail	325,000	340,787	-	340,787
Doris E Buffett pool improvements	155,000	155,000	44,900	110,100
Historic courthouse	-	660,000	147,479	512,521
ERP implementation	60,206	272,862	21,037	251,825
Parks plan development	75,000	176,057	86,880	89,177
Downtown parking garage	-	35,265	35,265	-
Area plan updates	-	-	97,348	(97,348)
Public safety system upgrade	-	4,673,247	-	4,673,247
Comprehensive plan update	-	168,345	158,487	9,858
Dixon park improvements	165,000	165,000	75,000	90,000
UPS replacement	-	154,666	165,683	(11,017)
Memorial Park tennis court	-	390,001	350,748	39,253
Executive plaza visitor center	-	719,306	63,981	655,325
Dowman house	-	35,552	14,413	21,139
IT resilience	101,880	101,880	98,846	3,034
Total capital projects expenditures	$ 2,908,641	$ 12,978,728	$ 5,194,252	$ 7,784,476

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Safety Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 669,337	$ 669,337
Intergovernmental:				
Revenue from the Federal Government:				
Categorical aid:				
Public safety grants	$ 637,195	$ 637,195	$ -	$ (637,195)
Total revenues	$ 637,195	$ 637,195	$ 669,337	$ 32,142
Expenditures				
Capital projects:				
Police department headquarters improvements	$ 796,494	$ 796,494	$ -	$ 796,494
Public safety vehicles	-	37,484	32,993	4,491
Public safety capital projects	-	75,000	-	75,000
Emergency medical vehicles	2,600,000	5,484,192	3,311,119	2,173,073
New fire station	-	2,038,901	-	2,038,901
Police department radio system	325,000	334,221	207,520	126,701
Fire station rehab	-	147,000	468	146,532
Police camera system	425,442	425,442	207,784	217,658
Total capital projects expenditures	$ 4,146,936	$ 9,338,734	$ 3,759,884	$ 5,578,850
New Court Capital Fund				
Revenues				
Charges for services:				
Courthouse construction fees	$ -	$ -	$ 31,106	$ 31,106
Expenditures				
Capital projects:				
Courthouse construction	$ 202,600	$ 202,600	$ 38,675	$ 163,925
Renwick redevelopment	75,000	75,000		75,000
Renwick improvements	$ 225,000	$ 225,000	$ 6,000	$ 219,000
Total capital projects expenditures	$ 502,600	$ 502,600	$ 44,675	$ 457,925
School Bond Funded Capital Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Construction grants	$ -	$ -	$ 4,652,888	$ 4,652,888
Total revenues	$ -	$ -	$ 4,652,888	$ 4,652,888
Expenditures				
Capital projects:				
New middle school	$ -	$ 33,460,795	$ 26,662,376	$ 6,798,419
Total capital projects expenditures	$ -	$ 33,460,795	$ 26,662,376	$ 6,798,419
Debt Service Funds				
General Obligation Bond Debt Service Fund				
Revenues				
Revenue from use of money and property:				
Use of money	$ -	$ -	$ 2,520,690	$ 2,520,690
Miscellaneous	$ 341,479	$ 341,479	$ 341,478	$ (1)
Total revenues	$ 341,479	$ 341,479	$ 2,862,168	$ 2,520,689
Expenditures				
Principal and interest	$ 5,482,913	$ 5,282,913	$ 5,295,545	$ (12,632)
Education Debt Service Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
VPSA interest credit	$ 220,496	$ 220,496	$ 220,496	$ -
Expenditures				
Principal and interest	$ 7,840,218	$ 7,840,218	$ 7,840,151	$ 67

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, 2025

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 5,284,533	$ 4,992,047	$ 4,685,834	$ 437,068	$ 15,399,482
Accrued revenue	59,012	1,000	-	-	60,012
Due from other governments	949,087	887,986	400,000	-	2,237,073
Prepaid items	373,725	258,804	-	-	632,529
Total assets	$ 6,666,357	$ 6,139,837	$ 5,085,834	$ 437,068	$ 18,329,096
Liabilities:					
Reconciled overdraft	$ -	$ -	$ -	$ -	$ -
Accounts payable	301,775	1,169,898	951,390	8,590	2,431,653
Accrued liabilities	2,692,859	248,002	-	-	2,940,861
Total liabilities	$ 2,994,634	$ 1,417,900	$ 951,390	$ 8,590	$ 5,372,514
Fund Balances:					
Nonspendable:					
Prepaid items	$ 373,725	$ 258,804	$ -	$ -	$ 632,529
Restricted:					
School activities	-	-	-	428,478	428,478
All-in funding	-	365,342	-	-	365,342
Committed:					
Grant related expenditures	-	4,097,791	-	-	4,097,791
Assigned:					
Capital projects	-	-	4,134,444	-	4,134,444
Unassigned	3,297,998	-	-	-	3,297,998
Total fund balances	$ 3,671,723	$ 4,721,937	$ 4,134,444	$ 428,478	$ 12,956,582
Total liabilities and fund balances	$ 6,666,357	$ 6,139,837	$ 5,085,834	$ 437,068	$ 18,329,096

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2025

Total fund balances for governmental funds (Exhibit 44)		$ 12,956,582
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	2,948,509	
Land improvements, net of accumulated depreciation	931,879	
Buildings and improvements, net of accumulated depreciation	27,759,749	
Lease equipment, net of accumulated depreciation	356,212	
Machinery, equipment, and vehicles, net of accumulated depreciation	6,504,820	38,973,848
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset		747,529
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 10,747,513	
OPEB related items	1,471,710	12,219,223
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:		
Energy performance contract	$ (903,000)	
Lease liabilities	(359,955)	
Net OPEB liability	(9,159,374)	
Net pension liability	(26,497,439)	
Compensated absences	(2,064,563)	(38,984,331)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (5,508,876)	
OPEB related items	(3,210,526)	(8,719,402)
Total net position of governmental activities (Exhibits 1 and 12)		$ 17,193,449

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Revenues					
Use of money and property	$ 47,302	$ -	$ -	$ 9,213	$ 56,515
Charges for services	52,291	75,151	-	-	127,442
Miscellaneous	138,695	444,984	-	580,524	1,164,203
Recovered costs	172,053	-	-	-	172,053
Intergovernmental:					
Appropriation from primary government	33,215,000	-	250,000	-	33,465,000
Revenue from the Commonwealth	24,012,595	4,047,456	400,000	-	28,460,051
Revenue from the Federal Government	-	7,692,230	-	-	7,692,230
Total revenues	$ 57,637,936	$ 12,259,821	$ 650,000	$ 589,737	$ 71,137,494
Expenditures					
Current:					
Education:					
Instruction	$ 39,213,454	$ 6,571,129	$ -	$ 621,710	$ 46,406,293
Administration, attendance and health	4,597,018	-	-	-	4,597,018
Transportation	2,933,585	-	-	-	2,933,585
Facilities operations	5,395,149	-	-	-	5,395,149
Technology	2,900,706	311,593	-	-	3,212,299
School food service operations	102,963	3,107,871	-	-	3,210,834
Capital projects	-	-	1,755,408	-	1,755,408
Debt service:					
Principal	397,836	-	-	-	397,836
Interest	34,232	-	-	-	34,232
Total expenditures	$ 55,574,943	$ 9,990,593	$ 1,755,408	$ 621,710	$ 67,942,654
Excess (deficiency) of revenues over (under) expenditures	$ 2,062,993	$ 2,269,228	$ (1,105,408)	$ (31,973)	$ 3,194,840
Other financing sources (uses)					
Transfers in	$ -	$ -	$ 1,000,000	$ -	$ 1,000,000
Transfers out	(1,000,000)	-	-	-	(1,000,000)
Issuance of lease	318,596	-	-	-	318,596
Total other financing sources (uses)	$ (681,404)	$ -	$ 1,000,000	$ -	$ 318,596
Net change in fund balance	$ 1,381,589	$ 2,269,228	$ (105,408)	$ (31,973)	$ 3,513,436
Fund balances, beginning of year	2,290,134	2,452,709	4,239,852	460,451	9,443,146
Fund balances, end of year	$ 3,671,723	$ 4,721,937	$ 4,134,444	$ 428,478	$ 12,956,582

