

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

Prepared By:

Department of Finance
Robyn E. Shugart, Director of Finance
David E. MacIndoe, Assistant Director of Finance

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

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Timothy J. Baroody
City Manager

D. Mark Whitley
Assistant City Manager

P. Douglas Fawcett
Assistant City Manager



City of Fredericksburg
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November 29, 2019

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 Comprehensive Annual Financial Report (the CAFR) for the fiscal year ended June 30, 2019. 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, 2019, 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, 2019. 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 CAFR.

Sections of the CAFR

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

Introductory Section

The Introductory Section consists of this transmittal letter, an organizational chart, and a listing of principal officials of the City. Also included is the City's Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the CAFR for the fiscal year ended June 30, 2018.

Financial Section

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

Basic Financial Statements

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Statistical Section

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

Compliance Section

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

City of Fredericksburg Profile

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

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

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

Economic Condition and Outlook

The City's economy is based, to a large degree, on its strategic location along Interstate 95 approximately halfway between Richmond, Virginia and Washington, D.C. The City enjoys two major commercial development centers, Central Park and Celebrate Virginia South. Central Park is a primary retail and dining area of the City and houses more than 200 retailers including national big-box stores, restaurants and smaller local businesses. Celebrate Virginia South is home to several hotels, large apartment complexes, the Fredericksburg Expo and Conference Center, and a Wegmans supermarket. A multi-use stadium that will be home to the Fredericksburg Nationals, a Minor League Baseball affiliate of the Washington Nationals, is planned in Celebrate Virginia South – with home opening day for the team's inaugural season set for April 23, 2020.

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

Economic Condition and Outlook (Continued)

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

The City's nationally recognized 40-block Historic District continues to be a significant component of the local economy. The "Old Town" District – with its historical attractions, antique shops, 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.

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, One Hanover, The Lofts at Frederick Street and the planned re-development of The Free Lance-Star's former headquarters property. These projects include luxury residences combined with tens of thousands of square feet of retail, office, restaurant and potential hotel space. The expanding mixed-use development activity in and around the downtown area has the potential to produce significant growth in property tax as well as local tax revenue, particularly meals tax and sales tax, and will help to grow and solidify the City's stable economic base. As the downtown approaches buildout, additional re-development work is likely along the Princess Anne Street and Lafayette Boulevard corridors, which are already tied into downtown through a network of highly regarded trails. Riverfront Park, which will be constructed in fiscal year 2020, will also take better advantage of the City's location on the Rappahannock River, which will drive more revenue-producing events.

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 has also entered into an agreement that will help create a roughly 320-space above-ground garage at Liberty Place that will be available to the public.

Outside of downtown, Fredericksburg's industrial park has experienced significant success in attracting a diverse group of businesses, and additional activity is likely in the year to come. A new development along U.S. 1 called Cowan Crossing has brought in an attractive mix of retail, residential, office and restaurant space. Additional re-development along the U.S. 1 and State Route 3 corridors is likely in the years to come. The Department of Veterans Affairs has announced plans to build what could be the largest VA outpatient clinic in the nation in the Fredericksburg region, and a 90-acre property in the City is a strong contender to land this impactful project. The City continues to also aggressively pursue additional amenities that can facilitate more events and opportunities for local residents. The City believes it can also recruit data centers, which would provide a significant boost to the tax base. 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 2019, the City continued to maintain its capacity for the substantial capital investment required to maintain and improve core public infrastructure. These improvements will continue to serve the community and maintain economic and cultural vitality.

Each year the City uses local funds and Virginia Department of Transportation (VDOT) grant funds to complete asphalt reconstruction and repaving projects as part of its Annual Pavement Rehabilitation Program (the program). Also included in the program is the installation of concrete work to include stormwater drainage features and sidewalks. Major transportation roads in the City are candidates for the VDOT funding while less travelled neighborhood streets are locally funded. During the fiscal year \$1.43 million of expenditures were incurred towards the improvement of several City roadways to include both primary and major arterial roads. During the fiscal year, VDOT grant revenues totaling \$578,450 was used to help fund the paving projects.

The City entered into a comprehensive agreement for the performance of several water, sanitary sewer, and storm water infrastructure replacement projects. These projects will allow the City to continue to replace aged utility lines in various areas of the City, particularly in the College Terrace and Lower College Heights areas of the City. Significant utility improvements will also occur along Caroline Street and Greenbrier Drive. Of the \$5,468,964 contract amount, approximately \$2.3 million has been spent towards the completion of the projects.

Design work continued for the Riverfront Park project, which will provide recreational and cultural opportunities in downtown Fredericksburg. The park, to be developed along Sophia Street between Hanover Street and just south of Charlotte Street, will feature an area for concerts and other events, an interactive water feature, and children's play areas. The current schedule for the project provides for construction to begin during fiscal year 2020 with \$5 million budgeted towards the completion of the project.

An additional recreational opportunity currently being developed involves an outdoor inline roller hockey rink to be located in Dixon Park, adjacent to the Doris E. Buffett Pool. This project, being developed in partnership with the Washington Capitals hockey team, is part of the Capitals' Legacy Project to expand an appreciation for hockey in the Washington D.C. Metro Area and surrounding regions. The rink, scheduled to open in the fall of 2019, will be used for both youth and adult hockey events to include clinics, leagues, and pickup games. The City's share of the project to date is \$221,263. Significant private-sector fundraising efforts occurred for this rink, and the City expects to increasingly tap into this funding source in the years to come.

During fiscal year 2018, the City entered into a contract for a new Enterprise Resource Planning (ERP) system. The new ERP package, which will transition the City from an AS400 server environment to a virtualized Microsoft Windows based environment, will replace many of the City's current financial, human resources, assessment, community development and other systems. The new ERP system will allow for greater efficiencies in the way the City processes data and provide more opportunities to better serve its citizens. The transition and conversion process, scheduled to take place over a three-year period, is expected to be completed during fiscal year 2021. The City has spent approximately \$745,000 so far on the ERP conversion.

Key Financial Policies

Budgetary Control

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

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

Fund Balance Policy

The City's adopted Financial Management Policy establishes guidelines aimed at maintaining the financial health of the City. The Financial Management Policy identifies the Unassigned General Fund balance as a source that will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The policy establishes a goal of maintaining a 12 percent Unassigned General Fund balance, but not less than 7 percent, of the actual General Fund revenues for the preceding fiscal year. The current level of Unassigned Fund Balance well exceeds the 12 percent target, at 19.7% of the fiscal year 2018 General Fund revenue total.

Long-Term Financial Planning

The City prepares a five-year Capital Improvement Plan annually. This plan is used as a tool to project future capital and financing needs over a five year period and seeks to maintain or enhance budgetary objectives of the City Council. The current Capital Improvements Plan calls for several major capital initiatives over the coming years. Future capital endeavors include development of a riverfront park, construction of a new fire station, several utility system infrastructure upgrades, and the expansion of school facilities. Financing for these projects will be provided through a combination of bonds, grants, and local funding.

Cash Management Policies and Practices

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

Key Financial Policies (Continued)

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

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

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

Pension and Other Post-Employment Benefits

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

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. During fiscal year 2016, the City Council established an Other Post-Employment Benefits (OPEB) Trust (the Trust) and funded \$1 million towards the City's liability for OPEB. Through a combination of additional contributions to the Trust and overall gains in the Trust's investments, the market value of the Trust has grown to \$1,630,941 as of June 30, 2019.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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


Awards and Acknowledgements (Continued)

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

Sincerely,

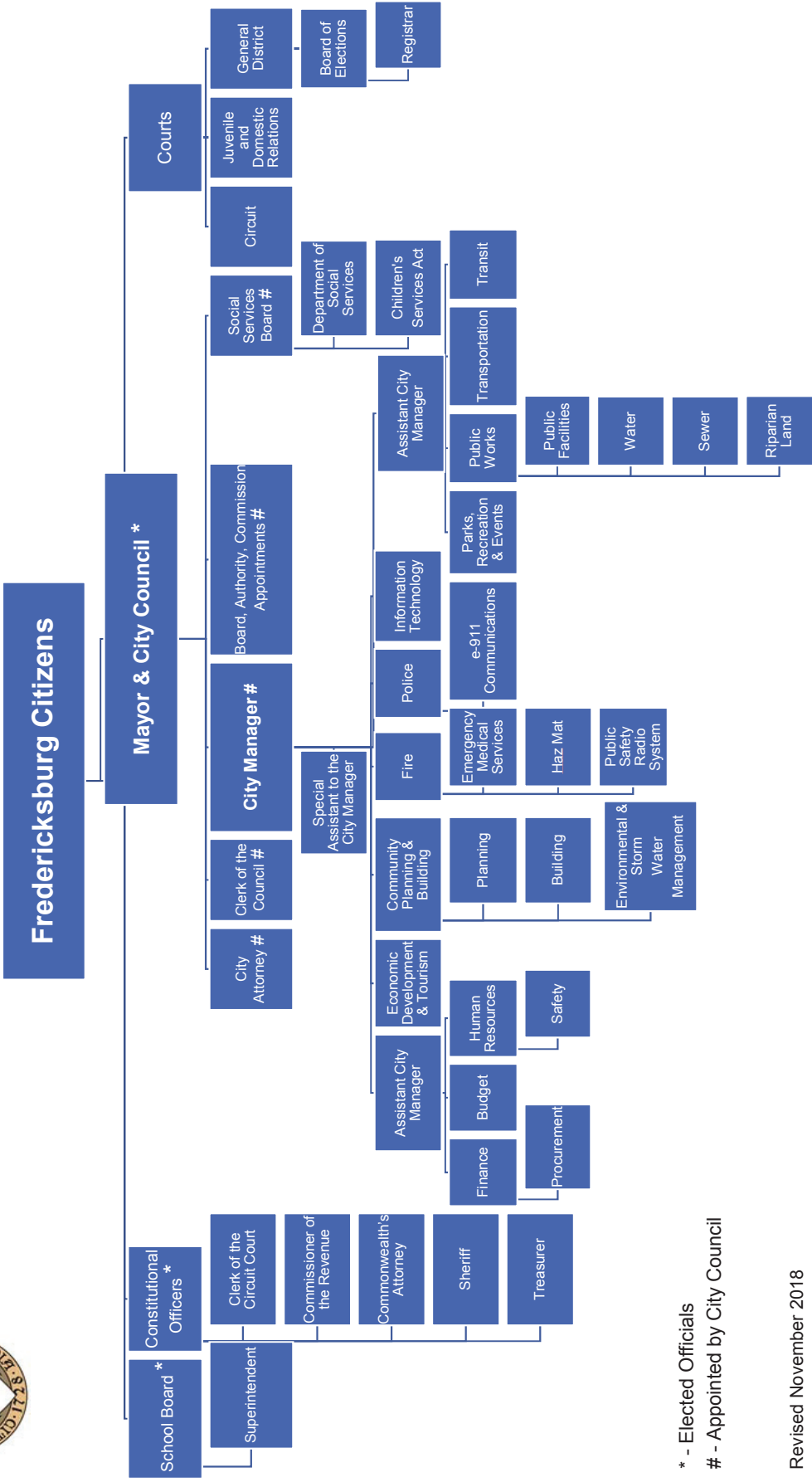
Handwritten signature of Timothy J. Baroody in blue ink.

Timothy J. Baroody
City Manager

Handwritten signature of Robyn Shugart in blue ink.

Robyn Shugart
Director of Finance

Organizational Chart



* - Elected Officials
- Appointed by City Council

Revised November 2018

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CITY OF FREDERICKSBURG, VIRGINIA
PRINCIPAL OFFICIALS
JUNE 30, 2019

CITY COUNCIL

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

CONSTITUTIONAL OFFICERS

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

CITY ADMINISTRATIVE OFFICERS

Timothy J. Baroody City Manager
D. Mark Whitley Assistant City Manager
P. Douglas Fawcett Assistant City Manager
Kathleen A. Dooley City Attorney
Tonya B. Lacey Clerk of the City Council
Edwin L. Allen, Jr. Chief, Fire Department
David W. Nye Chief, Police Department
Robyn E. Shugart Director, Finance
William G. Freehling Director, Economic Development and Tourism
Lesley A. Moore Director, Human Resources
Suzanne R. Tills Chief Information Officer, Information Technology
Jane C. Shelhorse Director, Parks, Recreation and Events
Charles R. Johnston. Director, Community Planning and Building Development
David J. King Director, Public Works
Christen C. Gallik Director, Social Services
Marc C. Hoffman General Registrar
Wendy L. Kimball Director, Transit

SCHOOL BOARD

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

SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. David G. Melton Superintendent

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Government Finance Officers Association

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

Presented to

**City of Fredericksburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the City adopted new accounting guidance, GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*]. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-18, 129-134, and 135-149 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fredericksburg, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2019 on our consideration of the City of Fredericksburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fredericksburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 29, 2019

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Management's Discussion and Analysis

As management of the City of Fredericksburg, Virginia (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- Total net position for governmental activities was \$117,080,508 at the end of fiscal year 2019. This figure is based on assets and deferred outflows of resources totaling \$259,111,065 and liabilities and deferred inflows of resources of \$142,030,557.
- Total net position for business-type activities was \$76,522,204 at the end of fiscal year 2019. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at \$27,742,597; \$22,716,240; and \$21,382,659, respectively.
- Total net position for the primary government was \$193,602,712 at the end of fiscal year 2019. Current assets were \$97,495,409 as compared to total current liabilities of \$23,334,492. The resulting net working capital of \$74,160,917 represents a favorable liquidity position for the City.
- At the end of the fiscal year, the City's unassigned fund balance for the General Fund was \$18,246,141, or 22.7%, of total General Fund expenditures amount of \$80,397,954.
- The City has an established Financial Management Policy that specifies a targeted goal of maintaining an unassigned General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2019 unassigned General Fund balance was 19.7% of the fiscal year 2018 General Fund revenue total of \$92,766,946.
- General Fund revenues increased \$3,171,808, or 3.4%, as compared to the preceding fiscal year.
- General Fund expenditures increased \$1,332,897, or 1.7% as compared to fiscal year 2018.
- The City issued \$15,345,000 in general obligation debt to fund several general government and enterprise capital projects.

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.

Overview of the Financial Statements: (Continued)

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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

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

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

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

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

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

The City maintains 15 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 and the Public Works Capital Fund, which are considered to be major funds. Data from the other 13 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.

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

The basic fiduciary fund financial statements can be found on pages 36 and 37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-125 of this report.

Government-wide Financial Analysis

Statement of Net Position:

Under GASB 34, governmental entities are required to report on their net position. The Statement of Net Position presents the value of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of changes in a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$193,602,712 at the close of fiscal year 2019.

A large portion of the City's net position, \$158,015,203, or 81.6%, 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 \$35,587,509 balance of *unrestricted net position* is a combination of both governmental activities and business-type activities and may be used to meet the City's ongoing obligations to citizens and creditors.

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

Government-wide Financial Analysis: (Continued)

Statement of Net Position: (Continued)

The following table presents the condensed Statement of Net Position:

TABLE 1
Summary of Net Position
As of June 30, 2019
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
Assets:								
Current and other assets	\$ 66.53	\$ 49.33	\$ 36.99	\$ 29.95	\$ 103.52	\$ 79.28	\$ 11.22	\$ 10.46
Capital assets	187.78	169.49	71.94	66.89	259.72	236.38	28.30	27.65
Total assets	\$ 254.31	\$ 218.82	\$ 108.93	\$ 96.84	\$ 363.24	\$ 315.66	\$ 39.52	\$ 38.11
Deferred Outflow of Resources:								
Pension related items	\$ 3.81	\$ 3.36	\$ 0.53	\$ 0.33	\$ 4.34	\$ 3.69	\$ 4.76	\$ 5.51
OPEB related items	0.80	0.11	0.04	0.01	0.84	0.12	0.66	0.43
Deferred charge on refunding	0.19	0.23	0.42	0.47	0.61	0.70	-	-
Total Deferred Outflows of Resources	\$ 4.80	\$ 3.70	\$ 0.99	\$ 0.81	\$ 5.79	\$ 4.51	\$ 5.42	\$ 5.94
Liabilities:								
Current and other liabilities	\$ 15.78	\$ 13.94	\$ 7.55	\$ 5.73	\$ 23.33	\$ 19.67	\$ 4.51	\$ 5.36
Long-term liabilities	122.63	116.21	25.62	22.16	148.25	138.37	46.87	48.36
Total Liabilities	\$ 138.41	\$ 130.15	\$ 33.17	\$ 27.89	\$ 171.58	\$ 158.04	\$ 51.38	\$ 53.72
Deferred Inflows of Resources:								
Unavailable revenue - property taxes	\$ 0.79	\$ 0.82	\$ -	\$ -	\$ 0.79	\$ 0.82	\$ -	\$ -
Pension related items	1.74	3.47	0.18	0.38	1.92	3.85	3.95	4.13
OPEB related items	1.09	1.39	0.05	0.06	1.14	1.45	0.39	0.42
Total Deferred Inflows of Resources	\$ 3.62	\$ 5.68	\$ 0.23	\$ 0.44	\$ 3.85	\$ 6.12	\$ 4.34	\$ 4.55
Net assets:								
Net invested in capital assets	\$ 108.06	\$ 86.99	\$ 49.95	\$ 45.75	\$ 158.01	\$ 132.74	\$ 25.76	\$ 24.87
Unrestricted	9.02	(0.30)	26.57	23.57	35.59	23.27	(36.54)	(39.09)
Total net position	\$ 117.08	\$ 86.69	\$ 76.52	\$ 69.32	\$ 193.60	\$ 156.01	\$ (10.78)	\$ (14.22)

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

Government-wide Financial Analysis: (Continued)

Changes in Net Position:

Governmental Activities

Generally, net position changes are the result of the difference between revenues and expenses. Governmental activities net position experienced a substantial increase in FY2019 as revenues outpaced expenses by \$29,783,569. Most of the increase occurred in the revenues recognized for capital grants and contributions as a sizeable asset contribution was received from the Virginia Department of Transportation (VDOT) for a major transportation project. The project, managed and mostly funded by VDOT, resulted in significant upgrades to Fall Hill Avenue, one of the primary corridors to two major commercial centers within the City, Central Park and Celebrate Virginia South. Improvements made to Fall Hill Avenue included widening the road from two lanes to four lanes and the installation of traffic signals, sidewalks and a multi-use path that links with the City's trail system. Also completed on Fall Hill Avenue was the replacement of the bridge over Interstate 95, which was also expanded from two lanes to four lanes. It's important to note that ownership and maintenance responsibilities of the bridge rest with VDOT. Along with the improvements to Fall Hill Avenue, Mary Washington Boulevard was extended to create a new connection point between Route 1 and Fall Hill Avenue. The governmental activities net position increased \$24,446,899 as a result of the asset contribution from VDOT.