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, 2025

Net change in fund balances - total governmental funds (Exhibit 46)	$	3,513,436
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		273,098
Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board		1,917,848
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:		
Lease liabilities		(318,596)
Repayments of long-term debt:		
Energy performance contract		289,000
Lease liabilities		108,836
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		1,797,127
OPEB expense		440,320
Compensated absences		(5,357)
Change in net position of governmental activities (Exhibit 12)	$	8,015,712

Component Unit School Board
School Operating Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	$ 51,150	$ 51,150	$ 47,302	$ (3,848)
Charges for services:				
Charges for education	$ 43,000	$ 82,585	$ 52,291	$ (30,294)
Miscellaneous	$ 170,800	$ 140,245	$ 138,695	$ (1,550)
Recovered costs:				
Education	$ 407,125	$ 293,266	$ 172,053	$ (121,213)
Intergovernmental:				
Appropriation from primary government	$ 33,215,000	$ 33,480,500	$ 33,215,000	$ (265,500)
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	$ 4,799,556	$ 4,335,632	$ 4,992,296	$ 656,664
Basic aid	9,551,472	9,410,364	9,410,364	-
Other	8,891,349	9,335,710	9,609,935	274,225
Total revenue from the Commonwealth	$ 23,242,377	$ 23,081,706	$ 24,012,595	$ 930,889
Total revenues	$ 57,129,452	$ 57,129,452	$ 57,637,936	$ 508,484
Expenditures				
Current:				
Education:				
Instruction	$ 42,233,553	$ 40,929,421	$ 39,213,454	$ 1,715,967
Administration, attendance and health	4,960,766	4,989,189	4,597,018	392,171
Transportation	2,617,972	3,038,693	2,933,585	105,108
School food service operations	75,000	177,616	102,963	74,653
Facilities operations	5,159,404	5,456,978	5,395,149	61,829
Technology	2,650,689	3,105,487	2,900,706	204,781
Debt service:				
Principal	397,836	397,836	397,836	-
Interest and fiscal charges	34,232	34,232	34,232	-
Total expenditures	$ 58,129,452	$ 58,129,452	$ 55,574,943	$ 2,554,509
Excess (deficiency) of revenues over (under) expenditures	$ (1,000,000)	$ (1,000,000)	$ 2,062,993	$ 3,062,993
Other financing sources (uses)				
Issuance of lease	$ -	$ -	$ 318,596	$ 318,596
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Net change in fund balance	$ (2,000,000)	$ (2,000,000)	$ 1,381,589	$ 3,381,589
Fund balance, beginning of year	2,000,000	2,000,000	2,290,134	290,134
Fund balance, end of year	$ -	$ -	$ 3,671,723	$ 3,671,723

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, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special School Fund				
Revenues				
Charges for services:				
Cafeteria sales	$ 121,000	$ 129,728	$ 75,151	$ (54,577)
Miscellaneous	$ 7,000	$ 1,646,993	$ 444,984	$ (1,202,009)
Recovered costs:				
Education	$ 140,000	$ -	$ -	$ -
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ 63,033	$ 63,033	$ 66,415	$ 3,382
Preschool initiative grant	294,379	294,379	80,579	(213,800)
Clean bus grant	-	3,490,000	2,566,330	(923,670)
CTE initiative	-	1,000,000	1,000,000	-
Other	1,190,061	362,632	334,132	(28,500)
Total revenue from the Commonwealth	$ 1,547,473	$ 5,210,044	$ 4,047,456	$ (1,162,588)
Revenue from the Federal Government:				
Categorical aid:				
Title I	$ 1,604,661	$ 1,827,252	$ 995,447	$ (831,805)
School food	4,170,000	4,087,187	2,880,724	(1,206,463)
Head Start	1,527,110	1,771,740	1,728,808	(42,932)
American Rescue Plan	250,000	147,583	627,738	480,155
Special education IDEA	1,009,518	1,015,921	831,039	(184,882)
Other	669,090	1,192,533	628,474	(564,059)
Total revenue from the Federal Government	$ 9,230,379	$ 10,042,216	$ 7,692,230	$ (2,349,986)
Total revenues	$ 11,045,852	$ 17,028,981	$ 12,259,821	$ (4,769,160)
Expenditures				
Current:				
Education:				
Instruction	$ 6,532,819	$ 10,184,431	$ 6,571,129	$ 3,613,302
Transportation	-	4,246,036	-	4,246,036
Technology	154,000	337,594	311,593	26,001
School food service operations	4,359,033	3,270,895	3,107,871	163,024
Total expenditures	$ 11,045,852	$ 18,038,956	$ 9,990,593	$ 8,048,363
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (1,009,975)	$ 2,269,228	$ 3,279,203
Net change in fund balance	$ -	$ (1,009,975)	$ 2,269,228	$ 3,279,203
Fund balance, beginning of year	-	1,009,975	2,452,709	1,442,734
Fund balance, end of year	$ -	$ -	$ 4,721,937	$ 4,721,937

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, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Capital Projects Fund				
Revenues				
Intergovernmental:				
Appropriation from primary government	$ 250,000	$ 250,000	$ 250,000	$ -
Intergovernmental:				
Revenue from the Commonwealth:				
School construction funds	$ -	$ 400,000	$ 400,000	$ -
Total Revenue from the Commonwealth	$ -	$ 400,000	$ 400,000	$ -
Total revenues	$ 250,000	$ 650,000	$ 650,000	$ -
Expenditures				
Capital projects:				
School construction	$ 1,250,000	$ 5,600,000	$ 1,755,408	$ 3,844,592
Other	-	50,000	-	50,000
Total capital projects	$ 1,250,000	$ 5,650,000	$ 1,755,408	$ 3,894,592
Total expenditures	$ 1,250,000	$ 5,650,000	$ 1,755,408	$ 3,894,592
Excess (deficiency) of revenues over (under) expenditures	$ (1,000,000)	$ (5,000,000)	$ (1,105,408)	$ 3,894,592
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	$ (1,000,000)	$ (4,000,000)	$ (105,408)	$ 3,894,592
Fund balance, beginning of year	1,000,000	4,000,000	4,239,852	239,852
Fund balance, end of year	$ -	$ -	$ 4,134,444	$ 4,134,444

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 annual comprehensive financial reports for the relevant year.