In addition to the contribution from VDOT, governmental activities revenues were favorably impacted through the continued strong performance of general property taxes and other local taxes. Revenues from general property taxes rose \$846,798 in response to growth in the City's tax base and continued high collection rates. The growth in other local tax revenue of \$875,883 was propelled by the continued strong performance of sales tax and meals tax collections.

Another positive impact to the governmental activities net position was the financial performance of the Rappahannock Regional Solid Waste Management Board (R-Board). The R-Board is a joint venture of the City of Fredericksburg and Stafford County for the disposal of waste (see Notes to the Financial Statements, Note 1). The City and Stafford County equally share the operating income or losses of the R-Board. Due to an increase in fees and the implementation of flow-control measures, the R-Board's financial performance has experienced a dramatic turnaround the past few years. For fiscal year 2019 the City's net position increased \$903,685 from the positive operating results of the R-Board.

Operating grants and contributions increased \$801,430, the majority of which was due to an additional \$547,368 received from the state to help fund mandated costs for Children's Services Act programs.

Total governmental activities expenses experienced a moderate increase of \$857,637 to a total expense amount of \$100,098,892. Of this amount, \$42,703,888, or 42.7%, was offset with program revenues consisting of \$4,536,018 in charges for services and \$38,167,870 for grants and contributions. The remaining funding for the City's expenses came from general property taxes, other local taxes, interest and investment earnings, and unrestricted grants from the state.

Education continues to be the City's largest program, with education expenses representing 32.9% of the total expenses for governmental activities in fiscal year 2019. The amount transferred from the City for School Board operations and capital improvements, to include joint tenancy asset transfers, totaled \$31,770,689.

Government-wide Financial Analysis: (Continued)

Changes in Net Position: (Continued)

Governmental Activities: (Continued)

A decrease in governmental activities expenses occurred with public safety, more specifically for the amount contributed to the Rappahannock Regional Jail. The City's share of the costs of the jail was \$1,241,191 less compared to the prior fiscal year. In fiscal year 2019, the jail utilized remaining bond proceeds to offset debt service costs which resulted in significant cost savings for the City and other partner jurisdictions.

Other positive impacts to net position relate to Other Post-employment Benefits (OPEB) and the Virginia Retirement System pension plan. For fiscal year 2019, net OPEB liability and other related OPEB items decreased \$392,040 while net pension liability and other pension related items experienced a reduction of \$1,535,652. Overall favorable results related to plan experience and earnings on investments have benefited both the OPEB plan and the pension plan.

A significant increase to expenses was the additional depreciation recognized for the infrastructure and land improvement assets the City received from VDOT. Depreciation expense for public works assets increased \$1,025,777 as depreciation on the contributed assets totaled \$790,014. Total depreciation expense for governmental activities increased \$1,189,915 as compared to fiscal year 2018.

Business-type Activities

The positive growth in net position in the Water Fund of \$4,321,446 and Sewer Fund of \$2,665,463 represent the most notable changes to the City's enterprise operations. During fiscal year 2019 the City accepted water and sewer infrastructure assets from VDOT totaling \$3,608,739 and \$1,202,914, respectively. The assets were installed as part of the Fall Hill Avenue widening project.

Revenue from availability and connection fees have been favorably impacted by several residential and mixed-use development projects. The revenues from these fees increased in the Water Fund by \$401,324, or 86.4%, while the Sewer Fund fees had an increase of \$614,150, or 79.2%. The additional revenue will help to address the funding needed to replace aging water and sewer treatment and transmission facilities.

There was no increase in water and sewer rates for the 2019 fiscal year; however, a rate study was conducted that provided recommendations on water and sewer rates over the next several years. The fiscal year 2020 budget includes a 10% increase in both water and sewer rates with future rate increases anticipated as a result of the study. The rate increases will assist with the funding that will be needed for increasing operational costs as well as for significant capital projects planned for the future.

Component Units

The School Board's net position increased \$3,312,279, in large part due to a capital asset transfer from the City to the School Board. 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 2019 the City's asset transfer to the School Board was \$1,530,797.

Government-wide Financial Analysis: (Continued)

Changes in Net Position: (Continued)

Component Units: (Continued)

The overall deficit net position of \$12,054,619 is related to the School Board's net pension liability totaling \$33,837,000 and net OPEB liability of \$10,206,508.

The net position of the Economic Development Authority increased \$129,860 as interest revenue, bond issuance fees, and transfers from the City outpaced economic development grants and other expenses.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
Revenues:								
Program Revenues:								
Charges for services	\$ 4.54	\$ 4.06	\$ 9.44	\$ 9.58	\$ 13.98	\$ 13.64	\$ 0.59	\$ 0.58
Operating grants and contributions	13.10	12.29	5.73	4.46	18.83	16.75	20.60	19.81
Capital grants and contributions	25.07	2.64	5.53	-	30.60	2.64	-	-
General Revenues:								
Property taxes	43.50	42.66	-	-	43.50	42.66	-	-
Other local taxes	37.16	36.28	0.73	0.73	37.89	37.01	-	-
Grants and contributions not restricted	3.59	3.65	-	-	3.59	3.65	31.92	32.92
Use of property	0.11	0.12	-	-	0.11	0.12	-	-
Investment earnings	2.05	0.43	0.34	0.05	2.39	0.48	-	-
Miscellaneous	0.76	0.55	0.56	0.55	1.32	1.10	0.44	0.30
Total Revenues	\$ 129.88	\$ 102.68	\$ 22.33	\$ 15.37	\$ 152.21	\$ 118.05	\$ 53.55	\$ 53.61
Expenses:								
General government	\$ 7.34	\$ 7.07	\$ -	\$ -	\$ 7.34	\$ 7.07	\$ -	\$ -
Judicial administration	5.56	5.57	-	-	5.56	5.57	-	-
Public safety	21.71	22.75	-	-	21.71	22.75	-	-
Public works	11.91	11.14	-	-	11.91	11.14	-	-
Health and welfare	9.17	8.30	-	-	9.17	8.30	-	-
Education	32.91	33.55	-	-	32.91	33.55	49.68	49.50
Parks, recreation, and cultural	5.10	5.02	-	-	5.10	5.02	-	-
Community development	3.05	2.71	-	-	3.05	2.71	0.43	0.69
Interest	3.35	3.13	-	-	3.35	3.13	-	-
Water	-	-	3.55	3.21	3.55	3.21	-	-
Sewer	-	-	5.36	5.30	5.36	5.30	-	-
Transit	-	-	5.15	4.80	5.15	4.80	-	-
Parking	-	-	0.46	0.46	0.46	0.46	-	-
Total Expenses	\$ 100.10	\$ 99.24	\$ 14.52	\$ 13.77	\$ 114.62	\$ 113.01	\$ 50.11	\$ 50.19
Excess (deficiency) of revenues over expenses before transfers	\$ 29.78	\$ 3.44	\$ 7.81	\$ 1.60	\$ 37.59	\$ 5.04	\$ 3.44	\$ 3.42
Transfers	0.61	0.61	(0.61)	(0.61)	-	-	-	-
Change in net position	\$ 30.39	\$ 4.05	\$ 7.20	\$ 0.99	\$ 37.59	\$ 5.04	\$ 3.44	\$ 3.42
Net Position, beginning of year	86.69	82.64	69.32	68.33	156.01	150.97	(14.22)	(17.64)
Net Position, end of year	\$ 117.08	\$ 86.69	\$ 76.52	\$ 69.32	\$ 193.60	\$ 156.01	\$ (10.78)	\$ (14.22)

(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.

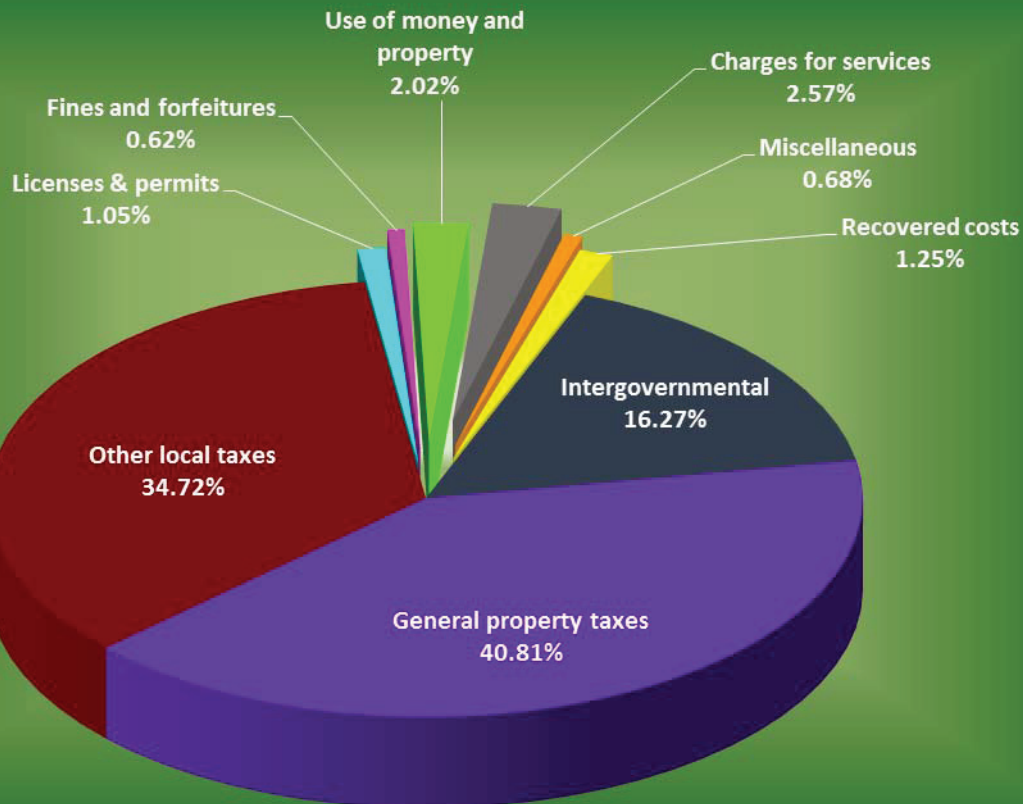
Revenues:

A summary of the general revenue sources for the governmental funds for fiscal years 2019 and 2018 is presented below:

TABLE 3
Governmental Funds - Revenues

	FY 2019	FY 2018	Percentage of Total Revenues FY 2019	Increase (Decrease) from FY 2018
General property taxes	\$ 43,669,156	\$ 42,480,519	40.82%	\$ 1,188,637
Other local taxes	37,156,088	36,280,205	34.72%	875,883
Licenses and permits	1,125,519	823,463	1.05%	302,056
Fines and forfeitures	661,837	460,046	0.62%	201,791
Use of money and property	2,163,744	545,326	2.02%	1,618,418
Charges for services	2,748,662	2,777,921	2.57%	(29,259)
Miscellaneous	729,375	530,385	0.68%	198,990
Recovered costs	1,337,404	1,393,098	1.25%	(55,694)
Intergovernmental	17,412,668	17,220,106	16.27%	192,562
Totals	\$ 107,004,453	\$ 102,511,069	100.00%	\$ 4,493,384

FY2019 GOVERNMENTAL FUNDS - REVENUES



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

Revenues: (Continued)

The City's total revenues in the governmental funds were \$107,004,453 in fiscal year 2019, an increase of \$4,493,384, or 4.4%, compared to fiscal year 2018. Much of the increase can be attributed to general property taxes, which grew \$1,188,637 during the fiscal year. The City's real estate tax impacting the General Fund increased to \$31,928,111, which was \$368,821 more than the prior year total. Included within that total are real estate collections for prior tax years. During fiscal year, delinquent tax collections increased \$276,717 primarily as the result of a tax sale. Real estate tax revenue accounted for 33.3% of General Fund revenue for fiscal year 2019.

Beginning in fiscal year 2018, \$0.01 of the tax rate of \$0.80 per \$100 valuation has been dedicated for operating and capital costs of the Stormwater Management Fund, which is a special revenue fund. The additional revenue will enhance the City's ability to manage stormwater runoff. Real estate revenue allocated to that fund totaled \$395,208 during the fiscal year.

The increase in personal property tax revenue also had a positive effect on the general property tax growth. During the fiscal year personal property tax grew \$577,992, or 6.6%. Personal property tax comprised 9.8% of the General Fund revenues for fiscal year 2019.

Revenue from other local taxes grew \$875,883 during the fiscal year. The City's diverse and well-established retail centers and restaurants led to increases in such local taxes as sales tax, business license tax, and meals tax. A majority of the increase occurred in the General Fund, with sales tax and meals tax continuing to experience a trend of increasing growth. Sales tax revenue hit an 11 year high during the fiscal year to a total of \$11,925,147. For fiscal year 2019, sales tax collections grew \$344,710, or 3.0%. Sales tax revenue accounted for 12.4% of total General Fund revenues for fiscal year 2019.

Meals tax revenue, which accounted for 12.4% of General Fund revenues for the current fiscal year, totaled \$11,918,714. This represents the third year in a row that meals tax revenue has exceeded \$11 million. The growth in meals tax revenue the past few years has brought it to a level that rivals sales tax as the highest source of local tax revenue.

Interest and investment earnings totaled \$2,056,084 as compared to the fiscal year 2018 total of \$425,050. A majority of this revenue was accounted for in the General Fund and the Public Works, Public Facilities and Public Safety capital funds. The growth can be attributed to an increase in interest rates and the positive impact the strong economy has had on the investment markets.

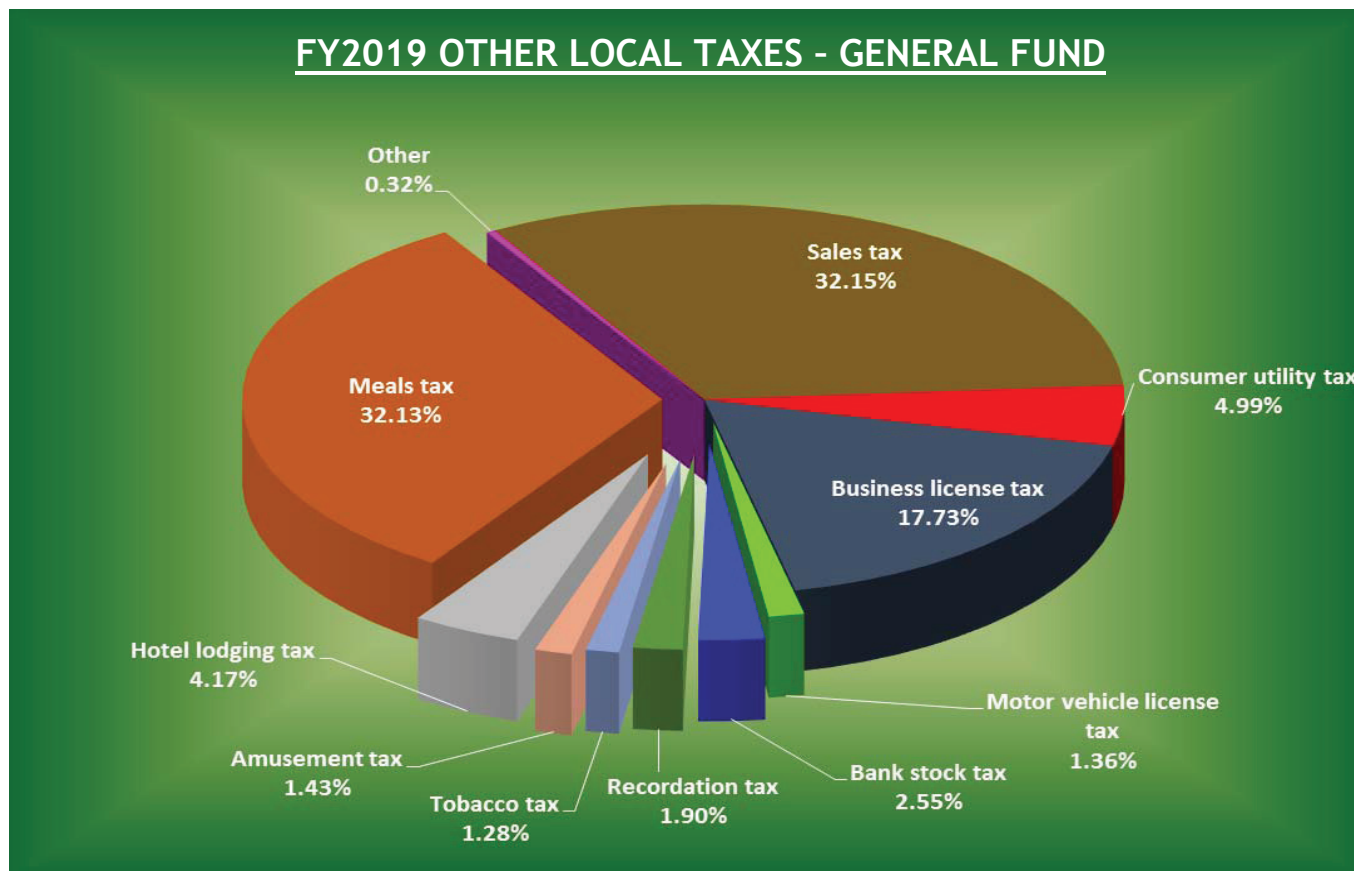
The following table reflects other local tax revenue for the General Fund for fiscal years 2019 and 2018:

TABLE 4
Other Local Taxes - General Fund

	FY 2019	FY 2018	Percentage of Total Revenues FY 2019	Increase (Decrease) from FY 2018
Sales and use tax	\$ 11,925,147	\$ 11,580,437	32.14%	\$ 344,710
Consumer utility tax	1,850,089	1,834,078	4.99%	16,011
Business license tax	6,575,645	6,382,569	17.73%	193,076
Motor vehicle license tax	502,675	473,299	1.36%	29,376
Bank stock tax	944,752	861,080	2.55%	83,672
Recordation tax	703,388	435,488	1.90%	267,900
Tobacco tax	474,305	498,154	1.28%	(23,849)
Amusement tax	530,822	500,907	1.43%	29,915
Hotel lodging tax	1,547,989	1,565,938	4.17%	(17,949)
Meals tax	11,918,714	11,765,352	32.13%	153,362
Other	120,062	207,903	0.32%	(87,841)
Totals	\$ 37,093,588	\$ 36,105,205	100.00%	\$ 988,383

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

Revenues: (Continued)



Expenditures:

The expenditures of governmental funds in fiscal year 2019 totaled \$104,450,118, which is in line with the totals from the previous year. The most significant changes occurred in public safety, capital projects, education, and health and welfare. Public safety expenditures decreased \$862,998 with the majority of that decrease occurring in the General Fund. The expenditure total for correction and detention dropped off by \$1,099,150 as the contribution to the Rappahannock Regional Jail was significantly reduced for fiscal year 2019.

Total capital project expenditures decreased \$2,268,101 during the year. Most of the drop off in these expenditures occurred in the School Bond Funded Capital Fund as an additional \$2,343,333 was spent in fiscal year 2018 for the renovation of the Walker-Grant Center.

Significant increases to governmental expenditures occurred for education and health and welfare. The City's school system is a critical service provided to its citizens. In fiscal year 2019, the City demonstrated a continued commitment to ensuring high-quality public education. In response to high growth in pupil enrollment and the related increase to the cost of operations, the City's financial commitment to its school system has seen a steady growth over the past several years. In fiscal year 2019, total appropriations to the school system for operating costs and capital improvements totaled \$30,239,892, or 36.6%, of the General Fund's total expenditures. This represents a \$1,219,682 increase over the amount transferred to the school system in fiscal year 2018.

Expenditures for Health and Welfare in the Special Revenue Funds, particularly in the Children's Services Act Fund (CSA), experienced tremendous growth during the fiscal year. The increased expenditures in the CSA fund were related to Special Education Private Day Placements and the number of children in foster care. Per CSA policy, children in these programs are mandated populations. The expenditures in the CSA Fund were \$836,531 more than the fiscal year 2018 total. The increased costs were funded with additional state revenues of \$547,368 and General Fund transfers totaling \$1,320,000.

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

Expenditures: (Continued)

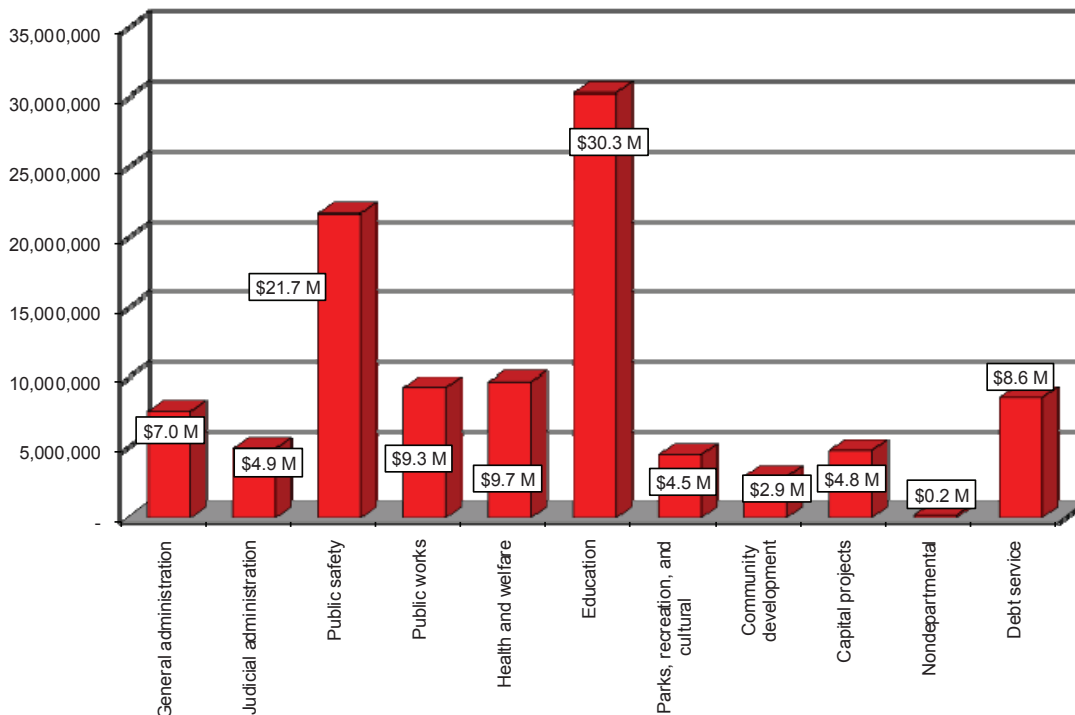
The cost of health insurance and retirement remained in check for fiscal year 2019. The City received a favorable renewal for health insurance, with no increase needed in the recommended premiums. In fiscal year 2019 the City made a contribution to the OPEB trust for \$206,390. A majority of the contribution, \$200,000, was funded with General Fund resources, with the balance coming from enterprise funds.

Expenditures to the Virginia Retirement System remained stable during the year as the City's required contribution percentage decreased slightly from 12.55% to 12.37% for fiscal years 2019 and 2020.

TABLE 5
Governmental Funds - Expenditures

	FY 2019	FY 2018	Percentage of Total Expenditures FY 2019	Increase (Decrease) from FY 2018
General administration	\$ 7,561,417	\$ 7,034,405	7.24%	\$ 527,012
Judicial administration	4,916,591	4,825,345	4.71%	91,246
Public safety	21,708,907	22,571,905	20.78%	(862,998)
Public works	9,309,156	9,407,885	8.91%	(98,729)
Health and welfare	9,711,324	8,750,439	9.30%	960,885
Education	30,309,183	29,088,569	29.02%	1,220,614
Parks, recreation, and cultural	4,455,929	4,384,188	4.27%	71,741
Community development	2,936,606	2,784,571	2.81%	152,035
Capital projects	4,763,583	7,031,684	4.56%	(2,268,101)
Nondepartmental	200,000	-	0.19%	200,000
Debt service	8,577,422	8,591,373	8.21%	(13,951)
Totals	\$ 104,450,118	\$ 104,470,364	100.00%	\$ (20,246)

FY 2019 GOVERNMENTAL FUNDS - EXPENDITURES



General Fund Budgetary Highlights

Over the course of fiscal year 2019, 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 2019, total final General Fund budgeted expenditures increased \$1,360,284 and total final General Fund budgeted revenues increased \$2,255,525.

Actual General Fund expenditures were \$80,397,954 compared to the final budgeted expenditures totaling \$82,973,095. This resulted in a favorable budget variance of \$2,575,141. General Government Administration, Public Safety and Public Works experienced the most significant favorable variance of \$718,898, \$420,303 and \$797,690, respectively.

Actual General Fund revenues were \$95,938,754 compared to the final budgeted revenues totaling \$92,232,182. This resulted in a favorable budget variance of \$3,706,572. There were two major categories, general property taxes and other local taxes, which experienced the most significant favorable variance of \$1,246,509 and \$1,372,588, respectively.

The General Fund budget for fiscal year 2019 included a use of fund balance totaling \$4,531,861. Due to favorable financial results, the City's increase to fund balance was \$2,331,055.

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, 2018	Net Additions/ Deletions	Balance June 30, 2019
Capital assets not being depreciated:			
Land	\$ 21,368,618	\$ 5,038,107	\$ 26,406,725
Construction in progress	838,781	1,220,499	2,059,280
Other capital assets:			
Land improvements	16,603,282	4,529,372	21,132,654
Buildings and building improvements	63,672,070	119,642	63,791,712
Joint tenancy assets	41,395,000	(2,260,000)	39,135,000
Machinery, equipment, and vehicles	26,869,514	627,965	27,497,479
Infrastructure	88,132,186	15,613,050	103,745,236
Accumulated depreciation	(89,390,361)	(6,598,021)	(95,988,382)
Totals	\$ 169,489,090	\$ 18,290,614	\$ 187,779,704

The net increase in capital assets during the fiscal year was \$18,290,614. The City recognized a significant asset contribution from VDOT related to the widening of Fall Hill Avenue and the extension of Mary Washington Boulevard. The value of contributed infrastructure and land improvement assets totaled \$14,780,283 and \$4,529,372, respectively. The City was also deeded \$5,137,244 of right of way easements VDOT acquired for the road improvement projects. Other increases to capital assets include \$1,479,238 for infrastructure improvements, \$504,733 for the design of Riverfront Park, and \$1,645,501 for furniture, equipment and vehicle purchases.

Capital Asset and Debt Administration: (Continued)

Decreases to capital assets totaled \$10,500,945, of which \$8,871,011 was for depreciation expense recognized in fiscal year 2019. Another sizeable reduction to capital assets was a \$1,530,797 transfer of joint tenancy assets, net of accumulated depreciation, from the City to the School Board.

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

Long-term Debt

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

The City issued \$15,345,000 general obligation debt during the fiscal year. Of that total, \$10,329,145 will be used to fund several capital projects to include the Riverfront Park project, renovation work and building-wide replacement of HVAC systems at the Executive Plaza building, and a new Enterprise Resource Planning system. The remaining \$5,015,855 of the general obligation bond issuance is earmarked for water, stormwater, and sewer system improvements.

Governmental activities general obligation debt totaled \$85,934,690 at the end of the fiscal year and includes \$28,615,000 for the construction of two new schools, \$10,520,000 for a major school/administration building renovation, and \$28,370,000 for the construction and renovation of court facilities. Business-type activities general obligation debt increased \$3,095,919 to a total outstanding balance of \$24,620,310.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2019, the City's outstanding long-term indebtedness amount totaled \$111,795,000. After an adjustment to reflect the reserve of \$2,006,420 for future debt service payments and \$1,240,000 of revenue bonded debt, the remaining net debt applicable to the debt limit of \$108,548,580 is below the policy debt limit of \$257,665,735.

The table below reflects a summary of the City's long-term debt outstanding for fiscal years 2019 and 2018:

TABLE 7
Long-Term Debt
As of June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
General obligation bonds	\$ 46,799,690	\$ 38,850,609	\$ 24,620,310	\$ 21,524,391	\$ 71,420,000	\$ 60,375,000
General obligation school bonds	39,135,000	41,395,000	-	-	39,135,000	41,395,000
Revenue bonds	1,240,000	1,455,000	-	-	1,240,000	1,455,000
Total long-term debt	\$ 87,174,690	\$ 81,700,609	\$ 24,620,310	\$ 21,524,391	\$ 111,795,000	\$ 103,225,000

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

Economic Factors and Next Year's Budget

The City government continues to maintain a stable financial condition as reflected by the financial statements and schedules in this report. Through fiscally responsible budget oversight, cost containment monitoring, and a stable economic base, the City has continued 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 has been transformed into a walkable, mixed-use environment that is attractive to residents, tourists and daytime workers alike. Many revitalization projects have been completed in recent years with several more projects in the pipeline.

The favorable economic climate of the City has allowed the City to produce a budget for fiscal year 2020 that represents a responsible spending plan which advances City Council's Vision and Priorities, strengthens public safety, and supports the City's workforce, all while meeting the needs of a growing community.

The fiscal year 2020 adopted budget includes expenditures of \$100,174,000, a 4.3% increase over the fiscal year 2019 original adopted budget. High points of the budget include \$650,883 for a 2.5% cost-of-living adjustment for full-time permanent and part-time permanent employees, an increase in transfers to the City's School Board in the amount of \$1,400,000, additional funding of \$460,000 for Children's Services Act programs, and a \$901,235 increase for the City's share of the Rappahannock Regional Jail.

Overall revenue, removing the use of fund balance, is forecast to grow to \$96,346,000, 4.6% over the original adopted budget revenues for fiscal year 2019. The most significant increases to budgeted revenue are for real estate tax, personal property tax, and meals tax. Real estate tax revenue is budgeted to increase \$1,820,000, or 5.9%, as the real estate tax rate will increase from \$0.80 per \$100 of valuation to \$0.85 per \$100 of valuation. Of the increase, \$0.01 will be dedicated to the Stormwater Management Fund, which increases the amount of real estate tax revenue dedicated to stormwater management purposes from \$0.01 to \$0.02. The remaining \$0.04 increase will be used for General Fund operations. Personal property tax revenue is budgeted to increase \$625,000, or 7.3%. Most local tax revenue sources are anticipated to generally remain stable; however, the budgeted increase for meals tax is \$800,000, or 7.0%.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position

At June 30, 2019

						Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority		
Assets:							
Cash and cash equivalents	\$ 54,023,000	\$ 32,688,712	\$ 86,711,712	\$ 7,342,965	\$ 1,223,956		
Receivables, net of allowance for uncollectibles	1,538,496	1,886,369	3,424,865	-	79,183		
Due from other governments	4,467,486	1,521,076	5,988,562	1,468,355	-		
Inventory, at cost	27,863	176,134	203,997	-	-		
Prepaid items	443,636	19,061	462,697	549,926	-		
Investment in joint venture	6,029,042	-	6,029,042	-	-		
Net pension asset	-	-	-	558,091	-		
Restricted:							
Cash and cash equivalents	-	703,576	703,576	-	-		
Capital assets:							
Land, construction in progress and other	28,466,005	3,388,528	31,854,533	543,053	-		
Other capital assets, net of accumulated depreciation	159,313,699	68,552,164	227,865,863	27,759,469	-		
Capital assets, net	\$ 187,779,704	\$ 71,940,692	\$ 259,720,396	\$ 28,302,522	\$ -		
Total assets	\$ 254,309,227	\$ 108,935,620	\$ 363,244,847	\$ 38,221,859	\$ 1,303,139		
Deferred Outflows of Resources:							
Pension related items	\$ 3,806,030	\$ 528,342	\$ 4,334,372	\$ 4,757,359	\$ -		
OPEB related items	797,927	40,891	838,818	664,012	-		
Deferred charge on refunding	197,881	416,985	614,866	-	-		
Total deferred outflows of resources	\$ 4,801,838	\$ 986,218	\$ 5,788,056	\$ 5,421,371	\$ -		
Liabilities:							
Accounts payable	\$ 1,628,773	\$ 2,371,505	\$ 4,000,278	\$ 534,414	\$ 27,344		
Accrued liabilities	3,362,721	485,497	3,848,218	3,123,001	-		
Unearned revenue	1,026,738	1,594,226	2,620,964	-	-		
Claims payable	457,093	-	457,093	-	-		
Amounts held for others	1,122,112	-	1,122,112	-	-		
Liabilities payable from restricted assets	-	703,576	703,576	-	-		
Long-term liabilities:							
Due within one year:							
Compensated absences	2,227,953	230,740	2,458,693	577,249	-		
Revenue bonds	225,000	-	225,000	-	-		
General obligation bonds	5,639,325	2,169,233	7,808,558	-	-		
Accrued landfill post-closure costs	90,000	-	90,000	-	-		
Capital lease	-	-	-	251,000	-		
Due in more than one year:							
Compensated absences	1,365,520	142,346	1,507,866	532,845	-		
Net OPEB liability	16,437,357	630,328	17,067,685	10,206,508	-		
Revenue bonds	1,015,000	-	1,015,000	-	-		
General obligation bonds	84,059,269	22,838,802	106,898,071	-	-		
Capital lease	-	-	-	2,291,000	-		
Net pension liability	18,401,188	2,007,155	20,408,343	33,837,000	-		
Accrued landfill post-closure costs	1,348,386	-	1,348,386	-	-		
Total liabilities	\$ 138,406,435	\$ 33,173,408	\$ 171,579,843	\$ 51,353,017	\$ 27,344		
Deferred Inflows of Resources:							
Deferred revenue - property taxes	\$ 786,459	\$ -	\$ 786,459	\$ -	\$ -		
Pension related items	1,742,371	179,933	1,922,304	3,949,028	-		
OPEB related items	1,095,292	46,293	1,141,585	395,804	-		
Total deferred inflows of resources	\$ 3,624,122	\$ 226,226	\$ 3,850,348	\$ 4,344,832	\$ -		
Net Position:							
Net investment in capital assets	\$ 108,060,205	\$ 49,954,998	\$ 158,015,203	\$ 25,760,522	\$ -		
Unrestricted	9,020,303	26,567,206	35,587,509	(37,815,141)	1,275,795		
Total net position	\$ 117,080,508	\$ 76,522,204	\$ 193,602,712	\$ (12,054,619)	\$ 1,275,795		

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 7,341,468	\$ 151,722	\$ 299,340	\$ -
Judicial administration	5,560,113	236,010	969,504	-
Public safety	21,708,879	2,687,383	2,151,695	-
Public works	11,909,503	921,651	3,062,698	24,929,050
Health and welfare	9,174,372	-	6,607,741	-
Education	32,906,022	-	-	-
Parks, recreation and cultural	5,096,742	539,224	4,500	-
Community development	3,050,238	28	-	143,342
Interest on long-term debt	3,351,555	-	-	-
Total governmental activities	\$ 100,098,892	\$ 4,536,018	\$ 13,095,478	\$ 25,072,392
Business-type activities				
Water	\$ 3,548,890	\$ 3,325,758	\$ 865,906	\$ 3,608,739
Sewer	5,355,770	5,522,266	1,447,534	1,202,914
Transit	5,152,302	304,830	3,420,773	714,501
Parking	463,019	282,249	-	-
Total business-type activities	\$ 14,519,981	\$ 9,435,103	\$ 5,734,213	\$ 5,526,154
Total Primary Government	\$ 114,618,873	\$ 13,971,121	\$ 18,829,691	\$ 30,598,546
Component Units				
Fredericksburg City Public Schools	\$ 49,679,438	\$ 317,966	\$ 20,531,785	\$ -
Fredericksburg Economic Development Authority	427,053	276,025	60,175	-
Total Component Units	\$ 50,106,491	\$ 593,991	\$ 20,591,960	\$ -
General Revenues				
Taxes:				
General property taxes, real and personal				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Hotel/lodging taxes				
Meals taxes				
Other local taxes				
Payment from City of Fredericksburg:				
Education				
Grants and contributions not restricted to specific programs				
Use of property				
Interest and investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (6,890,406)	\$ -	\$ (6,890,406)	\$ -	
(4,354,599)	-	(4,354,599)	-	
(16,869,801)	-	(16,869,801)	-	
17,003,896	-	17,003,896	-	
(2,566,631)	-	(2,566,631)	-	
(32,906,022)	-	(32,906,022)	-	
(4,553,018)	-	(4,553,018)	-	
(2,906,868)	-	(2,906,868)	-	
(3,351,555)	-	(3,351,555)	-	
<u>\$ (57,395,004)</u>	<u>\$ -</u>	<u>\$ (57,395,004)</u>	<u>\$ -</u>	
\$ -	\$ 4,251,513	\$ 4,251,513	\$ -	
-	2,816,944	2,816,944	-	
-	(712,198)	(712,198)	-	
-	(180,770)	(180,770)	-	
<u>\$ -</u>	<u>\$ 6,175,489</u>	<u>\$ 6,175,489</u>	<u>\$ -</u>	
<u>\$ (57,395,004)</u>	<u>\$ 6,175,489</u>	<u>\$ (51,219,515)</u>	<u>\$ -</u>	
			\$ (28,829,687)	
			(90,853)	
			<u>\$ (28,920,540)</u>	
\$ 43,504,349	\$ -	\$ 43,504,349	\$ -	
11,925,147	-	11,925,147	-	
1,850,089	-	1,850,089	-	
6,575,645	-	6,575,645	-	
1,547,989	-	1,547,989	-	
11,918,714	-	11,918,714	-	
3,338,504	730,000	4,068,504	-	
-	-	-	31,922,329	
3,592,560	-	3,592,560	-	
112,514	-	112,514	-	
2,051,230	335,748	2,386,978	5,359	
761,832	564,595	1,326,427	434,991	
606,172	(606,172)	-	-	
<u>\$ 87,784,745</u>	<u>\$ 1,024,171</u>	<u>\$ 88,808,916</u>	<u>\$ 32,362,679</u>	
\$ 30,389,741	\$ 7,199,660	\$ 37,589,401	\$ 3,442,139	
86,690,767	69,322,544	156,013,311	(14,220,963)	
<u>\$ 117,080,508</u>	<u>\$ 76,522,204</u>	<u>\$ 193,602,712</u>	<u>\$ (10,778,824)</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2019