CITY OF FREDERICKSBURG, VIRGINIA **Table 1**

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Governmental activities:										
Invested in capital assets, net of related debt	$ 85,329,030	$ 88,860,358	$ 86,992,126	$ 108,060,205	$ 105,893,642	$ 102,350,630	$ 102,002,263	$ 101,452,771	$ 110,623,459	$ 120,831,009
Restricted	-	-	-	-	-	-	613,429	2,197,605	1,181,175	1,192,466
Unrestricted	9,448,661	8,241,949	(301,359)	9,020,303	8,683,354	17,339,394	22,786,106	42,187,137	49,654,268	55,697,008
Total governmental activities net position	$ 94,777,691	$ 97,102,307	$ 86,690,767	$ 117,080,508	$ 114,576,996	$ 119,690,024	$ 125,401,798	$ 145,837,513	$ 161,458,902	$ 177,720,483
Business-type activities:										
Invested in capital assets, net of related debt	$ 44,280,931	$ 44,971,811	$ 45,749,607	$ 49,954,998	$ 50,390,865	$ 51,050,119	$ 48,921,377	$ 54,587,378	$ 61,615,597	$ 70,646,651
Unrestricted	21,962,726	23,631,467	23,572,937	26,567,206	29,472,402	30,462,752	34,463,084	35,064,164	36,709,537	32,522,581
Total business-type activities net position	$ 66,243,657	$ 68,603,278	$ 69,322,544	$ 76,522,204	$ 79,863,267	$ 81,512,871	$ 83,384,461	$ 89,651,542	$ 98,325,134	$ 103,169,232
Primary government:										
Net investment in capital assets	$ 135,332,754	$ 133,832,169	$ 132,741,733	$ 158,015,203	$ 156,284,507	$ 153,400,749	$ 150,923,640	$ 156,040,149	$ 172,239,056	$ 191,477,660
Restricted	-	-	-	-	-	-	613,429	2,197,605	1,181,175	1,192,466
Unrestricted	23,251,421	31,873,416	23,271,578	35,587,509	38,155,756	47,802,146	57,249,190	77,251,301	86,363,805	88,219,589
Total primary government net position	$ 158,584,175	$ 165,705,585	$ 156,013,311	$ 193,602,712	$ 194,440,263	$ 201,202,895	$ 208,786,259	$ 235,489,055	$ 259,784,036	$ 280,889,715

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 18 and 21.

CITY OF FREDERICKSBURG, VIRGINIA

Table 2

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Expenses										
Governmental activities:										
General government	$ 6,866,241	$ 7,065,308	$ 7,073,403	$ 7,341,468	$ 8,931,608	$ 9,733,301	$ 9,525,905	$ 10,352,064	$ 12,449,721	$ 13,364,946
Judicial administration	5,566,392	5,700,242	5,566,589	5,560,113	6,366,793	6,393,909	6,608,300	6,913,642	7,275,037	7,732,429
Public safety	21,630,457	22,472,125	22,748,234	21,708,879	25,420,296	25,683,080	28,780,621	29,673,716	35,170,267	34,220,414
Public works	12,836,598	12,324,625	11,144,393	11,909,503	13,503,278	13,359,399	13,258,188	13,850,639	13,298,376	15,139,887
Health and welfare	7,014,254	7,951,696	8,303,383	9,174,372	9,676,059	9,749,342	9,580,103	9,979,460	12,121,297	12,870,555
Education	29,862,457	30,433,939	33,548,965	32,906,022	33,033,824	31,472,243	34,033,404	29,365,505	33,611,418	36,055,307
Parks, recreation and cultural	4,748,604	5,025,061	5,020,617	5,096,742	5,275,559	5,044,351	5,431,122	6,194,059	6,238,500	6,553,578
Community development	2,882,580	2,652,990	2,705,777	3,050,238	3,467,750	4,708,131	3,714,170	4,561,267	4,779,774	4,564,000
Interest on long-term debt	3,419,833	3,357,340	3,129,894	3,351,555	3,051,668	2,629,385	2,719,550	4,601,962	5,168,536	4,905,014
Total governmental activities expenses	$ 94,827,416	$ 96,983,326	$ 99,241,255	$ 100,098,892	$ 108,726,835	$ 108,773,141	$ 113,651,363	$ 115,492,314	$ 130,112,926	$ 135,406,130
Business-type activities:										
Water	$ 2,972,130	$ 3,125,748	$ 3,212,402	$ 3,548,890	$ 3,709,466	$ 4,007,845	$ 3,746,584	$ 5,274,959	$ 5,060,821	$ 6,435,367
Sewer	5,092,925	5,485,742	5,299,352	5,355,770	5,086,417	4,889,931	6,850,708	5,578,259	6,029,892	6,264,161
Transit	4,410,391	4,671,545	4,797,484	5,152,302	5,198,831	4,832,837	5,361,406	5,113,353	6,145,965	6,291,487
Parking	443,485	493,395	465,613	463,019	426,365	404,398	449,703	481,893	619,402	506,680
Total business-type activities expenses	$ 12,918,931	$ 13,776,430	$ 13,774,851	$ 14,519,981	$ 14,421,079	$ 14,135,011	$ 16,408,401	$ 16,448,464	$ 17,856,080	$ 19,497,695
Total primary government expenses	$ 107,746,347	$ 110,759,756	$ 113,016,106	$ 114,618,873	$ 123,147,914	$ 122,908,152	$ 130,059,764	$ 131,940,778	$ 147,969,006	$ 154,903,825