	General	Public Works Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 27,943,007	\$ 9,849,882	\$ 13,856,661	\$ 51,649,550
Receivables (net of allowances for uncollectibles):				
Property taxes	599,086	-	8,136	607,222
Accounts	208,007	-	-	208,007
Accrued revenue	413,523	188,407	121,337	723,267
Inventory, at cost	27,863	-	-	27,863
Prepaid items	434,060	-	9,576	443,636
Due from other governments	3,206,101	323,384	938,001	4,467,486
Total assets	\$ 32,831,647	\$ 10,361,673	\$ 14,933,711	\$ 58,127,031
Liabilities:				
Accounts payable	\$ 761,977	\$ 285,758	\$ 581,038	\$ 1,628,773
Accrued liabilities	1,577,781	94,913	207,894	1,880,588
Amounts held for others	1,122,112	-	-	1,122,112
Unearned revenue	44,269	696,795	285,674	1,026,738
Total liabilities	\$ 3,506,139	\$ 1,077,466	\$ 1,074,606	\$ 5,658,211
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	\$ 1,159,264	\$ -	\$ 6,846	\$ 1,166,110
Fund Balances:				
Nonspendable	\$ 461,923	\$ -	\$ 9,576	\$ 471,499
Restricted	-	-	95,250	95,250
Committed	7,562,176	1,991,563	5,653,935	15,207,674
Assigned	1,896,004	7,292,644	8,093,498	17,282,146
Unassigned	18,246,141	-	-	18,246,141
Total fund balances	\$ 28,166,244	\$ 9,284,207	\$ 13,852,259	\$ 51,302,710
Total liabilities, deferred inflows of resources and fund balances	\$ 32,831,647	\$ 10,361,673	\$ 14,933,711	\$ 58,127,031

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, 2019

Total fund balances for governmental funds (Exhibit 3) \$ 51,302,710

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	\$ 26,406,725	
Construction in progress	2,059,280	
Land improvements, net of accumulated depreciation	15,989,711	
Buildings and improvements, net of accumulated depreciation	43,751,352	
Joint tenancy assets, net of accumulated depreciation	32,067,363	
Infrastructure, net of accumulated depreciation	55,042,735	
Machinery, vehicles, and equipment, net of accumulated depreciation	<u>12,462,538</u>	
Total capital assets		187,779,704

Internal service funds are used by the City to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position. 1,916,357

Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Investment in joint venture 6,029,042

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	\$ 197,881	
Pension related items	3,806,030	
OPEB related items	<u>797,927</u>	4,801,838

Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures and, therefore, are reported as deferred revenue in the funds. 379,651

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	\$ (1,482,133)	
Bonds and notes payable	(87,174,690)	
Premium on long-term debt, net of accumulated amortization	(3,763,904)	
Net pension liability	(18,401,188)	
Net OPEB liability	(16,437,357)	
Landfill post-closure costs	<u>(1,438,386)</u>	(128,697,658)

Compensated absences not reported as fund liabilities (3,593,473)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (1,742,371)	
OPEB related items	<u>(1,095,292)</u>	(2,837,663)

Total net position of governmental activities (Exhibits 1 and 2) \$ 117,080,508

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, 2019

	General Fund	Public Works Capital Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 43,273,948	\$ -	\$ 395,208	\$ 43,669,156
Other local taxes	37,093,588	62,500	-	37,156,088
Permits, privilege fees and regulatory licenses	1,065,295	-	60,224	1,125,519
Fines and forfeitures	651,125	-	10,712	661,837
Use of money and property	821,936	583,799	758,009	2,163,744
Charges for services	2,658,494	-	90,168	2,748,662
Miscellaneous	280,519	-	448,856	729,375
Recovered costs	607,067	178,807	551,530	1,337,404
Intergovernmental:				
Revenue from the Commonwealth	9,392,256	620,772	4,115,176	14,128,204
Revenue from the Federal Government	94,526	-	3,189,938	3,284,464
Total revenues	\$ 95,938,754	\$ 1,445,878	\$ 9,619,821	\$ 107,004,453
Expenditures				
Current:				
General government administration	\$ 7,561,417	\$ -	\$ -	\$ 7,561,417
Judicial administration	4,701,719	-	214,872	4,916,591
Public safety	21,197,708	-	511,199	21,708,907
Public works	8,776,843	-	532,313	9,309,156
Health and welfare	1,067,592	-	8,643,732	9,711,324
Education - local community college and other	69,291	-	-	69,291
Education - public school system	30,239,892	-	-	30,239,892
Parks, recreation and cultural	4,368,241	-	87,688	4,455,929
Community development	2,215,251	-	721,355	2,936,606
Capital projects	-	2,768,620	1,994,963	4,763,583
Nondepartmental	200,000	-	-	200,000
Debt service:				
Principal payments	-	-	4,855,064	4,855,064
Interest and fiscal charges	-	-	3,722,358	3,722,358
Total expenditures	\$ 80,397,954	\$ 2,768,620	\$ 21,283,544	\$ 104,450,118
Excess (deficiency) of revenues over (under) expenditures	\$ 15,540,800	\$ (1,322,742)	\$ (11,663,723)	\$ 2,554,335
Other financing sources (uses)				
Issuance of bonds	\$ -	\$ 5,491,930	\$ 4,837,215	\$ 10,329,145
Bond premium	-	362,106	358,438	720,544
Proceeds from the sale of capital assets	31,032	-	1,425	32,457
Transfers in	600,000	1,570,720	12,363,949	14,534,669
Transfers out	(13,840,777)	-	(87,720)	(13,928,497)
Total other financing sources (uses)	\$ (13,209,745)	\$ 7,424,756	\$ 17,473,307	\$ 11,688,318
Net change in fund balance	\$ 2,331,055	\$ 6,102,014	\$ 5,809,584	\$ 14,242,653
Fund balances, beginning of year	25,835,189	3,182,193	8,042,675	37,060,057
Fund balances, end of year	\$ 28,166,244	\$ 9,284,207	\$ 13,852,259	\$ 51,302,710

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, 2019

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 14,242,653
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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	\$ 4,417,065	
Depreciation	<u>(8,871,011)</u>	(4,453,946)

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board	(1,530,797)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	24,275,357
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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.	(164,807)
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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	903,685
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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	\$ (10,329,145)	
Premium on debt issued	(720,544)	
Amortization of premium on long-term debt	425,134	
Repayments of long-term debt:		
General obligation bonds	<u>4,855,064</u>	
Net adjustment		(5,769,491)

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	\$ (162,102)	
OPEB expense	392,040	
Pension expense	1,535,652	
Accrued interest on bonds and loans	(25,800)	
Amortization of deferred charge on refunding	(28,531)	
Accrued landfill post-closure costs	<u>27,890</u>	
Net adjustment		1,739,149

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.	<u>1,147,938</u>
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Change in net position of governmental activities (Exhibit 2)	<u>\$ 30,389,741</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
At June 30, 2019

	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	\$ 10,412,366	\$ 11,248,773	\$ 10,259,976	\$ 767,597	\$ 32,688,712	\$ 2,373,450
Accounts receivable, net of allowance for uncollectibles	696,746	1,118,018	-	-	1,814,764	-
Accrued revenue	11,242	11,604	27,056	21,703	71,605	-
Inventory, at cost	147,858	28,276	-	-	176,134	-
Prepaid items	305	890	11,889	5,977	19,061	-
Due from other governments	50,000	189,312	1,281,764	-	1,521,076	-
Restricted assets:						
Cash and cash equivalents	703,576	-	-	-	703,576	-
Total current assets	\$ 12,022,093	\$ 12,596,873	\$ 11,580,685	\$ 795,277	\$ 36,994,928	\$ 2,373,450
Capital Assets:						
Land	\$ 701,345	\$ 114,880	\$ 550,686	\$ 782,125	\$ 2,149,036	\$ -
Construction in progress	7,700	1,162,321	69,471	-	1,239,492	-
Land improvements	-	-	976,403	-	976,403	-
Dams and reservoirs	2,531,502	-	-	-	2,531,502	-
Buildings and systems	25,174,240	43,898,343	9,867,983	6,682,205	85,622,771	-
Furniture, machinery and equipment	536,563	5,137,871	4,984,065	268,251	10,926,750	-
Intangible assets	7,245,296	1,556,496	-	-	8,801,792	-
Total property, plant and equipment	\$ 36,196,646	\$ 51,869,911	\$ 16,448,608	\$ 7,732,581	\$ 112,247,746	\$ -
Accumulated depreciation	(10,390,379)	(22,349,883)	(5,632,261)	(1,934,531)	(40,307,054)	-
Capital assets, net	\$ 25,806,267	\$ 29,520,028	\$ 10,816,347	\$ 5,798,050	\$ 71,940,692	\$ -
Total assets	\$ 37,828,360	\$ 42,116,901	\$ 22,397,032	\$ 6,593,327	\$ 108,935,620	\$ 2,373,450
Deferred Outflows of Resources:						
Pension related items	\$ 90,225	\$ 151,908	\$ 279,163	\$ 7,046	\$ 528,342	\$ -
OPEB related items	10,833	18,036	11,618	404	40,891	-
Deferred charge on refunding	18,566	338,837	-	59,582	416,985	-
Total deferred outflows of resources	\$ 119,624	\$ 508,781	\$ 290,781	\$ 67,032	\$ 986,218	\$ -
Liabilities:						
Current liabilities:						
Accounts payable	\$ 787,406	\$ 1,507,462	\$ 71,670	\$ 4,967	\$ 2,371,505	\$ -
Accrued liabilities	62,268	124,363	60,704	2,259	249,594	-
Interest payable	52,248	183,655	-	-	235,903	-
Compensated absences, current portion	57,856	108,679	62,960	1,245	230,740	-
Claims payable	-	-	-	-	-	457,093
Unearned revenue, current portion	29,170	50,220	-	-	79,390	-
General obligation bonds, current portion	537,869	1,374,386	-	256,978	2,169,233	-
Current liabilities payable from restricted assets:						
Customer deposits	703,576	-	-	-	703,576	-
Total current liabilities	\$ 2,230,393	\$ 3,348,765	\$ 195,334	\$ 265,449	\$ 6,039,941	\$ 457,093
Noncurrent liabilities:						
Unearned revenue, noncurrent portion	\$ -	\$ 1,514,836	\$ -	\$ -	\$ 1,514,836	\$ -
Compensated absences, noncurrent portion	35,460	19,179	86,944	763	142,346	-
Net OPEB liability	188,250	304,654	134,186	3,238	630,328	-
Net pension liability	424,386	735,880	813,231	33,658	2,007,155	-
General obligation bonds, noncurrent portion	7,280,106	13,886,366	-	1,672,330	22,838,802	-
Total noncurrent liabilities	\$ 7,928,202	\$ 16,460,915	\$ 1,034,361	\$ 1,709,989	\$ 27,133,467	\$ -
Total liabilities	\$ 10,158,595	\$ 19,809,680	\$ 1,229,695	\$ 1,975,438	\$ 33,173,408	\$ 457,093
Deferred Inflows of Resources:						
Pension related items	\$ 33,543	\$ 77,919	\$ 64,591	\$ 3,880	\$ 179,933	\$ -
OPEB related items	13,249	21,843	10,868	333	46,293	-
Total deferred inflows of resources	\$ 46,792	\$ 99,762	\$ 75,459	\$ 4,213	\$ 226,226	\$ -
Net Position:						
Net investment in capital assets	\$ 18,553,520	\$ 16,656,807	\$ 10,816,347	\$ 3,928,324	\$ 49,954,998	\$ -
Unrestricted	9,189,077	6,059,433	10,566,312	752,384	26,567,206	1,916,357
Total net position	\$ 27,742,597	\$ 22,716,240	\$ 21,382,659	\$ 4,680,708	\$ 76,522,204	\$ 1,916,357

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, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 3,325,758	\$ 5,522,266	\$ 304,830	\$ 282,249	\$ 9,435,103	\$ 6,196,393
Operating expenses:						
Personal services	\$ 534,128	\$ 934,254	\$ 2,285,415	\$ 102,658	\$ 3,856,455	\$ -
Fringe benefits	279,790	339,840	545,603	21,574	1,186,807	3,788,698
Contractual services	1,469,156	1,582,937	413,105	43,703	3,508,901	-
Other operating expenses	187,828	609,273	948,252	79,371	1,824,724	1,337,604
Depreciation expense	864,600	1,279,336	959,927	157,071	3,260,934	-
Total operating expenses	\$ 3,335,502	\$ 4,745,640	\$ 5,152,302	\$ 404,377	\$ 13,637,821	\$ 5,126,302
Total operating income (loss)	\$ (9,744)	\$ 776,626	\$ (4,847,472)	\$ (122,128)	\$ (4,202,718)	\$ 1,070,091
Nonoperating revenues (expenses):						
Interest income	\$ 83,937	\$ 83,937	\$ 83,937	\$ 83,937	\$ 335,748	\$ -
Gasoline tax receipts	-	-	480,000	250,000	730,000	-
Availability/connection fees	865,906	1,389,850	-	-	2,255,756	-
Miscellaneous	287,996	68,754	207,695	150	564,595	77,847
State and local grant funds	-	-	1,726,086	-	1,726,086	-
Federal grant funds	-	57,684	1,694,687	-	1,752,371	-
Interest expense	(213,388)	(610,130)	-	(58,642)	(882,160)	-
Total nonoperating revenues (expenses)	\$ 1,024,451	\$ 990,095	\$ 4,192,405	\$ 275,445	\$ 6,482,396	\$ 77,847
Income (loss) before contributions and transfers	\$ 1,014,707	\$ 1,766,721	\$ (655,067)	\$ 153,317	\$ 2,279,678	\$ 1,147,938
Capital grants and contributions:						
State and local grant funds	\$ 3,608,739	\$ 1,202,914	\$ 55,472	\$ -	\$ 4,867,125	\$ -
Federal grant funds	-	-	659,029	-	659,029	-
Total capital grants and contributions	\$ 3,608,739	\$ 1,202,914	\$ 714,501	\$ -	\$ 5,526,154	\$ -
Transfers:						
Transfers out	\$ (302,000)	\$ (304,172)	\$ -	\$ -	\$ (606,172)	\$ -
Change in net position	\$ 4,321,446	\$ 2,665,463	\$ 59,434	\$ 153,317	\$ 7,199,660	\$ 1,147,938
Net position, beginning of year	23,421,151	20,050,777	21,323,225	4,527,391	69,322,544	768,419
Net position, end of year	\$ 27,742,597	\$ 22,716,240	\$ 21,382,659	\$ 4,680,708	\$ 76,522,204	\$ 1,916,357