CITY OF FREDERICKSBURG, VIRGINIA

Table 2

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 157,793	$ 149,415	$ 144,698	$ 151,722	$ 134,345	$ 111,040	$ 126,795	$ 141,914	$ 77,208	$ 155,983
Judicial administration	195,804	191,999	222,654	236,010	186,784	114,866	130,279	166,528	158,387	179,711
Public safety	1,891,374	1,872,937	2,169,937	2,687,383	2,461,257	1,850,688	2,123,106	2,291,367	1,631,943	2,194,051
Public works	985,924	998,126	1,017,049	921,651	1,135,057	1,189,612	1,409,844	1,448,620	1,450,897	1,464,499
Health and welfare	-	-	-	-	-	-	20,397	166,183	23,197	22,920
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	455,603	473,643	507,083	539,224	196,581	282,911	446,489	591,062	606,748	700,499
Community development	57	28	9	28	72	159,011	251,084	237,862	190,940	249,851
Operating grants and contributions	10,645,954	11,601,213	12,294,048	13,095,478	13,278,115	17,877,117	13,727,226	18,835,373	18,450,809	18,535,625
Capital grants and contributions	1,460,003	3,192,416	2,643,606	25,072,392	499,364	810,642	550,770	2,311,327	7,244,326	6,492,158
Total governmental activities program revenues	$ 15,792,512	$ 18,479,777	$ 18,999,084	$ 42,703,888	$ 17,891,575	$ 22,395,887	$ 18,785,990	$ 26,190,236	$ 29,834,455	$ 29,995,297
Business-type activities:										
Charges for services:										
Water	$ 3,285,584	$ 3,322,933	$ 3,363,456	$ 3,325,758	$ 3,577,271	$ 3,548,785	$ 4,130,803	$ 4,509,099	$ 4,990,135	$ 5,224,005
Sewer	5,408,049	5,426,986	5,611,484	5,522,266	6,008,124	6,051,806	6,873,481	7,664,481	8,506,058	8,710,910
Transit	470,343	307,579	333,462	304,830	241,356	136,666	91,898	40,313	3,000	8,000
Parking	283,741	247,274	276,452	282,249	210,485	120,401	221,094	353,063	400,060	389,736
Operating grants and contributions	4,336,969	3,979,565	4,463,470	5,734,213	5,305,105	5,257,435	6,867,528	5,938,599	4,835,657	5,358,956
Capital grants and contributions	410,573	1,682,639	-	5,526,154	1,333,615	177,875	373,459	1,786,748	5,316,672	3,357,360
Total business-type activities program revenues	$ 14,195,259	$ 14,966,976	$ 14,048,324	$ 20,695,470	$ 16,675,956	$ 15,292,968	$ 18,558,263	$ 20,292,303	$ 24,051,582	$ 23,048,967
Total primary government program revenues	$ 29,987,771	$ 33,446,753	$ 33,047,408	$ 63,399,358	$ 34,567,531	$ 37,688,855	$ 37,344,253	$ 46,482,539	$ 53,886,037	$ 53,044,264
Net (expense)/revenue										
Governmental activities	$ (79,034,904)	$ (78,503,549)	$ (80,242,171)	$ (57,395,004)	$ (90,835,260)	$ (86,377,254)	$ (94,865,373)	$ (89,302,078)	$ (100,278,471)	$ (105,410,833)
Business-type activities	1,276,328	1,190,546	273,473	6,175,489	2,254,877	1,157,957	2,149,862	3,843,839	6,195,502	3,551,272
Total primary government net expense	$ (77,758,576)	$ (77,313,003)	$ (79,968,698)	$ (51,219,515)	$ (88,580,383)	$ (85,219,297)	$ (92,715,511)	$ (85,458,239)	$ (94,082,969)	$ (101,859,561)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 38,983,743	$ 40,022,650	$ 42,657,551	$ 43,504,349	$ 44,462,917	$ 46,412,095	$ 50,549,139	$ 54,388,578	$ 55,245,961	$ 61,916,164
Local sales and use taxes	11,176,401	11,376,302	11,580,437	11,925,147	11,986,572	13,842,064	15,569,291	15,781,634	16,342,562	16,631,705
Consumer utility taxes	1,810,911	1,808,256	1,834,078	1,850,089	1,810,370	1,663,159	1,946,425	1,616,977	1,834,404	1,969,130
Business license taxes	6,101,499	6,320,104	6,382,569	6,575,645	6,948,708	7,082,682	7,810,020	8,283,896	8,077,974	8,310,995
Hotel/Lodging taxes	1,432,190	1,524,371	1,565,938	1,547,989	1,181,901	1,183,455	1,661,182	1,746,141	2,676,617	2,825,533
Meals taxes	10,693,375	11,141,603	11,765,352	11,918,714	10,415,720	11,199,108	13,849,223	15,081,582	15,640,045	16,336,436
Other local taxes	3,911,733	3,158,608	3,151,831	3,338,504	3,080,010	3,694,943	4,116,427	4,115,108	3,434,851	3,894,640
Unrestricted grants and contributions	3,814,470	3,724,175	3,653,002	3,592,560	3,466,843	3,355,912	3,418,436	3,401,589	3,366,978	3,345,352
Use of Property	-	-	-	-	-	-	-	141,488	-	-
Revenues from use of money and property	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(687,172)	4,598,052	8,476,243	6,682,055
Gain(loss) on disposal of capital asset	-	-	-	-	-	-	-	1,241,857	-	-
Miscellaneous	329,387	664,489	552,057	761,832	660,061	1,039,022	1,270,683	763,795	1,659,527	1,177,007
Transfers	619,545	619,355	605,665	606,172	635,157	630,000	1,068,993	(1,422,904)	(855,302)	979,076
Total governmental activities	$ 79,427,953	$ 80,828,165	$ 84,293,806	$ 87,784,745	$ 86,720,504	$ 90,487,769	$ 100,572,647	$ 109,737,793	$ 115,899,860	$ 124,068,093
Business-type activities:										
Taxes:										
Other local taxes	$ 687,620	$ 1,154,538	$ 725,117	$ 730,000	$ 779,657	$ 552,918	$ 518,361	$ 430,050	$ 560,705	$ 526,322
Revenues from use of money and property	111,862	62,519	47,630	335,748	359,852	29,292	(182,076)	136,344	571,632	1,467,140
Miscellaneous	587,859	571,373	545,583	564,595	581,834	539,437	454,435	433,944	490,451	593,919
Transfers	(619,545)	(619,355)	(605,665)	(606,172)	(635,157)	(630,000)	(1,068,993)	1,422,904	855,302	(979,076)
Total business-type activities	$ 767,796	$ 1,169,075	$ 712,665	$ 1,024,171	$ 1,086,186	$ 491,647	$ (278,273)	$ 2,423,242	$ 2,478,090	$ 1,608,305
Total primary government	$ 80,195,749	$ 81,997,240	$ 85,006,471	$ 88,808,916	$ 87,806,690	$ 90,979,416	$ 100,294,374	$ 112,161,035	$ 118,377,950	$ 125,676,398
Change in Net Position										
Governmental activities	$ 393,049	$ 2,324,616	$ 4,051,635	$ 30,389,741	$ (4,114,756)	$ 4,110,515	$ 5,707,274	$ 20,435,715	$ 15,621,389	$ 18,657,260
Business-type activities	2,044,124	2,359,621	986,138	7,199,660	3,341,063	1,649,604	1,871,589	6,267,081	8,673,592	5,159,577
Total primary government	$ 2,437,173	$ 4,684,237	$ 5,037,773	$ 37,589,401	$ (773,693)	$ 5,760,119	$ 7,578,863	$ 26,702,796	$ 24,294,981	$ 23,816,837

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General fund										
Nonspendable	$ 387,695	$ 427,347	$ 349,361	$ 461,923	$ 120,928	$ 173,478	$ 447,475	$ 436,186	$ 556,720	$ 992,248
Restricted	327,422	100,466	-	-	-	-	-	-	-	-
Committed	4,347,210	6,897,202	7,214,757	7,562,176	6,181,128	13,957,175	16,279,164	16,763,359	15,885,342	19,469,078
Assigned	1,306,350	996,272	1,326,619	1,896,004	3,896,004	3,691,004	2,646,004	2,281,009	2,281,009	2,281,009
Unassigned	19,335,778	15,854,106	16,944,452	18,246,141	17,638,343	17,109,666	20,021,774	21,693,799	25,445,165	23,741,090
Total general fund	$ 25,704,455	$ 24,275,393	$ 25,835,189	$ 28,166,244	$ 27,836,403	$ 34,931,323	$ 39,394,417	$ 41,174,353	$ 44,168,236	$ 46,483,425
All other governmental funds										
Nonspendable, reported in:										
Special revenue funds	$ 581	$ 9,710	$ 1,767	$ 9,576	$ 12,473	$ 4,662	$ 18,028	$ 14,221	$ 23,554	$ 140,173
Capital projects funds	-	-	-	-	641,479	-	1,779,476	1,928,449	1,985,845	1,223,916
Restricted, reported in:										
Special revenue funds	-	100,000	100,000	95,250	95,250	95,250	95,250	251,447	417,997	95,250
Capital projects funds	-	-	-	-	-	-	-	1,556,984	-	-
Committed, reported in:										
Special revenue funds	2,157,281	2,083,137	2,267,276	2,654,599	3,295,578	3,962,000	4,287,471	5,081,896	4,734,084	5,193,767
Capital projects funds	12,032,685	3,249,100	2,156,267	2,984,479	3,352,670	1,813,163	2,061,383	2,808,788	34,502,786	4,276,922
Debt service Funds	2,614,397	2,000,490	1,846,607	2,006,420	1,890,800	1,862,447	1,712,726	4,811,998	7,803,277	9,626,055
Assigned, reported in:										
Capital projects funds	7,939,214	6,680,441	4,852,951	15,386,142	11,336,028	13,092,254	11,455,618	84,724,743	24,908,182	32,654,195
Unassigned	-	-	-	-	-	-	-	(4,000)	(20,560)	(13,987)
Total all other governmental funds	$ 24,744,158	$ 14,122,878	$ 11,224,868	$ 23,136,466	$ 20,624,278	$ 20,829,776	$ 21,409,952	$ 101,174,526	$ 74,355,165	$ 53,196,291

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.

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
General property taxes	$ 39,027,174	$ 40,074,290	$ 42,480,519	$ 43,669,156	$ 44,111,793	$ 46,389,239	$ 50,737,977	$ 52,552,470	$ 55,982,161	$ 60,862,156
Other local taxes	35,126,109	35,329,244	36,280,205	37,156,088	35,423,281	38,665,411	44,952,568	46,625,338	48,006,453	49,968,439
Permits, privilege fees and regulatory licenses	691,636	700,197	823,463	1,125,519	1,063,717	836,452	918,778	882,608	742,340	760,662
Fines and forfeitures	350,564	312,851	460,046	661,837	473,741	260,986	405,155	487,441	453,765	647,688
Revenue from use of money and property	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(483,148)	5,090,454	8,685,309	6,896,516
Charges for services	2,644,355	2,673,100	2,777,921	2,748,662	2,576,638	2,610,690	2,980,037	3,322,573	2,734,149	3,344,703
Miscellaneous	248,557	644,920	530,385	729,375	582,125	1,027,644	637,430	892,800	1,236,502	1,147,599
Recovered costs	1,038,569	1,119,710	1,393,098	1,337,404	1,379,306	1,341,410	972,949	857,625	801,787	768,557
Intergovernmental:										
Contribution from Component Unit School Board	-	-	-	-	-	-	-	3,400,376	18,000	-
Commonwealth	12,909,183	13,615,207	13,676,579	14,128,204	13,792,865	13,699,207	13,572,921	16,450,227	19,142,372	21,137,573
Federal	2,603,528	3,161,316	3,543,527	3,284,464	3,736,166	8,344,464	4,123,511	8,032,375	9,908,126	7,235,562
Total revenues	$ 95,194,374	$ 98,099,087	$ 102,511,069	$ 107,004,453	$ 105,211,877	$ 113,560,832	$ 118,818,178	$ 138,594,287	$ 147,710,964	$ 152,769,455
Expenditures										
General government administration	$ 7,905,904	$ 7,016,265	$ 7,034,405	$ 7,761,417	$ 8,025,669	$ 8,989,502	$ 8,974,467	$ 9,854,433	$ 11,568,461	$ 11,847,851
Judicial administration	4,757,907	4,842,421	4,825,345	4,916,591	5,088,552	5,186,289	5,541,449	6,195,286	6,455,157	6,745,043
Public safety	21,014,424	21,862,258	22,571,905	21,708,907	23,290,931	23,339,013	27,070,833	29,563,615	33,559,358	33,184,638
Public works	9,938,991	10,799,421	9,407,885	9,309,156	9,579,697	9,770,892	9,856,733	9,937,154	10,927,767	11,809,701
Health and welfare	7,343,391	8,193,779	8,750,439	9,711,324	9,720,362	9,732,153	9,699,067	10,256,352	12,328,069	13,191,918
Education	27,937,535	28,350,929	29,088,569	30,309,183	30,458,501	28,933,557	31,500,557	30,234,291	31,084,291	33,499,291
Parks, recreation and cultural	4,134,366	4,354,413	4,384,188	4,455,929	4,347,256	4,210,394	4,865,580	5,370,278	5,922,270	6,330,055
Community development	3,102,783	2,817,023	2,784,571	2,936,606	3,167,415	4,413,373	2,958,489	3,721,318	3,870,054	3,562,021
Capital projects	12,206,160	14,332,314	7,031,684	4,763,583	7,392,210	5,931,715	5,904,667	11,779,131	43,207,806	41,776,425
Nondepartmental	-	-	-	-	-	-	200,000	150,000	75,000	500,000
Debt service										
Principal	3,966,345	4,456,281	4,980,957	4,855,064	5,420,206	3,914,017	5,028,525	6,447,131	8,378,313	8,565,456
Interest and other fiscal charges	3,593,740	3,763,249	3,610,416	3,722,358	3,950,857	2,940,767	3,463,358	4,654,996	6,115,300	5,817,168
Total expenditures	$ 105,901,546	$ 110,788,353	$ 104,470,364	$ 104,450,118	$ 110,441,656	$ 107,361,672	$ 115,063,725	$ 128,163,985	$ 173,491,846	$ 176,829,567
Excess (deficiency) of revenues over expenditures	$ (10,707,172)	$ (12,689,266)	$ (1,959,295)	$ 2,554,335	$ (5,229,779)	$ 6,199,160	$ 3,754,453	$ 10,430,302	$ (25,780,882)	$ (24,060,112)
Other financing sources (uses)										
Transfers in	$ 12,726,061	$ 12,614,866	$ 13,448,403	$ 14,534,669	$ 15,092,237	$ 13,971,752	$ 16,060,240	$ 22,463,842	$ 21,761,248	$ 23,145,986
Transfers out	(12,106,516)	(11,995,511)	(12,842,738)	(13,928,497)	(14,457,080)	(13,341,752)	(14,991,247)	(24,186,746)	(22,616,550)	(22,166,910)
Refunding bonds issued	-	-	-	-	(28,193,417)	-	-	-	-	-
Bonds issued	14,820,000	-	-	10,329,145	25,067,540	-	-	68,045,000	2,005,000	3,720,000
Premium on bonds issued	2,490,218	-	-	720,544	3,473,999	-	-	3,279,770	106,129	435,438
Issuance of other debt	-	-	-	-	-	459,880	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-	231,013	650,753	-
Sale of capital assets	80,830	19,569	15,416	32,457	77,936	11,378	19,824	1,281,329	48,824	81,913
Total other financing sources (uses)	$ 18,010,593	$ 638,924	$ 621,081	$ 11,688,318	$ 1,061,215	$ 1,101,258	$ 1,088,817	$ 71,114,208	$ 1,955,404	$ 5,216,427
Net change in fund balances	$ 7,303,421	$ (12,050,342)	$ (1,338,214)	$ 14,242,653	$ (4,168,564)	$ 7,300,418	$ 4,843,270	$ 81,544,510	$ (23,825,478)	$ (18,843,685)
Debt service as a percentage of noncapital expenditures	7.88%	8.52%	8.84%	8.57%	8.99%	6.76%	7.80%	9.59%	11.01%	10.93%

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
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
2022	50,737,977	15,569,291	1,946,425	7,810,020	137,252	1,112,472	1,087,879	532,959	459,244	1,661,182	13,849,223	94,903,924
2023	52,552,470	15,781,634	1,616,977	8,283,896	38,627	1,030,273	672,380	434,337	531,782	1,746,141	15,081,582	97,770,099
2024	55,982,161	16,342,562	1,834,404	8,077,974	8,213	1,269,784	517,548	382,760	482,489	2,676,617	15,640,045	103,214,556
2025	60,250,364	16,631,705	1,969,130	8,310,995	5,963	1,099,280	706,428	372,000	505,357	2,825,533	16,336,436	109,013,191