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

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 3,313,497	\$ 5,447,054	\$ 288,362	\$ 280,587	\$ 9,329,500	\$ 6,274,381
Other miscellaneous receipts	337,996	68,754	687,695	250,150	1,344,595	-
Payments to suppliers	(1,300,499)	(1,035,163)	(1,363,339)	(122,985)	(3,821,986)	(1,337,604)
Payments to and for employees	(811,167)	(1,394,119)	(2,832,681)	(126,481)	(5,164,448)	(3,940,884)
Net cash provided by (used for) operating activities	\$ 1,539,827	\$ 3,086,526	\$ (3,219,963)	\$ 281,271	\$ 1,687,661	\$ 995,893
Cash flows from noncapital financing activities:						
Availability and connection fees	\$ 865,906	\$ 1,389,850	\$ -	\$ -	\$ 2,255,756	\$ -
State, federal and local grant funds	-	57,684	5,995,429	-	6,053,113	-
Transfers	(302,000)	(304,172)	-	-	(606,172)	-
Net cash provided by (used for) noncapital financing activities	\$ 563,906	\$ 1,143,362	\$ 5,995,429	\$ -	\$ 7,702,697	\$ -
Cash flows from investing activities:						
Interest income	\$ 83,937	\$ 83,937	\$ 83,937	\$ 83,937	\$ 335,748	\$ -
Cash flows from capital and related financing activities:						
Purchase of capital assets	\$ (715,332)	\$ (2,657,996)	\$ (249,848)	\$ (44,462)	\$ (3,667,638)	\$ -
State, federal and local grant funds	-	-	714,501	-	714,501	-
Proceeds from issuance of debt	1,161,073	3,854,782	-	-	5,015,855	-
Premium on issuance of debt	74,919	249,702	-	-	324,621	-
Principal payment on debt	(483,341)	(1,185,548)	-	(251,035)	(1,919,924)	-
Interest paid on debt	(181,162)	(469,303)	-	(48,712)	(699,177)	-
Net cash provided by (used for) capital and related financing activities	\$ (143,843)	\$ (208,363)	\$ 464,653	\$ (344,209)	\$ (231,762)	\$ -
Increase (decrease) in cash and cash equivalents for the year	\$ 2,043,827	\$ 4,105,462	\$ 3,324,056	\$ 20,999	\$ 9,494,344	\$ 995,893
Cash and cash equivalents (including restricted), beginning of year	9,072,115	7,143,311	6,935,920	746,598	23,897,944	1,377,557
Cash and cash equivalents (including restricted), end of year	\$ 11,115,942	\$ 11,248,773	\$ 10,259,976	\$ 767,597	\$ 33,392,288	\$ 2,373,450
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (9,744)	\$ 776,626	\$ (4,847,472)	\$ (122,128)	\$ (4,202,718)	\$ 1,070,091
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	864,600	1,279,336	959,927	157,071	3,260,934	-
Other miscellaneous receipts	337,996	68,754	687,695	250,150	1,344,595	77,847
Changes in assets and liabilities:						
Accounts receivable	(39,825)	(19,730)	-	-	(59,555)	-
Inventory	(25,369)	(1,778)	-	-	(27,147)	-
Accrued revenue	(3,146)	9,407	(16,468)	(1,662)	(11,869)	141
Prepaid items	302	(890)	(396)	(3,977)	(4,961)	-
Due from other governments	-	(14,669)	-	-	(14,669)	-
Deferred outflows of resources - pension related items	10,291	(55,473)	(152,728)	(29)	(197,939)	-
Deferred outflows of resources - OPEB related items	(7,103)	(14,848)	(7,611)	(190)	(29,752)	-
Accounts payable	350,827	1,081,851	(13,392)	4,066	1,423,352	-
Accrued liabilities	30,725	77,864	11,806	27	120,422	-
Net OPEB liability	6,439	10,261	4,022	68	20,790	-
Net pension liability	42,961	17,163	181,783	308	242,215	-
Unearned revenue	1,978	(50,220)	-	-	(48,242)	-
Claims payable	-	-	-	-	-	(152,186)
Compensated absences	11,529	6,400	36,569	(49)	54,449	-
Deferred inflows of resources - pension related items	(57,988)	(78,047)	(61,241)	(2,321)	(199,597)	-
Deferred inflows of resources - OPEB related items	(3,378)	(5,481)	(2,457)	(63)	(11,379)	-
Deposits payable from restricted assets	28,732	-	-	-	28,732	-
Net cash provided by (used for) operating activities	\$ 1,539,827	\$ 3,086,526	\$ (3,219,963)	\$ 281,271	\$ 1,687,661	\$ 995,893
Noncash investing and financing activities:						
Noncash capital contributions	\$ 3,608,739	\$ 1,202,914	\$ -	\$ -	\$ 4,811,653	\$ -

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2019

	Agency Funds	Other Post-employment Benefit Plan Fund	Private Purpose Trust Fund
Assets:			
Cash and cash equivalents	\$ 1,673,202	\$ -	\$ 1,655,764
Accounts receivable	118,766	-	13,222
Investments at fair value:			
Investment in pooled funds	-	1,630,942	-
Capital assets:			
Machinery and equipment, net of accumulated depreciation	-	-	11,548
Total assets	\$ 1,791,968	\$ 1,630,942	\$ 1,680,534
Deferred Outflows of Resources:			
Pension related items	\$ -	\$ -	\$ 9,559
OPEB related items	-	-	993
Total deferred outflows of resources	\$ -	\$ -	\$ 10,552
Liabilities:			
Accounts payable	\$ 39,536	\$ -	\$ 2,936
Accrued liabilities	59,608	-	18,399
Net OPEB liability	-	-	15,638
Net pension liability	-	-	45,783
Amounts held for others	1,692,824	-	-
Total liabilities	\$ 1,791,968	\$ -	\$ 82,756
Deferred Inflows of Resources:			
Pension related items	\$ -	\$ -	\$ 5,182
OPEB related items	-	-	1,155
Total deferred inflows of resources	\$ -	\$ -	\$ 6,337
Net Position:			
Net position restricted for OPEB and other purposes	\$ -	\$ 1,630,942	\$ 1,601,993

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, 2019

	Other Post-employment Benefit Plan Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Contributions	\$ 206,390	\$ 79,525
Other	-	700
Investment income:		
Interest earned on investments	74,635	53,362
Total additions	\$ 281,025	\$ 133,587
Deductions:		
Payments for property management	\$ -	\$ 87,226
Other charges	2,008	-
Total deductions	\$ 2,008	\$ 87,226
Net increase (decrease) in plan assets	\$ 279,017	\$ 46,361
Net position held in trust for OPEB benefits and other purposes:		
Balance, beginning of year	1,351,925	1,555,632
Balance, end of year	\$ 1,630,942	\$ 1,601,993

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities

Component Units

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 49,623,560	\$ 317,966	\$ 20,531,785	\$ -
Interest on long-term debt	55,878	-	-	-
Total School Board	\$ 49,679,438	\$ 317,966	\$ 20,531,785	\$ -
Economic Development Authority				
Community development	\$ 427,053	\$ 276,025	\$ 60,175	\$ -
Total Component Units	<u>\$ 50,106,491</u>	<u>\$ 593,991</u>	<u>\$ 20,591,960</u>	<u>\$ -</u>

General revenues

Payment from/(to) City of Fredericksburg

Interest and investment income

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Exhibit 12

Net (Expense) Revenue and Changes in Net Position		
School Board	Economic Development Authority	Totals
\$ (28,773,809)	\$ -	\$ (28,773,809)
<u>(55,878)</u>	<u>-</u>	<u>(55,878)</u>
\$ <u>(28,829,687)</u>	\$ <u>-</u>	\$ <u>(28,829,687)</u>
\$ -	\$ (90,853)	\$ (90,853)
\$ <u>(28,829,687)</u>	\$ <u>(90,853)</u>	\$ <u>(28,920,540)</u>
\$ 31,770,689	\$ 151,640	\$ 31,922,329
-	5,359	5,359
<u>371,277</u>	<u>63,714</u>	<u>434,991</u>
\$ <u>32,141,966</u>	\$ <u>220,713</u>	\$ <u>32,362,679</u>
\$ 3,312,279	\$ 129,860	\$ 3,442,139
<u>(15,366,898)</u>	<u>1,145,935</u>	<u>(14,220,963)</u>
\$ <u><u>(12,054,619)</u></u>	\$ <u><u>1,275,795</u></u>	\$ <u><u>(10,778,824)</u></u>

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2019

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. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports. This information includes presenting the government's original budget as well as a comparison of final budget and actual results for its major funds.

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

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

A. Financial Reporting Entity: (Continued)

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.

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.

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

A. Financial Reporting Entity: (Continued)

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 \$3,086,764 in operating and other funds to the Center in 2019.

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 \$1,300,998 in operating funds to the Library in 2019.

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

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)

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The City's equity interest as of June 30, 2019 was \$6,029,042.

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7.7 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2019 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 2019. 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 \$272,529 to the Board in 2019.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

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 2019.

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 \$23,916 in operating grants to the Commission in 2019.

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 \$510,851 to the Center in 2019.

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 \$79,731 in operating funds to the Home in 2019.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

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 2019.

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.

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

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

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.

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 agency). 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 2019.

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.

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

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

1. Governmental Funds: (Continued)

- 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:

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.

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.

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

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

2. Proprietary Funds:

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

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

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

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

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

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

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

2. Proprietary Funds: (Continued)

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

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

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

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

3. Fiduciary Funds (Trust and Agency Funds):

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

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

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

b. Economic Development Authority:

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

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

C. Basis of Accounting

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

D. Budgets and Budgetary Accounting: (Continued)

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.

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, 2019. 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, 2019.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2019, the allowance totaled \$1,144,775 with \$929,496 in the General Fund and \$215,279 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 \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

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

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

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

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

K. Compensated Absences

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

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Pensions

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

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

N. Use of Estimates

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

O. Unbilled Revenue

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

P. Bond Premium

Bond premiums are amortized over the life of the respective bond issues using the effective interest method. Bond premium amortization for fiscal year ended June 30, 2019 was \$425,134 and \$20,726 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

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

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

S. Net Position Flow Assumption

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

T. Fund Equity

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

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

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

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

T. Fund Equity: (Continued)

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

	General Fund	Public Works Capital Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 27,863	\$ -	\$ -	\$ 27,863
Prepays	434,060	-	9,576	443,636
Total Nonspendable Fund Balance	\$ 461,923	\$ -	\$ 9,576	\$ 471,499
Restricted:				
Housing initiatives	\$ -	\$ -	\$ 95,250	\$ 95,250
Committed:				
Social services	\$ -	\$ -	\$ 590,504	\$ 590,504
Comprehensive services	-	-	456,439	456,439
Cowan Boulevard debt service	-	-	174,799	174,799
Public safety construction projects	-	-	1,048	1,048
Public facilities construction projects	-	-	991,868	991,868
Public works construction projects	-	1,991,563	-	1,991,563
Blight abatement	-	-	219,341	219,341
Economic development opportunities	-	-	136,000	136,000
Grant related expenditures	-	-	814,981	814,981
Forfeited asset sharing program	-	-	90,503	90,503
Stormwater management	-	-	172,032	172,032
Education debt service	-	-	1,692,722	1,692,722
Debt service	-	-	313,698	313,698
City capital projects	5,188,550	-	-	5,188,550
School capital projects	1,000,000	-	-	1,000,000
Health insurance claims	800,000	-	-	800,000
Other purposes	573,626	-	-	573,626
Total Committed Fund Balance	\$ 7,562,176	\$ 1,991,563	\$ 5,653,935	\$ 15,207,674
Assigned:				
Public works construction projects	\$ -	\$ 7,292,644	\$ -	\$ 7,292,644
Public facilities construction projects	-	-	5,435,692	5,435,692
Public safety construction projects	-	-	1,592,523	1,592,523
Court facilities construction projects	-	-	1,065,283	1,065,283
Detention stabilization	1,571,004	-	-	1,571,004
Economic development opportunities	75,000	-	-	75,000
Telling our story	250,000	-	-	250,000
Total Assigned Fund Balance	\$ 1,896,004	\$ 7,292,644	\$ 8,093,498	\$ 17,282,146
Unassigned	\$ 18,246,141	\$ -	\$ -	\$ 18,246,141
Total Fund Balances	\$ 28,166,244	\$ 9,284,207	\$ 13,852,259	\$ 51,302,710

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

U. Adoption of Accounting Principles

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The City early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

V. Other Postemployment Benefits (OPEB)

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

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 the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, 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, 2019 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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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 and Poor's; State Pool; mutual funds with a rating of AAm or better by Standard and Poor's or an equivalent rating by other rating agencies; and Virginia municipal bonds rated in either of the two highest categories by a nationally recognized rating agency.

The City's rated debt investments as of June 30, 2019 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	AAA	AA+	AA	AA-	A-1
U.S. Agencies	\$ -	\$ -	\$ 18,156,244	\$ -	\$ -	\$ -
Corporate Debt	-	1,110,268	1,720,429	1,948,503	1,082,584	-
Commercial Paper	-	-	-	-	-	4,473,047
Virginia State Non-Arbitrage Program	15,220,839	-	-	-	-	-
Money Market Mutual Fund	34,610,982	-	-	-	-	-
Total	\$ 49,831,821	\$ 1,110,268	\$ 19,876,673	\$ 1,948,503	\$ 1,082,584	\$ 4,473,047

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	\$ 18,156,244	\$ 10,417,939	\$ 7,738,305
U.S. Treasuries	17,731,948	2,792,117	14,939,831
Commercial Paper	4,473,047	4,473,047	-
Virginia State Non-Arbitrage Program	15,220,839	15,220,839	-
Corporate Debt	5,861,783	1,135,087	4,726,696
Total	\$ 61,443,861	\$ 34,039,029	\$ 27,404,832

Note 2—Deposits and Investments: (Continued)

External Investment Pool

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

Note 3—Fair Value Measurements:

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 3—Fair Value Measurements: (Continued)

The City has the following recurring fair value measurements as of June 30, 2019:

<u>Investment</u>	<u>June 30, 2019</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
U.S. Agencies	\$ 18,156,244	\$ 18,156,244
U.S. Treasuries	17,731,948	17,731,948
Commercial Paper	4,473,047	4,473,047
Money Market Mutual Fund	34,610,982	34,610,982
Corporate Debt	5,861,783	5,861,783
Total	\$ <u>80,834,004</u>	\$ <u>80,834,004</u>

Note 4—Real and Personal Property Tax Data:

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 5—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2019 consist of the following:

Primary Government:

	Governmental Activities				Business-Type Activities
	General	Special Revenue	Capital Projects	Total	
Property taxes	\$ 1,500,608	\$ 8,136	\$ -	\$ 1,508,744	\$ -
Water charges	-	-	-	-	784,317
Wastewater charges	-	-	-	-	1,245,726
EMS fees	120,753	-	-	120,753	-
Refuse disposal fees	125,056	-	-	125,056	-
Investment earnings	42,157	-	126,471	168,628	42,156
Other	361,538	28,058	155,215	544,811	29,449
Total	\$ 2,150,112	\$ 36,194	\$ 281,686	\$ 2,467,992	\$ 2,101,648
Allowance for uncollectibles	(929,496)	-	-	(929,496)	(215,279)
Net receivables	<u>\$ 1,220,616</u>	<u>\$ 36,194</u>	<u>\$ 281,686</u>	<u>\$ 1,538,496</u>	<u>\$ 1,886,369</u>

Component Units and Fiduciary Activities:

	Economic Development Authority	Fiduciary Activities
Other	\$ 79,183	\$ 131,988
Total	\$ 79,183	\$ 131,988
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 79,183</u>	<u>\$ 131,988</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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	\$ 2,159,618	\$ -	\$ -	\$ 2,159,618	\$ -	\$ -
Telecommunication sales tax	125,283	-	-	125,283	-	-
PPTRA	676,647	-	-	676,647	-	-
Children's Services Act	-	344,112	-	344,112	-	-
Shared expenses and grants	166,377	-	-	166,377	-	-
Virginia Department of Rail and Transportation	-	-	-	-	17,251	-
Virginia Department of Transportation	-	-	233,978	233,978	-	-
Virginia Department of Motor Vehicles	-	4,160	-	4,160	-	-
Virginia Department of Criminal Justice Services	-	52,743	-	52,743	-	-
Noncategorical aid	65,049	-	-	65,049	-	-
Social services grants	-	513,801	-	513,801	-	-
Other	11,777	-	-	11,777	338	-
Federal government:						
Transit grants	-	-	-	-	1,264,175	-
Criminal justice grants	-	23,185	-	23,185	-	-
Interest subsidy	-	-	-	-	21,689	-
Others:						
University of Mary Washington	-	-	-	-	50,000	-
Other	1,350	-	-	1,350	-	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	167,623	-
County of Stafford	-	-	89,406	89,406	-	-
Component Unit School Board:						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	483,698
State school funds	-	-	-	-	-	44,937
Federal pass-through:						
School funds	-	-	-	-	-	830,836
Federal government:						
Head Start	-	-	-	-	-	108,884
Total	\$ 3,206,101	\$ 938,001	\$ 323,384	\$ 4,467,486	\$ 1,521,076	\$ 1,468,355

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 7—Interfund Balances and Activity:

Primary Government:

Balances due To/From other funds at June 30, 2019:

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	\$ 940,000
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	322,930
Transfer to the Children's Services Act Fund for the local share of the program costs	1,320,000
Transfers to the Stormwater Management Fund to pay stormwater related costs	134,000
Transfer to the Fredericksburg Opportunity Fund for future economic development projects	75,000
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	4,211,004
Transfers to the Education Debt Service Fund to pay school debt service and related costs	4,066,645
Transfers to the Public Works Capital Fund to fund infrastructure and related capital projects	1,570,720
Transfers to the Public Safety Capital Fund to fund capital projects	180,000
Transfers to the Public Facilities Capital Fund to fund building improvements and related costs	<u>1,114,370</u>
Total transfers in - other governmental funds	\$ <u>13,934,669</u>
Transfers to the General Fund for various programs	\$ <u>600,000</u>
Total transfers	\$ <u><u>14,534,669</u></u>

Reconciliation of transfers:

Transfers out from governmental funds	\$ 13,928,497
Transfers from enterprise funds to governmental funds	<u>606,172</u>
Total transfers	\$ <u><u>14,534,669</u></u>

Component Unit School Board:

There were no interfund obligations in the component unit School Board.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 21,368,618	\$ 5,137,244	\$ 99,137	\$ 26,406,725
Construction in progress:				
Infrastructure	\$ 63,206	\$ 903,827	\$ 407,742	\$ 559,291
Land improvements	546,340	735,415	-	1,281,755
Buildings	229,235	50,232	61,233	218,234
Total construction in progress	\$ 838,781	\$ 1,689,474	\$ 468,975	\$ 2,059,280
Total capital assets not being depreciated	\$ 22,207,399	\$ 6,826,718	\$ 568,112	\$ 28,466,005
Other capital assets:				
Land improvements	\$ 16,603,282	\$ 4,529,372	\$ -	\$ 21,132,654
Buildings and improvements	63,672,070	119,642	-	63,791,712
Joint tenancy assets	41,395,000	-	2,260,000	39,135,000
Infrastructure	88,132,186	16,139,301	526,251	103,745,236
Machinery, equipment and vehicles	26,869,514	1,645,501	1,017,536	27,497,479
Total other capital assets	\$ 236,672,052	\$ 22,433,816	\$ 3,803,787	\$ 255,302,081
Accumulated depreciation:				
Land improvements	\$ 4,532,060	\$ 610,883	\$ -	\$ 5,142,943
Buildings and improvements	18,260,811	1,779,549	-	20,040,360
Joint tenancy assets	6,730,798	1,066,042	729,203	7,067,637
Infrastructure	45,389,312	3,839,440	526,251	48,702,501
Machinery, equipment and vehicles	14,477,380	1,575,097	1,017,536	15,034,941
Total accumulated depreciation	\$ 89,390,361	\$ 8,871,011	\$ 2,272,990	\$ 95,988,382
Other capital assets, net	\$ 147,281,691	\$ 13,562,805	\$ 1,530,797	\$ 159,313,699
Net capital assets	\$ 169,489,090	\$ 20,389,523	\$ 2,098,909	\$ 187,779,704
Depreciation is allocated to:				
General government administration		\$ 326,262		
Judicial administration		1,009,177		
Public safety		1,252,523		
Public works		4,382,916		
Health and welfare		95,962		
Education		1,066,042		
Parks and recreation		730,811		
Community development		7,318		
Total		\$ 8,871,011		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 8—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 2,149,036	\$ -	\$ -	\$ 2,149,036
Construction in progress	422,832	2,199,411	1,382,751	1,239,492
Total capital assets not being depreciated	\$ 2,571,868	\$ 2,199,411	\$ 1,382,751	\$ 3,388,528
Other capital assets:				
Land improvements	\$ 976,403	\$ -	\$ -	\$ 976,403
Buildings and systems	79,598,386	6,112,327	87,942	85,622,771
Dams and reservoirs	2,531,502	-	-	2,531,502
Intangible assets	8,532,611	269,181	-	8,801,792
Furniture, machinery and equipment	9,799,220	1,127,530	-	10,926,750
Total other capital assets	\$ 101,438,122	\$ 7,509,038	\$ 87,942	\$ 108,859,218
Accumulated depreciation:				
Land improvements	\$ 143,948	\$ 35,987	\$ -	\$ 179,935
Buildings and systems	28,868,969	1,477,315	35,449	30,310,835
Dams and reservoirs	196,029	88,076	-	284,105
Intangible assets	2,497,213	270,639	-	2,767,852
Furniture, machinery and equipment	5,417,593	1,388,917	42,183	6,764,327
Total accumulated depreciation	\$ 37,123,752	\$ 3,260,934	\$ 77,632	\$ 40,307,054
Other capital assets, net	\$ 64,314,370	\$ 4,248,104	\$ 10,310	\$ 68,552,164
Net capital assets	\$ 66,886,238	\$ 6,447,515	\$ 1,393,061	\$ 71,940,692
Depreciation is allocated to:				
Water operations		\$ 864,600		
Wastewater operations		1,279,336		
Parking garage operations		959,927		
Transit operations		157,071		
Total		\$ 3,260,934		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 8—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 472,679	\$ -	\$ -	\$ 472,679
Construction in progress	-	70,374	-	70,374
Total capital assets not being depreciated	\$ 472,679	\$ 70,374	\$ -	\$ 543,053
Other capital assets:				
Land improvements	\$ 258,802	\$ 44,500	\$ -	\$ 303,302
Buildings and improvements	43,848,222	2,260,000	-	46,108,222
Machinery, equipment and vehicles	6,098,708	854,709	20,748	6,932,669
Total other capital assets	\$ 50,205,732	\$ 3,159,209	\$ 20,748	\$ 53,344,193
Accumulated depreciation:				
Land improvements	\$ 58,492	\$ 12,940	\$ -	\$ 71,432
Buildings and improvements	19,229,585	2,113,721	-	21,343,306
Machinery, equipment and vehicles	3,741,117	449,617	20,748	4,169,986
Total accumulated depreciation	\$ 23,029,194	\$ 2,576,278	\$ 20,748	\$ 25,584,724
Other capital assets, net	\$ 27,176,538	\$ 582,931	\$ -	\$ 27,759,469
Net capital assets	\$ 27,649,217	\$ 653,305	\$ -	\$ 28,302,522
Depreciation allocated to education		\$ 2,576,278		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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.	\$ -	\$ 1,565,056
Other	1,026,738	29,170
Total unearned revenue	\$ 1,026,738	\$ 1,594,226

	Deferred/Unavailable Revenue Balance Sheet	
	Governmental Funds	Government-wide Statements Governmental Activities
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 786,459	\$ 786,459
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.	379,651	-
Total deferred/unavailable revenue	\$ 1,166,110	\$ 786,459

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2019

Note 10—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2019 is as follows:

	<u>Balance July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Primary Government:					
Long-term obligations payable from governmental activities:					
General obligation bonds	\$ 32,423,352	\$ 10,329,145	\$ 1,701,211	\$ 41,051,286	\$ 2,117,682
Direct borrowings and placements:					
General obligation bonds	6,427,257	-	678,853	5,748,404	702,523
General obligation school bonds	41,395,000	-	2,260,000	39,135,000	2,375,000
Revenue bonds	1,455,000	-	215,000	1,240,000	225,000
Add: Unamortized bond premium	3,468,494	720,544	425,134	3,763,904	444,120
Other liabilities:					
Landfill post-closure costs	1,466,276	-	27,890	1,438,386	90,000
Compensated absences	3,431,371	2,289,552	2,127,450	3,593,473	2,227,953
Net pension liability	17,769,202	11,376,467	10,744,481	18,401,188	-
Net OPEB liability	15,850,590	2,237,132	1,650,365	16,437,357	-
Total	<u>\$ 123,686,542</u>	<u>\$ 26,952,840</u>	<u>\$ 19,830,384</u>	<u>\$ 130,808,998</u>	<u>\$ 8,182,278</u>
Long-term obligations payable from business-type activities:					
General obligation bonds	\$ 9,611,648	\$ 5,015,855	\$ 898,789	\$ 13,728,714	\$ 1,077,318
Direct borrowings and placements:					
General obligation bonds	11,912,743	-	1,021,147	10,891,596	1,052,477
Add: Unamortized bond premium	83,830	324,621	20,726	387,725	39,438
Other liabilities:					
Compensated absences	318,637	257,272	202,823	373,086	230,740
Net pension liability	1,764,940	1,410,261	1,168,046	2,007,155	-
Net OPEB liability	609,538	94,622	73,832	630,328	-
Total	<u>\$ 24,301,336</u>	<u>\$ 7,102,631</u>	<u>\$ 3,385,363</u>	<u>\$ 28,018,604</u>	<u>\$ 2,399,973</u>
Total primary government	<u>\$ 147,987,878</u>	<u>\$ 34,055,471</u>	<u>\$ 23,215,747</u>	<u>\$ 158,827,602</u>	<u>\$ 10,582,251</u>
Component Unit School Board:					
Long-term obligations payable from component unit School Board activities:					
Capital lease	\$ 2,780,000	\$ -	\$ 238,000	\$ 2,542,000	\$ 251,000
Compensated absences	1,110,391	577,106	577,403	1,110,094	577,249
Net pension liability	35,499,000	7,579,000	9,241,000	33,837,000	-
Net OPEB liability	9,783,859	1,272,240	849,591	10,206,508	-
Total component unit School Board	<u>\$ 49,173,250</u>	<u>\$ 9,428,346</u>	<u>\$ 10,905,994</u>	<u>\$ 47,695,602</u>	<u>\$ 828,249</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2019

Note 10—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2019:

Year Ending June 30,	Direct Borrowings and Direct Placements							
	General Obligation Bonds		Revenue Bonds		General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 4,130,000	\$ 2,349,982	\$ 225,000	\$ 54,584	\$ 3,195,000	\$ 1,984,549	\$ 251,000	\$ 51,094
2021	4,315,000	2,183,782	235,000	44,397	2,345,000	1,867,726	266,000	46,049
2022	4,490,000	1,998,414	245,000	33,697	2,445,000	1,768,632	272,000	40,703
2023	4,680,000	1,804,757	260,000	20,756	2,325,000	1,679,027	278,000	35,235
2024	4,890,000	1,601,853	275,000	7,047	2,410,000	1,599,540	283,000	29,648
2025	5,095,000	1,383,953	-	-	2,495,000	1,516,945	289,000	23,959
2026	5,315,000	1,160,435	-	-	2,580,000	1,430,435	295,000	18,150
2027	4,545,000	944,865	-	-	2,680,000	1,338,732	301,000	12,221
2028	4,745,000	735,024	-	-	2,775,000	1,242,517	307,000	6,170
2029	4,135,000	527,721	-	-	2,870,000	1,141,837	-	-
2030	4,335,000	321,680	-	-	2,930,000	1,044,697	-	-
2031	645,000	188,547	-	-	3,025,000	951,300	-	-
2032	670,000	159,100	-	-	3,120,000	852,324	-	-
2033	700,000	130,744	-	-	3,230,000	744,530	-	-
2034	730,000	103,525	-	-	3,345,000	627,842	-	-
2035	755,000	75,272	-	-	3,350,000	500,131	-	-
2036	785,000	45,959	-	-	2,770,000	361,563	-	-
2037	815,000	15,509	-	-	2,890,000	233,775	-	-
2038	-	-	-	-	3,025,000	101,928	-	-
2039	-	-	-	-	975,000	17,672	-	-
	\$ 55,775,000	\$ 15,731,122	\$ 1,240,000	\$ 160,481	\$ 54,780,000	\$ 21,005,702	\$ 2,542,000	\$ 263,229

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 10—Long-term Obligations: (Continued)

At June 30, 2019, the City's long-term obligations consisted of the following:

Details of Long-term Obligations:

	<u>Issued</u>	<u>Due Date</u>	<u>Rate(s)</u>	<u>Amount Outstanding</u>	<u>Current Portion</u>
Primary Government:					
General obligation bonds:					
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	\$ 28,615,000	\$ 1,995,000
2010A General Obligation Bonds	2010	2030	6.07%	970,000	-
2010B General Obligation Bonds	2010	2028	5.6-5.9%	1,735,000	-
2010C General Obligation Bonds	2010	2023	2.0-4.0%	1,260,000	295,000
2011A General Obligation Bonds	2012	2038	3.0-4.75%	28,955,000	1,250,000
2014A General Obligation Refunding Bonds	2015	2026	2.37%	4,880,000	650,000
2014B General Obligation Refunding Bonds	2015	2028	2.55%	6,490,000	650,000
2015A General Obligation Bonds	2015	2035	2.32%	10,480,000	1,425,000
2016A General Obligation Bonds	2016	2037	3.8-5.125%	11,825,000	540,000
2018A General Obligation Bonds	2018	2039	3.125%-5.0%	15,345,000	520,000
Total general obligation bonds				<u>\$ 110,555,000</u>	<u>\$ 7,325,000</u>
Revenue bonds:					
Virginia Resources Authority Revenue Bonds	2016	2024	3.125-5.125%	<u>\$ 1,240,000</u>	<u>\$ 225,000</u>
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 425,932	\$ 69,274
2010 General Obligation Bonds				72,651	10,613
2011A General Obligation Bonds				895,145	88,854
2015D Virginia Resources Authority Revenue Bonds				102,703	34,932
2016A General Obligation Bonds				1,643,155	180,164
2018A General Obligation Bonds				1,012,043	99,721
Total unamortized bond premium				<u>\$ 4,151,629</u>	<u>\$ 483,558</u>
Other liabilities:					
Net pension liability				\$ 20,408,343	\$ -
Compensated absences				<u>\$ 3,966,559</u>	<u>\$ 2,458,693</u>
Net OPEB liability				\$ 17,067,685	\$ -
Landfill post-closure costs				<u>\$ 1,438,386</u>	<u>\$ 90,000</u>
Total primary government				<u>\$ 158,827,602</u>	<u>\$ 10,582,251</u>
Component Unit School Board:					
Capital lease	2013	2028	2.0%	\$ 2,542,000	\$ 251,000
Compensated absences				<u>\$ 1,110,094</u>	<u>\$ 577,249</u>
Net pension liability				\$ 33,837,000	\$ -
Net OPEB liability				<u>\$ 10,206,508</u>	<u>\$ -</u>
Total component unit School Board				<u>\$ 47,695,602</u>	<u>\$ 828,249</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 10—Long-term Obligations: (Continued)

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

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

Conduit Debt. There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Outstanding obligations at June 30, 2019 totaled approximately \$196,618,872. The City has no responsibility for the repayment of these debt obligations.

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

Note 11—Compensated Absences:

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

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

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

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 3,431,371	\$ 2,289,552	\$ 2,127,450	\$ 3,593,473	\$ 2,227,953
Business-type activities	318,637	257,272	202,823	373,086	230,740
Total primary government	\$ 3,750,008	\$ 2,546,824	\$ 2,330,273	\$ 3,966,559	\$ 2,458,693
Component Unit School Board	1,110,391	577,106	577,403	1,110,094	577,249
Total	\$ 4,860,399	\$ 3,123,930	\$ 2,907,676	\$ 5,076,653	\$ 3,035,942

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

Note 12—Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees hired before 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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of 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 creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% 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 creditable service 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 creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Contributions

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

The City's contractually required employer contribution rate for the year ended June 30, 2019 was 12.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$2,921,413 and \$2,914,541 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 12—Pension Plan: (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. At June 30, 2019, the City reported a liability of \$20,408,343 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. 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, 2019 and 2018 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2019 and 2018, the City’s proportion was 97.62% and 97.82%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City’s Retirement Plan and the City Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the City Retirement Plan Net Pension Liability (Asset)	\$ 36,087,373	\$ 20,408,343	\$ 7,315,313

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,154,884. 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	\$ 1,290,315	\$ 919,782
Change in assumptions	-	61,528
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,644	55,993
Net difference between projected and actual earnings on pension plan investments	-	885,001
Employer contributions subsequent to the measurement date	2,921,413	-
Total	<u>\$ 4,334,372</u>	<u>\$ 1,922,304</u>

\$2,921,413 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, 2020. 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
2020	\$ 326,892
2021	229,014
2022	(975,131)
2023	(90,120)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	4
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	24
Active members	<u>32</u>
Total covered employees	<u><u>56</u></u>

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 2.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$30,068 and \$49,268 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

Net Pension Liability

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

The Component Unit School Board's (nonprofessional) net pension liability (asset) was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

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, 2017	\$ 4,551,243	\$ 5,020,504	\$ (469,261)
Changes for the year:			
Service cost	\$ 124,345	\$ -	\$ 124,345
Interest	309,215	-	309,215
Change in assumptions	-	-	-
Differences between expected and actual experience	(51,746)	-	(51,746)
Contributions - employer	-	48,893	(48,893)
Contributions - employee	-	60,950	(60,950)
Net investment income	-	364,338	(364,338)
Benefit payments, including refunds of employee contributions	(267,774)	(267,774)	-
Administrative expenses	-	(3,213)	3,213
Other changes	-	(324)	324
Net changes	\$ 114,040	\$ 202,870	\$ (88,830)
Balances at June 30, 2018	\$ 4,665,283	\$ 5,223,374	\$ (558,091)

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (7,919)	\$ (558,091)	\$ (1,027,192)

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of (\$110,642). At June 30, 2019, 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	\$ -	\$ 78,833
Change in assumptions	-	47,689
Net difference between projected and actual earnings on pension plan investments	-	45,506
Employer contributions subsequent to the measurement date	30,068	-
Total	\$ 30,068	\$ 172,028

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

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

\$30,068 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ (48,223)
2021	(57,728)
2022	(62,367)
2023	(3,710)

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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,628,291 and \$3,717,961 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

At June 30, 2019, the school division reported a liability of \$33,837,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .28773% as compared to .28866% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$2,595,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,893,000
Change in assumptions	404,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	695,000	166,000
Net difference between projected and actual earnings on pension plan investments	-	718,000
Employer contributions subsequent to the measurement date	3,628,291	-
Total	\$ 4,727,291	\$ 3,777,000

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

\$3,628,291 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2020	\$ 30,000
2021	(588,000)
2022	(1,525,000)
2023	(462,000)
2024	(133,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability: (Continued)

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)

School division's proportionate share of the VRS

Teacher Employee Retirement Plan

Net Pension Liability (Asset)	\$ 51,687,000	\$ 33,837,000	\$ 19,062,000
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Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

VRS Pension Plans:				
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
Primary Government	\$ 4,334,372	\$ 1,922,304	\$ 20,408,343	\$ 1,154,884
Totals	<u>\$ 4,334,372</u>	<u>\$ 1,922,304</u>	<u>\$ 20,408,343</u>	<u>\$ 1,154,884</u>
Component Unit School Board				
School Board Nonprofessional	\$ 30,068	\$ 172,028	\$ (558,091)	\$ (110,642)
School Board Professional	4,727,291	3,777,000	33,837,000	2,595,000
Totals	<u>\$ 4,757,359</u>	<u>\$ 3,949,028</u>	<u>\$ 33,278,909</u>	<u>\$ 2,484,358</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 13—Deferred Compensation Plan:

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

Note 14—Commitments and Contingencies:

State and Federal Programs

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

The Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

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, 2019, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$2,756,253 at June 30, 2019.

Note 15—Litigation:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 16—Landfill Post-closure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to post-closure monitoring. The estimated post-closure care cost for the next six years has been recorded as a liability at June 30, 2019. The \$1,438,386 reported as landfill post-closure liability at June 30, 2019 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 2019 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, 2018	\$	1,466,276
Increase/(Decrease) in estimate		<u>(27,890)</u>
Balance at June 30, 2019	\$	<u><u>1,438,386</u></u>

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

Note 17—Surety Bonds:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 18—Self Insurance/Risk Management:

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

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

Employee Health Insurance

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

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

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	\$	457,093
City General Fund: Committed Fund Balance for estimated reserves		<u>800,000</u>
Total	\$	<u><u>1,257,093</u></u>

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims and Payments	End of Fiscal Year Liability
2017	\$ 395,273	\$ 5,897,554	\$ 5,627,093	\$ 665,734
2018	665,734	4,569,307	4,708,262	526,779
2019	526,779	3,898,542	3,968,228	457,093

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

Unemployment Insurance

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

Property and Casualty Insurance

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

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

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

Plan Description

The Group Life Insurance (GLI) Program 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 Program 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 Program. 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 Program OPEB.

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

Plan Description: (Continued)

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program 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 Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 GLI Program from the Primary Government were \$125,933 and \$123,077 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to School Professional Plan were \$124,000 and \$121,000 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the School Nonprofessional Plan were \$7,000 and \$7,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 19—Group Life Insurance (GLI) Program (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 Program OPEB

At June 30, 2019, the Primary Government, School Board (Professional) and School Board (Nonprofessional) reported liabilities of \$1,896,690, \$1,857,000, and \$102,000, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, School Board (Professional) and School Board (Nonprofessional)'s proportion were .12232% and .00676% respectively, as compared to .12382% and .00697% at June 30, 2017.

The City of Fredericksburg proportionate share was .12771% at June 30, 2018 compared to .12611% at June 30, 2017. However, there are other entities not reported in these financial statements which are included in the employer proportionate share. The Primary Government's proportionate share of the overall City share was 97.818% at June 30, 2018 compared to 97.29% at June 30, 2017.

For the year ended June 30, 2019, the Primary Government, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of \$12,716, \$11,000, and (\$2,000), 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.