CITY OF FREDERICKSBURG, VIRGINIA **Table 6**

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct Tax Rate	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
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%
2022	4,597,867,200	0.83	570,143,398	3.40	19,494,298	0.80	112,875,355	4,393,460	5,304,773,711	1.11	5,304,773,711	100.00%
2023	4,703,973,200	0.86	483,905,786	3.40	13,059,539	0.80	105,520,469	4,393,500	5,310,852,494	1.10	5,310,852,494	100.00%
2024	4,792,237,200	0.89	494,704,956	3.40	13,565,300	0.80	95,695,600	4,393,500	5,400,596,556	1.12	5,400,596,556	100.00%
2025	6,076,435,400	0.77	495,428,801	3.40	7,682,587	0.80	103,211,703	4,442,200	6,687,200,691	0.97	6,687,200,691	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
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
2022	0.83	3.40(3)	0.83	0.80	1.11
2023	0.86	3.40	0.86	0.80	1.10
2024	0.89	3.40	0.89	0.80	1.12
2025	0.77	3.40	0.77	0.80	0.97

(1) Source: Commissioner of Revenue.
(2) Property tax rates are based on $100 of assessed value.
(3) Personal Property Tax has two rates for FY 2022, per VA HB 1239, which provides local governments the ability to charge a different tax rate for vehicles than other forms of personal property.

CITY OF FREDERICKSBURG, VIRGINIA **Table 8**

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

		Fiscal Year 2025			Fiscal Year 2016		
Taxpayer	**Type Business**	**2024-2025 Assessed Valuation**	**Rank**	**% of Total Assessed Valuation (1)**	**2015-2016 Assessed Valuation**	**Rank**	**% of Total Assessed Valuation (1)**
Collection At Celebrate Virginia	Multi-Family Apartment	$ 108,753,300	1	1.79 %	$ -	-	- %
The Apartments @Cobblestone Sq LLC	Multi-Family Apartment	87,912,100	2	1.45	-	-	-
Central Park Retail LLC	Retail	74,087,700	3	1.22	37,635,200	6	1.03
Mid-America Apartments LP	Multi-Family Apartment	63,900,000	4	1.05	42,987,400	5	1.18
Mid-America Apts Lap Seasons @Cel Va	Multi-Family Apartment	55,209,100	5	0.91	35,989,600	7	0.99
Jubilation At Celebrate Virginia South LLC	Multi-Family/Active Adult Apt	55,016,900	6	0.91	-	-	-
Virginia Electric & Power Co	Public Service	53,488,635	7	0.88	46,191,897	4	1.26
Goldelm At Belmont LLC	Multi-Family Apartment	49,077,300	8	0.81	-	-	-
Sreit Riverside Fredericksburg LLC	Multi-Family Apartment	43,048,700	9	0.71	-	-	-
CVAS Stadium 2 LLC	Commercial/Baseball Stadium	38,321,300	10	0.63	-	-	-
Fredericksburg 35 LLC	Central Park Property	-	-	-	99,072,100	1	2.71
Home Properties Cobblestone LLC	New Home Sales	-	-	-	51,349,200	2	1.41
MediaCorp Properties, Inc.	Hospitals, Office, Surgical Center	-	-	-	49,341,800	3	1.35
Residences At Belmont Apts., LLC	Multi-Family Apartment	-	-	-	32,893,600	8	0.90
Verizon Virginia, Inc.	Public Utility	-	-	-	26,691,907	9	0.73
Wal-Mart Real Estate Business	Retail	-	-	-	25,256,100	10	0.69
Total		$ 628,815,035		10.35 %	$ 447,408,804		12.25 %

Source: Commissioner of Revenue.

(1) Percentage of total assessed valuation is based on the combined total assessed value of real estate, and service charges listed in Table 6.
(2) FY 2022 is the first year pubic service was not included in this calculation, per the request of the Commissioner of the Revenue

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	
		Amount (1) (3)	Percentage of Levy (2)		Amount (1) (3)	Percentage of Levy (2)
2016	$ 40,976,073	$ 39,725,807	96.95%	$ 1,085,118	$ 40,810,925	99.60%
2017	41,500,053	40,450,013	97.47%	919,020	41,369,033	99.68%
2018	43,566,222	42,562,250	97.70%	884,443	43,446,693	99.73%
2019	44,388,011	43,258,568	97.46%	956,701	44,215,269	99.61%
2020	47,636,098	44,988,894	94.44%	2,387,160	47,376,054	99.45%
2021	49,246,840	46,879,283	95.19%	2,189,565	49,068,848	99.64%
2022	53,741,100	50,808,057	94.54%	2,914,994	53,723,051	99.97%
2023	52,588,061	50,699,850	96.41%	1,828,848	52,528,698	99.89%
2024	55,446,930	51,283,848	92.49%	2,901,861	54,185,709	97.73%
2025	59,680,101	56,905,156	95.35%	-	56,905,156	95.35%

(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

	Governmental Activities				Business-Type Activities					
Fiscal Years	General Obligation Bonds	Notes	Lease Liabilities	Revenue Bonds	General Obligation Bonds	Notes	Revenue Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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	79,840,127	-	-	819,359	21,076,296	-	-	101,735,782	6.48%	3,570
2022	75,336,299	-	24,282,903	552,794	19,274,554	-	-	119,446,550	7.29%	4,328
2023	140,830,205	-	23,446,364	279,510	24,878,260	-	-	189,434,340	10.93%	6,847
2024	132,903,975	-	23,081,770	2,099,360	22,489,877	-	-	180,574,982	9.93%	6,516
2025	128,810,897	-	22,197,489	1,830,396	49,985,080	-	-	202,823,862	10.51%	7,236

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 Reserved for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
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	100,916,423	-	100,916,423	1.95%	3,541
2022	94,610,853	-	94,610,853	1.78%	3,428
2023	165,708,465	-	165,708,465	3.12%	5,989
2024	155,393,852	-	155,393,852	2.88%	5,608
2025	178,795,977	-	178,795,977	2.67%	6,379

(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.

CITY OF FREDERICKSBURG, VIRGINIA **Table 12**

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Debt limit	$ 219,586,863	$ 252,766,739	$ 259,318,338	$ 257,665,735	$ 260,578,221	$ 291,946,078	$ 292,065,252	$ 299,413,717	$ 303,176,726	$ 384,041,136
Total net debt applicable to limit	119,025,529	112,386,311	105,177,474	114,603,926	106,908,009	100,916,423	94,610,852	165,250,762	147,590,575	170,992,700
Legal debt margin	$ 100,561,334	$ 140,380,428	$ 154,140,864	$ 143,061,809	$ 153,670,212	$ 191,029,654	$ 197,454,400	$ 134,162,955	$ 155,586,151	$ 213,048,436
Total net debt applicable to the limit as a percentage of debt limit	54.20%	44.46%	40.56%	44.48%	41.03%	34.57%	32.39%	55.19%	48.68%	44.52%

Legal Debt Margin Calculation for Fiscal Year 2025:

Assessed value	$ 6,179,647,103
Add back: exempt real property	1,821,209,900
Total assessed value	$ 8,000,857,003
Debt limit (5.00% of total assessed value)	$ 384,041,136
Net debt applicable to limit	170,992,700
Legal debt margin	$ 213,048,436

CITY OF FREDERICKSBURG, VIRGINIA **Table 13**

Pledged-Revenue Coverage
Last Ten Fiscal Years

	Water and Sewer Bonds					
				Debt Service		
Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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	0.86
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	783,251	1.36
2021	11,506,724	8,190,917	3,315,807	1,422,651	615,480	1.63
2022	13,239,124	9,727,105	3,512,019	1,506,383	510,886	1.74
2023	13,713,013	10,111,872	3,601,141	1,541,888	578,420	1.70
2024	15,132,842	10,309,040	4,823,802	2,001,830	752,708	1.75
2025	15,898,283	10,773,205	5,125,078	2,067,582	1,734,720	1.35

CITY OF FREDERICKSBURG, VIRGINIA **Table 14**

Direct and Overlapping Debt
As of June 30, 2025

	Debt Outstanding	Percentage	Share of Direct and Overlapping Debt
Direct Debt:			
Primary Government:			
General Obligation Bonds	$ 128,810,897	100.00%	$ 128,810,897
Lease Liabilities	22,197,489	100.00%	22,197,489
VRA Revenue Bonds	1,830,396	100.00%	1,830,396
Total Primary Government Direct Debt	$ 152,838,782		$ 152,838,782

The City has no overlapping debt.