At June 30, 2019, 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	\$ 92,926	\$ 34,237	\$ 91,000	\$ 34,000	\$ 5,000	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	61,625	-	60,000	-	3,000
Change in assumptions	-	79,233	-	77,000	-	4,000
Changes in proportion	22,498	20,542	9,000	22,000	-	-
Employer contributions subsequent to the measurement date	125,933	-	124,000	-	7,000	-
Total	<u>\$ 241,357</u>	<u>\$ 195,637</u>	<u>\$ 224,000</u>	<u>\$ 193,000</u>	<u>\$ 12,000</u>	<u>\$ 9,000</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

\$125,933, \$124,000, and \$7,000 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, 2020. 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:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>School Professional</u>	<u>School Nonprofessional</u>
2020	\$ (29,346)	\$ (29,000)	\$ (2,000)
2021	(29,346)	(29,000)	(2,000)
2022	(29,346)	(29,000)	-
2023	(11,738)	(12,000)	-
2024	8,804	3,000	-
Thereafter	10,759	3,000	-

Actuarial Assumptions

The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR. The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 19—Group Life Insurance (GLI) Program (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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Note 19—Group Life Insurance (GLI) Program (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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 2018, 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 Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Proportionate share of the Group Life Insurance Program Net OPEB Liability:			
Primary Government	\$ 2,478,708	\$ 1,896,690	\$ 1,424,230
School Professional	2,428,000	1,857,000	1,395,000
School Nonprofessional	134,000	102,000	77,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program 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.

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

Plan Description: (Continued)

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. 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 Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program 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 Program 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 Program Notes

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

Note 20—Teacher Employee Health Insurance Credit (HIC) Program (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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 Program were \$284,000 and \$285,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$3,644,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .28700% as compared to .28813% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$293,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	32,000
Change in proportion	-	24,000
Employer contributions subsequent to the measurement date	<u>284,000</u>	<u>-</u>
Total	<u>\$ 284,000</u>	<u>\$ 77,000</u>

\$284,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (13,000)
2021	(13,000)
2022	(13,000)
2023	(12,000)
2024	(12,000)
Thereafter	(14,000)

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

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		8.08%

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 20—Teacher Employee Health Insurance Credit (HIC) Program (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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. 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 ending June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program 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, 2018 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.

Note 20—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***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 Program net HIC OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,070,000	\$ 3,644,000	\$ 3,282,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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

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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Plan Membership

At January 1, 2018 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	582
Total retirees and surviving spouses with coverage	<u>10</u>
Total	<u><u>592</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2019 was \$145,591.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50% to 5.35% based on years of service
Discount Rate	3.50% for accounting and funding disclosures as of June 30, 2019 3.87% for accounting and funding disclosures as of June 30, 2018

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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 3.50% 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, 2018	\$	4,160,859
Changes for the year:		
Service cost		245,838
Interest		167,749
Changes in assumptions		174,653
Benefit payments		(145,591)
Net changes	\$	442,649
Balances at June 30, 2019	\$	4,603,508

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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 5,106,923	\$ 4,603,508	\$ 4,146,112

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.50% increasing to an ultimate rate of 3.20%) or one percentage point higher (4.50% increasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
1% Decrease (2.50% increasing to 3.20%)	Healthcare Cost Trend (3.50% increasing to 4.20%)	1% Increase (4.50% decreasing to 5.20%)
\$ 3,927,969	\$ 4,603,508	\$ 5,424,227

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$419,376. At June 30, 2019, 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
Changes in assumptions	\$ 144,012	\$ 116,804

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	
2020	\$ 5,789
2021	5,789
2022	5,789
2023	5,789
2024	4,052
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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Plan Description

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

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

Plan Administration

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

Benefits Provided

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

Plan Membership

At January 1, 2018 (valuation date), the following employees were covered by the benefit terms:

Active plan members	437
Retirees and surviving spouses	159
Spouses of current retirees	15
Total	<u>611</u>

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 2019, the City contributed \$1,328,208 towards health plans.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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, 2019:

<u>Asset Class</u>	<u>Target Percentage</u>
Core Fixed Income	19.60%
High Yield Bonds	1.40%
Large Cap US Equities	26.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Private Equity	5.00%
Hedge Funds/Absolute Return	10.00%
Real Estate (REITS)	7.00%
Commodities	3.00%
Total	<u>100%</u>

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return of the City's OPEB investments, net of investment expense was 5.14%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019. 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 June 30, 2019 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%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 7.00% 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.

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, 2018	\$ 15,966,282	\$ 1,351,925	\$ 14,614,357
Changes for the year:			
Service cost	135,927	-	135,927
Interest	1,088,555	-	1,088,555
Assumption changes or inputs	744,226	-	744,226
Contributions - employer	-	1,328,208	(1,328,208)
Net investment income	-	74,635	(74,635)
Administrative expenses	-	(2,009)	2,009
Benefit payments	(1,121,818)	(1,121,818)	-
Net changes	846,890	279,016	567,874
Balances at June 30, 2019	\$ 16,813,172	\$ 1,630,941	\$ 15,182,231

Note the Changes in Net OPEB Liability presented above is for the entire plan. The Primary Government's proportionate share at June 30, 2019 was 99.93% compared to 99.93% at June 30, 2018. The Primary Government's proportionate share of Net OPEB Liability at June 30, 2019 totaled \$15,170,995.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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

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

	Rate		
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government Porportionate Share of Net OPEB Liability	\$ 16,850,593	\$ 15,170,995	\$ 13,738,917

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

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.80% decreasing to an ultimate rate of 3.10% for pre-65 benefits, 5.10% decreasing to an ultimate rate of 3.40% for post-65 benefits) or one percentage point higher (6.80% decreasing to an ultimate rate of 5.10%, 7.10% decreasing to an ultimate rate of 5.40% or post-65 benefits) than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government Porportionate Share of Net OPEB Liability	\$ 13,487,939	\$ 15,170,995	\$ 17,148,740

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

For the year ended June 30, 2019, the City recognized OPEB expense in the amount of \$1,029,214. At June 30, 2019, 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	\$ -	\$ 945,948
Changes in assumptions	594,940	-
Net difference between projected and actual earnings on OPEB plan investments	2,521	-
Total	\$ 597,461	\$ 945,948

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

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

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

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

<u>Year Ended June 30</u>	
2020	\$ 94,778
2021	94,778
2022	94,777
2023	64,154
2024	-
Thereafter	-

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

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

<u>City OPEB Pension Plans</u>				
	<u>Net OPEB Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Primary Government				
City OPEB Plan (Note 22)	\$ 15,170,995	\$ 597,461	\$ 945,948	\$ 1,029,214
Group Life - City (Note 19)	<u>1,896,690</u>	<u>241,357</u>	<u>195,637</u>	<u>12,716</u>
Total	<u>\$ 17,067,685</u>	<u>\$ 838,818</u>	<u>\$ 1,141,585</u>	<u>\$ 1,041,930</u>
Component Unit School Board				
School Board Pay-as-you-go (Note 21)	\$ 4,603,508	\$ 144,012	\$ 116,804	\$ 419,376
Teacher HIC Program (Note 20)	3,644,000	284,000	77,000	293,000
Group Life - School Professional (Note 19)	1,857,000	224,000	193,000	11,000
Group Life - School Nonprofessional (Note 19)	<u>102,000</u>	<u>12,000</u>	<u>9,000</u>	<u>(2,000)</u>
Total	<u>\$ 10,206,508</u>	<u>\$ 664,012</u>	<u>\$ 395,804</u>	<u>\$ 721,376</u>

Note 24—Contributions-In-Aid of Construction:

During fiscal year 2017, the City and Stafford County, co-owners of the Rappahannock Regional Solid Waste Management Board (R-Board), each advanced \$1,175,535 to the R-Board for the purpose of closing three landfill cells and to finance the purchase of equipment. The R-Board has pledged to reimburse the City and County for the capital contributions with interest over a period of seven years. Although the intent of the R-Board is to reimburse these contributions, this amount is not shown as an asset of the City since repayment is not guaranteed. The outstanding balance of the City's advance as of June 30, 2019 is \$858,472.

Note 25—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.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

Note 25—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Technology Zones: (Continued)

For the fiscal year ended June 30, 2019, the City's tax incentives totaled \$146,319 under the technology zone program, including the following tax incentive agreements that exceeded a threshold of \$10,000:

Business/ Incentive Term/Opening Date	Performance Measures	Incentive/Cap Amount	2019 Incentive
New business locates to City 3/1/19 - 3/1/23 (5 Years) June 30, 2018	Executed lease along with complete relocation and obtain a Certificate of Occupancy by 6/30/18	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit \$ 15,235
Existing business remains in City 3/1/19 - 3/1/23 (5 Years) December 31, 2018	\$2,000,000 Capital Investment and Certificate of Occupancy by 12/31/18	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit \$ 131,084

Tourism Zones

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

Eagle Village and Central Park/Celebrate Virginia South:

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

Downtown/Princess Anne Street:

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2019

Note 25—Tax Abatement Disclosures - GASB Statement No. 77: (Continued)

Tourism Zones: (Continued)

For the fiscal year ended June 30, 2019, the City's tax incentives totaled \$118,169 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	2019 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 \$ 31,764
New business locates to City Central Park Tourism Zone 3/1/13 - 3/1/23 (10 Years) April 1, 2013	25 Jobs Local Sales Tax of at Least \$34,000/yr.	100% BPOL waiver - Up to \$10,000/yr. 10% Reimbursement of Local Sales Tax - up to \$6,500/yr. Maximum Annual Incentive - \$16,500 Maximum Total Incentive - \$100,000	BPOL Credit \$ 8,063 Meals/Sales Taxes 3,916 Total \$ 11,979
Existing business remains in City Downtown Tourism Zone 7/1/14 - 7/1/20 (6 Years) May 1, 2015	58,500 Working Hours (35 Jobs) Annual Meals/Sales Taxes of \$2,000,000/yr. \$1,800,000 Capital Investment	EDA shall award an annual performance grant of \$40,000 for five years beginning July 1, 2016 through July 1, 2020	Performance Grant \$ 40,000
New business locates to City Downtown Tourism Zone 3/1/19 - 3/1/23 (5 Years) June 30, 2018	Executed lease along with complete relocation and obtain a Certificate of Occupancy by 6/30/2018	100% BPOL Reduction Years 1-3 50% BPOL Reduction Years 4-5	BPOL Credit \$ 28,865

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. For fiscal year 2019, the City's incentives for the Arts and Cultural District totaled \$2,988.

Note 26—New Accounting Standards:

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No, 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 31,225,000	\$ 31,595,000	\$ 31,928,111	\$ 333,111
Public service corporations	840,000	840,000	903,554	63,554
Personal property	8,775,000	8,775,000	9,369,094	594,094
Machinery and tools	75,500	75,500	123,403	47,903
Penalties	280,000	280,000	376,799	96,799
Interest	170,000	461,939	572,987	111,048
Total general property taxes	\$ 41,365,500	\$ 42,027,439	\$ 43,273,948	\$ 1,246,509
Other local taxes:				
Local sales and use taxes	\$ 11,500,000	\$ 11,500,000	\$ 11,925,147	\$ 425,147
Utility taxes	1,800,000	1,800,000	1,850,089	50,089
Business licenses and rental tax	6,445,000	6,445,000	6,575,645	130,645
Motor vehicle licenses	480,000	480,000	502,675	22,675
Bank stock taxes	825,000	825,000	944,752	119,752
Recordation taxes	500,000	500,000	703,388	203,388
Tobacco tax	500,000	500,000	474,305	(25,695)
Amusement tax	420,000	420,000	530,822	110,822
Hotel/lodging taxes	1,600,000	1,600,000	1,547,989	(52,011)
Meals taxes	11,500,000	11,500,000	11,918,714	418,714
Gasoline taxes	36,000	51,000	40,786	(10,214)
Other	100,000	100,000	79,276	(20,724)
Total other local taxes	\$ 35,706,000	\$ 35,721,000	\$ 37,093,588	\$ 1,372,588
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 652,600	\$ 652,600	\$ 1,055,930	\$ 403,330
Animal licenses	10,000	10,000	9,365	(635)
Total permits, privilege fees and licenses	\$ 662,600	\$ 662,600	\$ 1,065,295	\$ 402,695
Fines and forfeitures	\$ 355,500	\$ 463,243	\$ 651,125	\$ 187,882
Revenue from use of money and property:				
Revenue from use of money	\$ 225,000	\$ 460,000	\$ 789,924	\$ 329,924
Revenue from use of property	39,750	39,750	32,012	(7,738)
Total revenue from use of money and property	\$ 264,750	\$ 499,750	\$ 821,936	\$ 322,186
Charges for services:				
Court costs	\$ 111,300	\$ 111,300	\$ 137,037	\$ 25,737
Commonwealth's Attorney	8,500	8,500	9,830	1,330
Sanitation and waste removal	1,100,000	1,100,000	921,651	(178,349)
Parks and recreation	477,500	477,500	538,199	60,699
Planning and community development	1,100	1,100	28	(1,072)
Fire and rescue services	910,000	910,000	900,027	(9,973)
Administrative charges	135,000	135,000	151,722	16,722
Total charges for services	\$ 2,743,400	\$ 2,743,400	\$ 2,658,494	\$ (84,906)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Payments in-lieu of taxes	\$ 27,500	\$ 27,500	\$ 30,557	\$ 3,057
Souvenir sales	23,000	23,000	21,636	(1,364)
Donations - parks and recreation	50,000	50,000	53,988	3,988
Other	31,500	61,500	174,338	112,838
Total miscellaneous	\$ 132,000	\$ 162,000	\$ 280,519	\$ 118,519
Recovered costs:				
Health department	\$ 138,000	\$ 138,000	\$ 185,206	\$ 47,206
Social services	115,000	115,000	119,963	4,963
Transit	125,000	125,000	120,000	(5,000)
Other	148,650	148,650	181,898	33,248
Total recovered costs	\$ 526,650	\$ 526,650	\$ 607,067	\$ 80,417
Total revenue from local sources	\$ 81,756,400	\$ 82,806,082	\$ 86,451,972	\$ 3,645,890
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Grantors tax	\$ 150,000	\$ 150,000	\$ 167,301	\$ 17,301
Motor vehicle rental tax	140,000	140,000	152,767	12,767
Communication sales tax	1,650,000	1,650,000	1,525,200	(124,800)
Personal property relief	1,728,000	1,728,000	1,728,833	833
Other	10,500	10,500	18,459	7,959
Total noncategorical aid	\$ 3,678,500	\$ 3,678,500	\$ 3,592,560	\$ (85,940)
Categorical aid - shared expenses:				
Commonwealth's Attorney	\$ 645,000	\$ 645,000	\$ 645,374	\$ 374
Sheriff	540,000	540,000	557,079	17,079
Commissioner of Revenue	140,000	140,000	138,806	(1,194)
Treasurer	100,000	100,000	106,564	6,564
Registrar	40,000	40,000	42,436	2,436
Clerk of the Circuit Court	345,000	345,000	324,130	(20,870)
Total categorical aid - shared expenses	\$ 1,810,000	\$ 1,810,000	\$ 1,814,389	\$ 4,389
Categorical aid - other:				
Street and highway maintenance	\$ 2,950,000	\$ 2,950,000	\$ 3,022,051	\$ 72,051
Law enforcement assistance	810,000	810,000	833,344	23,344
Wireless E-911 grants	126,000	126,000	129,912	3,912
Other	21,600	21,600	-	(21,600)
Total categorical aid - other	\$ 3,907,600	\$ 3,907,600	\$ 3,985,307	\$ 77,707
Total revenue from the Commonwealth	\$ 9,396,100	\$ 9,396,100	\$ 9,392,256	\$ (3,844)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	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	\$ 30,000	\$ 30,000	\$ 94,526	\$ 64,526
Total revenue from the Federal Government	\$ 30,000	\$ 30,000	\$ 94,526	\$ 64,526
Total revenues	\$ 91,182,500	\$ 92,232,182	\$ 95,938,754	\$ 3,706,572
Expenditures				
General government administration:				
Legislative:				
City Council	\$ 248,010	\$ 244,818	\$ 219,230	\$ 25,588
Clerk of Council	112,330	115,522	112,051	3,471
Total legislative	\$ 360,340	\$ 360,340	\$ 331,281	\$ 29,059
General and financial administration:				
City manager	\$ 942,367	\$ 1,028,609	\$ 1,020,183	\$ 8,426
Insurance program	969,000	897,973	848,765	49,208
Risk management	129,390	107,542	81,407	26,135
Human resources	433,705	439,465	419,917	19,548
Independent auditor	93,050	100,450	87,830	12,620
Commissioner of the revenue	1,069,234	1,002,754	889,477	113,277
Board of Real Estate Assessors	275,000	295,000	6,558	288,442
Treasurer	883,973	805,058	734,063	70,995
Finance	811,253	805,373	759,809	45,564
Information technology	1,609,362	1,728,578	1,724,974	3,604
Copying and postage	25,500	25,500	22,820	2,680
Legal services	380,169	375,473	348,875	26,598
Total general and financial administration	\$ 7,622,003	\$ 7,611,775	\$ 6,944,678	\$ 667,097
Board of elections:				
Registrar and electoral board	\$ 307,136	\$ 308,200	\$ 285,458	\$ 22,742
Total general government administration	\$ 8,289,479	\$ 8,280,315	\$ 7,561,417	\$ 718,898
Judicial administration:				
Courts:				
Circuit Court	\$ 110,350	\$ 110,350	\$ 94,162	\$ 16,188
General District Court	28,700	28,700	19,109	9,591
Special magistrate	3,000	3,000	-	3,000
Juvenile and Domestic Relations District Court	20,460	20,460	15,998	4,462
Clerk of the Circuit Court	850,260	866,310	728,165	138,145
Sheriff	2,299,266	2,333,251	2,330,646	2,605
JDR services	116,478	116,478	108,340	8,138
Juries	32,000	32,000	29,836	2,164
Court appointed attorney	12,000	12,000	960	11,040
Total courts	\$ 3,472,514	\$ 3,522,549	\$ 3,327,216	\$ 195,333