CITY OF FREDERICKSBURG, VIRGINIA **Table 15**

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
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%
2022	27,596	1,639,588,744	59,414	3,591	3.5%
2023	27,667	1,732,424,539	62,617	3,602	3.4%
2024	27,711	1,817,564,490	65,590	3,712	3.9%
2025	28,029	1,930,357,230	68,870	3,677	4.1%

(1) Source: University of Virginia Weldon Cooper Center, Demographics Research Group.
(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

	Fiscal Year 2025			Fiscal Year 2016	
Employer	**Number of Employees (1)**	**Rank**	**Percentage of Total Employment (2)**	**Number of Employees**	**Rank**
Mary Washington Hospital	1000 and over	1	N/A	1000 and over	1
University of Mary Washington	500 to 999 employees	2	N/A	500 to 999 employees	2
Fredericksburg City Public Schools	500 to 999 employees	3	N/A	500 to 999 employees	4
City of Fredericksburg	500 to 999 employees	4	N/A	500 to 999 employees	3
Wal-Mart	500 to 999 employees	5	N/A	500 to 999 employees	5
Wegmans Store #07	500 to 999 employees	6	N/A	500 to 999 employees	6
Rappahannock Area Community Services Board	500 to 999 employees	7	N/A	250 to 499 employees	10
Ensemble Rcm LLC	250 to 499 employees	8	N/A	-	-
Rehab Hospital of Fredericksburg	100 to 249 employees	9	N/A	-	-
OS Restaurant Services, Inc.	100 to 249 employees	10	N/A	-	-
VDOT	-	-	-	250 to 499 employees	7
Medicorp Health System	-	-	-	250 to 499 employees	8
Outback Steakhouse	-	-	-	250 to 499 employees	9

(1) Source: Virginia Employment Commission

(2): The Virginia Employment Commission is prohibited from disclosing the actual number of employees under the Confidential Information Protection and Statistical Efficiency Act (Title V of Public Law 107-347).

CITY OF FREDERICKSBURG, VIRGINIA **Table 17**

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	52	51	50	55	54	58	60	57	64	67
Judicial administration	48	50	48	50	51	51	53	50	49	52
Public safety	159	161	164	165	170	158	164	175	167	169
Public works	73	80	82	81	76	73	70	74	75	79
Health and welfare	35	35	36	37	38	39	37	40	41	42
Parks and recreation	19	18	19	19	17	18	18	17	19	23
Community development	16	15	16	16	16	12	15	15	15	15
Water	12	12	12	13	12	12	13	9	9	11
Wastewater	21	18	18	18	15	16	14	14	15	20
Transit	14	15	17	21	20	22	29	33	42	43
Parking garage	1	1	1	1	1	1	1	2	2	2
Totals	450	456	463	476	470	460	474	486	498	523

Source: Department of Finance.

Operating Indicators by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety:										
Police department:										
Physical arrests	3,522	3,435	5,336	4,914	4,157	3,955	2,398	2,572	3,039	2,685
Traffic violations	3,733	3,738	5,049	6,047	5,944	3,104	4,963	6,576	5,164	4,117
Parking violations	6,219	7,577	7,014	9,311	5,096	6,748	6,420	6,400	3,701	2,469
Animal control:										
Number of calls answered	895	876	1,223	781	821	826	770	770	870	912
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	377	359	324	348	270	301	239	329	290	395
Waste removal:										
Refuse collected (thousands of pounds/day)	21.4	20.4	21.2	19.0	21.5	21.6	25.1	22.1	21.8	21.5
Recycling collected:										
Leaves (cubic yards)	4,218	4,820	4,155	6,022	4,535	5,245	2,200	4,784	4,005	4,380
General services:										
Buildings maintained (thousands of square feet)	604.2	550.8	550.8	550.8	550.8	553.7	553.7	551.9	715.9	715.9
Culture and recreation:										
Parks and recreation:										
Number of programs	377	394	402	424	198	214	356	577	544	564
Number of participants (3)	8,421	12,576	13,656	13,817	3,317	3,792	18,278	27,953	43,461	149,239
Community development:										
Planning:										
Zoning permits issued (1)	365	364	293	383	358	345	298	300	254	273

Operating Indicators by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water:										
Number of connections	7,950	8,047	8,115	8,165	8,284	8,427	8,648	8,752	8,793	8,753
Average daily consumption (thousands of gallons)	2,544	2,561	2,485	2,413	2,444	2,386	2,669	2,491	2,750	2,662
Wastewater:										
Average daily sewage treatment (thousands of gallons)	3,350	2,720	2,770	3,180	2,260	2,580	2,570	2,450	2,800	2,460
Transit:										
Ridership per service area:										
City of Fredericksburg	214,439	193,786	160,249	151,219	122,207	81,211	107,931	190,422	220,957	215,620
UMW - Eagle Express	11,371	7,893	7,533	6,176	5,300	3,862	4,812	5,307	6,027	5,948
Spotsylvania County	94,740	79,935	69,560	62,710	47,641	22,957	27,532	36,318	43,729	41,782
South Stafford County	62,618	55,409	50,800	45,870	35,000	21,410	29,621	47,273	51,949	47,545
North Stafford County	34,036	32,622	29,422	24,778	20,115	12,600	9,978	9,029	9,779	12,345
Caroline County	10,192	7,397	7,216	5,879	-	-	-	-	-	-
Component Unit - School Board:										
Education:										
Number of students	3,356	3,546	3,567	3,649	3,773	3,545	3,591	3,602	3,712	3,677
Number of teachers (2)	269	304	295	299	311	306	307	296	311	302
Cost per pupil	$ 13,849	$ 13,582	$ 13,997	$ 13,911	$ 13,730	$ 15,115	$ 17,428	$ 19,715	$ 18,714	$ 18,478

Source: Individual city departments.

(1) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.
(2) Due to the teacher shortage in FY2023, Fredericksburg City Public Schools had a number of long-term teacher substitutes acting as teachers.
(3) Starting in FY2025, Farmers Market participants are included.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	40	40	39	40	44	38	43	41	39	39
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	14	15	15	16	17	19	19	19	21	21
Sheriffs department:										
Patrol units	20	22	22	23	22	25	25	27	28	28
Building inspections:										
Vehicles	5	5	5	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	21	21	21	23	24
Streets (moving lane miles)	189	189	189	195	207	212	215	215	217	217
Traffic signals	61	56	55	56	55	54	54	54	54	54
Waste removal:										
Trucks/vehicles	7	6	6	6	9	9	13	13	13	13
Building maintenance:										
Trucks/vehicles	11	11	10	9	11	11	11	11	10	9

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Health and welfare:										
Department of Social Services:										
Vehicles	6	6	6	6	7	7	6	6	6	6
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	15	15	15	16	16	16	17	15	18	20
Parks	19	19	19	19	19	20	20	20	20	20
Park acreage	1,085	1,085	1,090	1,173	1,173	1,181	1,181	1,181	1,181	1,181
Water:										
Water mains (miles)	66	66	66	66	66	131	131	132	135	136
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	116	120	122	123	124
Storm sewers (miles)	55	55	55	55	55	90	90	91	95	96
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	43	44	46	48	51	54	54	54	54	54

Source: Individual City departments.

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, 2025, 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 5, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 5, 2025

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

Opinion on Each Major Federal Program

We have audited City of Fredericksburg, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Fredericksburg, Virginia's major federal programs for the year ended June 30, 2025. 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.

In our opinion, 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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Fredericksburg, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Fredericksburg, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Fredericksburg, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Fredericksburg, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Fredericksburg, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Fredericksburg, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of City of Fredericksburg, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Fredericksburg, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control over Compliance: (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 5, 2025

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2025

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of the Treasury:				
Pass-through Payments:				
Virginia Department of Accounts:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	12110	$ 2,387,563	$ -
Virginia Department of Environmental Quality:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	$ 1,133,291	$ -
Total 21.019			$ 3,520,854	$ -
Total Department of the Treasury			$ 3,520,854	$ -
Department of Housing and Urban Development:				
Direct Payments:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant/Entitlement Grants	14.218	N/A	$ 204,120	$ 22,930
Total CDBG - Entitlement Grants Cluster			$ 204,120	$ 22,930
Total Department of Housing and Urban Development			$ 204,120	$ 22,930
Department of Justice:				
Direct Payments:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	$ 33,844	$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	60,068	-
Pass-through Payments:				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	122648	82,043	-
Total Department of Justice			$ 175,955	$ -
Department of Transportation:				
Direct Payments:				
Federal Transit Cluster:				
Direct Payments:				
Federal Transit - Formula Grants	20.507	N/A	$ 1,928,605	$ -
Pass-through Payments:				
Potomac and Rappahannock Transportation Commission:				
COVID-19 - Federal Transit - Formula Grants	20.507	Not Available	2,982,188	-
Federal Transit - Formula Grants	20.507	Not Available	505,707	-
Total 20.507			$ 5,416,500	$ -
Total Federal Transit Cluster			$ 5,416,500	$ -
Virginia Department of Motor Vehicles:				
Highway Planning and Construction	20.205	113838	$ 182,124	$ -
Alcohol Open Container Requirements	20.607	ENF-AL-2025-55231/ ENF-AL 2024 -54316	10,620	
Highway Safety Cluster:				
State and Community Highway Safety	20.600	BPT-2024-54307/ BPT-2025-55259	34,009	-
Total Highway Safety Cluster			$ 34,009	$ -
Total Department of Transportation			$ 5,643,253	$ -

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2025 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	$ 1,728,808	$ -
Total Head Start Cluster			$ 1,728,808	$ -
Pass-through Payments:				
Virginia Department of Social Services:				
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760125/0760124	$ 56,238	$ -
Total CCDF Cluster			$ 56,238	$ -
Temporary Assistance for Needy Families	93.558	0400125/0400124	$ 298,368	$ -
Medicaid Cluster:				
Medical Assistance Program	93.778	1200125/1200124	$ 783,811	$ -
Total Medicaid Cluster			$ 783,811	$ -
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150124/9150123	$ 5,623	-
Chafee Education and Training Vouchers Program	93.599	9160123	8,089	-
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0980120/0950124	44,399	-
Guardianship Assistance	93.090	1110124/1110125	651	-
Title IV-E Prevention Program	93.472	1140124/1140125	14,352	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500124/500125	27,508	-
Low-Income Home Energy Assistance	93.568	0600425/0600424	51,280	-
Adoption and Legal Guardianship Incentive Payments	93.603	1130123	6,075	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900123/900124	1,269	-
Foster Care - Title IV-E	93.658	1100125/1100124	476,960	-
Adoption Assistance	93.659	1120125/1120124	952,529	-
Social Services Block Grant	93.667	1000123/1000125	624,686	-
Elder Abuse Prevention Interventions Program	93.747	8000321	3,018	-
Children's Health Insurance Program	93.767	0540125/0540124	12,518	-
Total Department of Health and Human Services			$ 5,096,182	$ -
Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	120478	34,272	-
Emergency Management Performance Grants	97.042	124379	10,393	-
Total Department of Homeland Security			$ 44,665	$ -

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2025 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Agriculture:				
Pass-through Payments:				
Virginia Department of Forestry:				
Cooperative forestry assistance	10.664	23UFC10	$ 20,000	$ -
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010125/0040125	$ 826,261	$ -
Total SNAP Cluster			$ 826,261	$ -
Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution Service	10.555	202323N119941/ 202424N119941/ 202525N119941	$ 214,022	$ -
Virginia Department of Education:				
National School Lunch Program	10.555	202323N119941/ 202424N119941/ 202525N119941	1,846,623	-
Total 10.555			$ 2,060,645	$ -
School Breakfast Program	10.553	202323N119941/ 202424N119941/ 202525N119941	820,079	-
Total Child Nutrition Cluster			$ 2,880,724	$ -
Total Department of Agriculture			$ 3,726,985	$ -
Department of Education:				
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 Education Stabilization Funds:				
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	S425U	$ 627,738	$ -
Total COVID-19 Education Stabilization Funds			627,738	-
Title I Grants to Local Educational Agencies	84.010	S010A230046/ S010A240046	995,447	-
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A240107/ H027A230107	$ 831,039	$ -
Special Education - Preschool Grants	84.173	H173A240112/ H173A230112/	11,862	-
Total Special Education Cluster (IDEA)			$ 842,901	$ -
English Language Acquisition State Grants	84.365	S365A240046/ S365A230046	73,494	-
Career and Technical Education - Basic Grants to States	84.048	V048A240046/ V048A230046	33,685	-
Student Support and Academic Enrichment Program	84.424	S424A220048	93,146	-
School Safely National Activities	84.184	S184H220101	234,297	-
Supporting Effective Instruction State Grants	84.367	S367A220044/ S367A230044	164,861	-
Total Department of Education			$ 3,065,569	$ -
Total Expenditures of Federal Awards - Reporting Entity			$ 21,477,583	$ 22,930

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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, 2025. 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 15% 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	$	114,816
Special Revenue Funds:		
Virginia Public Assistance Fund		3,695,268
Children's Services Act Fund		366,422
State, Federal, and Local Grants Fund		489,369
COVID-19 Relief Fund		2,387,563
Capital Projects Funds:		
Public Works Capital Fund		182,124
Proprietary Funds:		
Transit Fund		5,416,500
Wastewater Fund		1,139,596
Total Primary Government	$	13,791,658
Component Unit School Board:		
Special School Fund	$	7,692,230
Total Component Unit School Board	$	7,692,230
Less:		
Build America Bonds Interest Subsidy	$	(6,305)
Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	$	21,477,583

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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:

Assistance Listing #	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
10.555/10.553	Child Nutrition Cluster
10.561	SNAP Cluster
20.507	Federal Transit Cluster
84.027/84.173	Special Education Cluster
93.600	Head Start Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

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.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

There were no prior year findings.