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth Attorney:				
Commonwealth Attorney	\$ 1,441,104	\$ 1,447,695	\$ 1,374,503	\$ 73,192
Total judicial administration	\$ 4,913,618	\$ 4,970,244	\$ 4,701,719	\$ 268,525
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 8,277,031	\$ 8,336,103	\$ 8,210,078	\$ 126,025
Fire and rescue:				
Fire department	\$ 4,971,095	\$ 5,073,333	\$ 5,058,966	\$ 14,367
Rescue services	207,500	207,500	207,500	-
Emergency medical services	1,654,210	1,553,629	1,370,022	183,607
Hazardous materials	36,995	36,995	27,870	9,125
E-911 communications	1,422,169	1,383,593	1,340,263	43,330
Total fire and rescue	\$ 8,291,969	\$ 8,255,050	\$ 8,004,621	\$ 250,429
Correction and detention:				
Juvenile Detention Center	\$ 467,000	\$ 510,852	\$ 510,851	\$ 1
Rappahannock Security Center	3,120,000	3,120,000	3,086,764	33,236
Total correction and detention	\$ 3,587,000	\$ 3,630,852	\$ 3,597,615	\$ 33,237
Inspections:				
Building and development services	\$ 805,787	\$ 809,249	\$ 799,454	\$ 9,795
Other protection:				
Animal control	\$ 124,103	\$ 124,103	\$ 124,103	\$ -
Public safety radio system	461,654	461,654	461,397	257
Medical Examiner	1,000	1,000	440	560
Total other protection	\$ 586,757	\$ 586,757	\$ 585,940	\$ 817
Total public safety	\$ 21,548,544	\$ 21,618,011	\$ 21,197,708	\$ 420,303
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 859,358	\$ 860,726	\$ 835,727	\$ 24,999
Street maintenance	1,188,110	1,138,460	1,104,007	34,453
Street lights	442,500	438,682	391,321	47,361
Snow removal	123,530	112,648	105,997	6,651
Industrial park rail spur	15,500	23,850	19,786	4,064
Traffic engineering	820,987	827,769	698,429	129,340
Shop and garage	1,273,621	1,286,823	1,182,683	104,140
Total maintenance of streets, highways, bridges and sidewalks	\$ 4,723,606	\$ 4,688,958	\$ 4,337,950	\$ 351,008

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 948,788	\$ 939,288	\$ 856,082	\$ 83,206
Urban forestry program	85,000	85,000	82,500	2,500
Refuse collection	620,577	584,577	515,093	69,484
Refuse disposal	375,150	402,150	372,842	29,308
Recycling collection	135,488	135,488	134,875	613
Total sanitation and waste removal	\$ 2,165,003	\$ 2,146,503	\$ 1,961,392	\$ 185,111
Maintenance of buildings and grounds:				
Public facilities	\$ 2,248,150	\$ 2,263,331	\$ 2,097,435	\$ 165,896
Courthouse maintenance	327,350	395,679	324,937	70,742
Commuter rail	91,000	80,062	55,129	24,933
Total maintenance of buildings and grounds	\$ 2,666,500	\$ 2,739,072	\$ 2,477,501	\$ 261,571
Total public works	\$ 9,555,109	\$ 9,574,533	\$ 8,776,843	\$ 797,690
Health and welfare:				
Health:				
Supplement to local health department	\$ 414,280	\$ 414,280	\$ 414,280	\$ -
Mental health and mental retardation:				
Rappahannock Area Community Services Board	\$ 272,529	\$ 272,529	\$ 272,529	\$ -
Social services:				
Other contributions	\$ 381,611	\$ 381,611	\$ 380,783	\$ 828
Total health and welfare	\$ 1,068,420	\$ 1,068,420	\$ 1,067,592	\$ 828
Education:				
Community colleges	\$ 69,291	\$ 69,291	\$ 69,291	\$ -
Appropriations to public school system	28,760,210	30,239,892	30,239,892	-
Total education	\$ 28,829,501	\$ 30,309,183	\$ 30,309,183	\$ -
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 615,729	\$ 615,505	\$ 568,447	\$ 47,058
Supervision	804,545	790,532	731,156	59,376
Maintenance	1,203,828	1,311,065	1,226,873	84,192
Motts Run	115,255	123,710	102,872	20,838
Dixon Park swimming pool	162,411	177,411	161,221	16,190
Total parks and recreation	\$ 2,901,768	\$ 3,018,223	\$ 2,790,569	\$ 227,654
Library:				
Regional library	\$ 1,300,990	\$ 1,300,990	\$ 1,300,990	\$ -
Downtown library	205,231	205,231	180,707	24,524
Total library	\$ 1,506,221	\$ 1,506,221	\$ 1,481,697	\$ 24,524
Cultural:				
Museums	\$ 95,975	\$ 95,975	\$ 95,975	\$ -
Total parks, recreation and cultural	\$ 4,503,964	\$ 4,620,419	\$ 4,368,241	\$ 252,178

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Community development:				
Planning and community development:				
Planning	\$ 759,490	\$ 729,331	\$ 716,096	\$ 13,235
Zoning Appeals Board	1,100	1,100	250	850
Transportation division	157,292	171,965	169,724	2,241
Community development	164,609	164,609	164,609	-
Architectural Review Board	4,100	-	-	-
Clean and Green Commission	6,400	6,400	4,170	2,230
Economic development and tourism	1,201,278	1,256,565	1,158,402	98,163
Total planning and community development	\$ 2,294,269	\$ 2,329,970	\$ 2,213,251	\$ 116,719
Environmental management:				
Soil and water conservation district	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total community development	\$ 2,296,269	\$ 2,331,970	\$ 2,215,251	\$ 116,719
Nondepartmental:				
OPEB trust contribution	\$ -	\$ 200,000	\$ 200,000	\$ -
Total expenditures	\$ 81,004,904	\$ 82,973,095	\$ 80,397,954	\$ 2,575,141
Excess (deficiency) of revenues over expenditures	\$ 10,177,596	\$ 9,259,087	\$ 15,540,800	\$ 6,281,713
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	\$ 12,500	\$ 12,500	\$ 31,032	\$ 18,532
Transfers in	600,000	600,000	600,000	-
Transfers out	(14,430,096)	(14,403,448)	(13,840,777)	562,671
Total other financing sources (uses)	\$ (13,817,596)	\$ (13,790,948)	\$ (13,209,745)	\$ 581,203
Net change in fund balance	\$ (3,640,000)	\$ (4,531,861)	\$ 2,331,055	\$ 6,862,916
Fund balance, beginning of year	3,640,000	4,531,861	25,835,189	21,303,328
Fund balance, end of year	\$ -	\$ -	\$ 28,166,244	\$ 28,166,244

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
For the Measurement Dates of June 30, 2014 through June 30, 2018

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					
2018	97.62% \$	20,408,343 \$	24,252,928	84.15%	84.19%
2017	97.82%	19,534,142	23,232,269	84.08%	84.23%
2016	97.29%	26,367,292	22,977,066	114.75%	78.31%
2015	96.83%	20,719,184	22,635,550	91.53%	82.01%
2014	96.57%	22,917,333	21,420,920	106.99%	79.85%
Component Unit School Board (professional)					
2018	0.2877% \$	33,837,000 \$	23,210,637	145.78%	74.81%
2017	0.2887%	35,499,000	22,743,104	156.09%	72.92%
2016	0.2894%	40,555,000	22,065,166	183.80%	68.28%
2015	0.2883%	36,284,000	21,447,563	169.18%	70.68%
2014	0.2730%	32,995,000	19,966,621	165.25%	70.88%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 124,345	\$ 133,150	\$ 125,309	\$ 130,660	\$ 132,328
Interest	309,215	303,206	283,678	273,318	255,208
Changes in assumptions	-	(96,351)	-	-	-
Differences between expected and actual experience	(51,746)	(62,000)	(17,054)	(143,981)	-
Benefit payments, including refunds of employee contributions	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Net change in total pension liability	\$ 114,040	\$ 161,439	\$ 282,587	\$ 145,346	\$ 244,549
Total pension liability - beginning	4,551,243	4,389,804	4,107,217	3,961,871	3,717,322
Total pension liability - ending (a)	\$ 4,665,283	\$ 4,551,243	\$ 4,389,804	\$ 4,107,217	\$ 3,961,871
Plan fiduciary net position					
Contributions - employer	\$ 48,893	\$ 50,600	\$ 85,248	\$ 84,468	\$ 76,354
Contributions - employee	60,950	62,163	60,997	60,507	59,538
Net investment income	364,338	549,409	79,053	191,424	567,330
Benefit payments, including refunds of employee contributions	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Administrative expense	(3,213)	(3,117)	(2,671)	(2,558)	(3,030)
Other	(324)	(491)	(33)	(41)	30
Net change in plan fiduciary net position	\$ 202,870	\$ 541,998	\$ 113,248	\$ 219,149	\$ 557,235
Plan fiduciary net position - beginning	5,020,504	4,478,506	4,365,258	4,146,109	3,588,874
Plan fiduciary net position - ending (b)	\$ 5,223,374	\$ 5,020,504	\$ 4,478,506	\$ 4,365,258	\$ 4,146,109
School Division's net pension liability(asset) - ending (a) - (b)	\$ (558,091)	\$ (469,261)	\$ (88,702)	\$ (258,041)	\$ (184,238)
Plan fiduciary net position as a percentage of the total pension liability	111.96%	110.31%	102.02%	106.28%	104.65%
Covered payroll	\$ 1,285,885	\$ 1,284,705	\$ 1,249,950	\$ 1,235,088	\$ 1,191,588
School Division's net pension liability as a percentage of covered payroll	43.40%	36.53%	7.10%	20.89%	15.46%

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

Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 2,921,413	\$ 2,921,413	\$ -	\$ 24,262,627	12.04%
2018	2,983,944	2,983,944	-	24,252,928	12.30%
2017	2,915,650	2,915,650	-	23,232,269	12.55%
2016	3,662,544	3,662,544	-	22,977,066	15.94%
2015	3,608,107	3,608,107	-	22,635,550	15.94%
2014	3,138,165	3,138,165	-	21,420,920	14.65%
2013	3,070,145	3,070,145	-	20,956,620	14.65%
2012	2,193,209	2,193,209	-	20,307,488	10.80%
2011	2,169,552	2,169,552	-	20,088,443	10.80%
2010	1,902,397	1,902,397	-	20,216,761	9.41%
Component Unit School Board (nonprofessional)					
2019	\$ 30,068	\$ 30,068	\$ -	\$ 1,309,930	2.30%
2018	49,268	49,268	-	1,285,885	3.83%
2017	53,315	53,315	-	1,284,705	4.15%
2016	86,747	86,747	-	1,249,950	6.94%
2015	85,715	85,715	-	1,235,088	6.94%
2014	86,152	86,152	-	1,191,588	7.23%
2013	84,302	84,302	-	1,166,004	7.23%
2012	49,855	49,855	-	1,105,427	4.51%
2011	48,946	48,946	-	1,085,267	4.51%
2010	49,309	49,309	-	1,133,534	4.35%
Component Unit School Board (professional)					
2019	\$ 3,628,291	\$ 3,628,291	\$ -	\$ 23,815,635	15.23%
2018	3,717,961	3,717,961	-	23,210,637	16.02%
2017	3,334,139	3,334,139	-	22,743,104	14.66%
2016	3,100,340	3,100,340	-	22,065,166	14.05%
2015	3,526,396	3,526,396	-	21,447,563	16.44%

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

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

Schedule of City of Fredericksburg, Virginia's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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					
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)					
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)					
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

For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 125,933	\$ 125,933	\$ -	\$ 24,262,627	0.52%
2018	126,281	126,281	-	24,284,801	0.52%
2017	120,964	120,964	-	23,262,335	0.52%
2016	110,329	110,329	-	22,985,223	0.48%
2015	108,783	108,783	-	22,663,195	0.48%
2014	102,914	102,914	-	21,440,512	0.48%
2013	100,705	100,705	-	20,980,105	0.48%
2012	56,861	56,861	-	20,307,488	0.28%
2011	56,270	56,270	-	20,096,384	0.28%
2010	41,080	41,080	-	20,216,761	0.20%
Component Unit School Board (nonprofessional)					
2019	\$ 6,812	\$ 6,812	\$ -	\$ 1,309,930	0.52%
2018	6,687	6,687	-	1,285,885	0.52%
2017	6,680	6,680	-	1,284,705	0.52%
2016	6,011	6,011	-	1,252,322	0.48%
2015	5,928	5,928	-	1,235,088	0.48%
2014	5,753	5,753	-	1,198,497	0.48%
2013	5,597	5,597	-	1,166,004	0.48%
2012	3,095	3,095	-	1,105,427	0.28%
2011	3,039	3,039	-	1,085,267	0.28%
2010	2,299	2,299	-	1,133,534	0.20%
Component Unit School Board (professional)					
2019	\$ 123,841	\$ 123,841	\$ -	\$ 23,815,635	0.52%
2018	120,947	120,947	-	23,258,958	0.52%
2017	118,767	118,767	-	22,839,725	0.52%
2016	106,165	106,165	-	22,117,662	0.48%
2015	103,319	103,319	-	21,524,745	0.48%
2014	96,002	96,002	-	20,000,385	0.48%
2013	92,567	92,567	-	19,284,823	0.48%
2012	51,457	51,457	-	18,381,005	0.28%
2011	50,412	50,412	-	18,004,450	0.28%
2010	34,669	34,669	-	12,840,266	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Fredericksburg School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
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) Program

For the Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 284,013	\$ 284,013	\$ -	\$ 23,667,736	1.20%
2018	285,491	285,491	-	23,210,637	1.23%
2017	252,402	252,402	-	22,738,901	1.11%
2016	233,891	233,891	-	22,065,166	1.06%
2015	227,198	227,198	-	21,433,776	1.06%
2014	221,629	221,629	-	19,966,618	1.11%
2013	214,040	214,040	-	19,282,895	1.11%
2012	110,273	110,273	-	18,378,751	0.60%
2011	107,909	107,909	-	17,984,801	0.60%
2010	133,539	133,539	-	17,996,339	0.74%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 245,838	\$ 254,662
Interest	167,749	148,443
Changes in assumptions	174,653	(166,508)
Benefit payments	(145,591)	(123,551)
Net change in total OPEB liability	<u>\$ 442,649</u>	<u>\$ 113,046</u>
Total OPEB liability - beginning	<u>4,160,859</u>	<u>4,047,813</u>
Total OPEB liability - ending	<u><u>\$ 4,603,508</u></u>	<u><u>\$ 4,160,859</u></u>
 Covered payroll	 \$ 27,400,642	 \$ 27,400,642
 School Board's total OPEB liability (asset) as a percentage of covered payroll	 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
For the Year Ended June 30, 2019

Valuation Date: 1/1/2018
Measurement Date: 6/30/2019

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	3.50% as of June 30, 2019 and 3.87% as of June 30, 2018
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.50% in 2019 and gradually increases to 4.20% by the year 2097
Salary Increase Rates	3.50% to 5.35% based on years of service
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Schedule of Changes in the City's Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2017 through June 30, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 135,927	\$ 127,035	\$ 199,978
Interest	1,088,555	1,081,522	1,163,246
Effect of Economic/Demographic Gains or Losses	-	(1,432,111)	-
Changes in assumptions	744,226	-	-
Benefit payments	(1,121,818)	(1,112,307)	(941,888)
Net change in total OPEB liability	\$ 846,890	\$ (1,335,861)	\$ 421,336
Total OPEB liability - beginning	15,966,282	17,302,143	16,880,807
Total OPEB liability - ending (a)	\$ 16,813,172	\$ 15,966,282	\$ 17,302,143
Plan fiduciary net position			
Contributions - employer	\$ 1,328,208	\$ 1,112,307	\$ 1,053,888
Net investment income	74,635	118,262	128,315
Benefit payments	(1,121,818)	(1,112,307)	(941,888)
Administrative expense	(2,009)	(1,857)	(1,347)
Net change in plan fiduciary net position	\$ 279,016	\$ 116,405	\$ 238,968
Plan fiduciary net position - beginning	1,351,925	1,235,520	996,552
Plan fiduciary net position - ending (b)	\$ 1,630,941	\$ 1,351,925	\$ 1,235,520
City's net OPEB liability - ending (a) - (b)	\$ 15,182,231	\$ 14,614,357	\$ 16,066,623
Plan fiduciary net position as a percentage of the total OPEB liability	9.70%	8.47%	7.14%
Covered payroll	\$ 23,337,048	\$ 23,337,048	\$ 22,344,600
City's net OPEB liability as a percentage of covered payroll	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
For the Years Ended June 30, 2016 through June 30, 2019

Date	Actuarially Determined Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
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, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Amortization period	28 years
Asset valuation method	Market Value
Inflation	2.50%
Healthcare cost trend rates	For pre-65 benefits: 5.10% for 2016, 8.60% for 2017, 5.80% for 2018, gradually decreasing to an ultimate rate of 4.10% for 2085 and beyond. For post-65 benefits: 6.30% for 2016, 9.10% for 2017, 6.10% for 2018, gradually decreasing to an ultimate rate of 4.40% for 2098 and beyond.
Salary increases	Varies based on years of service
Investment rate of return	6.50%
Retirement age	In the 2018 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table.

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

Schedule of Investment Returns

For the Years Ended June 30, 2017 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	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.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2019

	Special Revenue	Capital Projects	Debt Service	Total
Assets:				
Cash and cash equivalents	\$ 2,327,372	\$ 9,249,695	\$ 2,279,594	\$ 13,856,661
Receivables:				
Property taxes	8,136	-	-	8,136
Accrued revenue	28,058	93,279	-	121,337
Prepaid items	9,576	-	-	9,576
Due from other governments	938,001	-	-	938,001
Total assets	\$ <u>3,311,143</u>	\$ <u>9,342,974</u>	\$ <u>2,279,594</u>	\$ <u>14,933,711</u>
Liabilities:				
Accounts payable	\$ 315,529	\$ 247,509	\$ 18,000	\$ 581,038
Accrued liabilities	198,843	9,051	-	207,894
Unearned revenue	30,500	-	255,174	285,674
Total liabilities	\$ <u>544,872</u>	\$ <u>256,560</u>	\$ <u>273,174</u>	\$ <u>1,074,606</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	\$ <u>6,846</u>	\$ -	\$ -	\$ <u>6,846</u>
Fund Balances:				
Nonspendable	\$ 9,576	\$ -	\$ -	\$ 9,576
Restricted	95,250	-	-	95,250
Committed	2,654,599	992,916	2,006,420	5,653,935
Assigned	-	8,093,498	-	8,093,498
Total fund balances	\$ <u>2,759,425</u>	\$ <u>9,086,414</u>	\$ <u>2,006,420</u>	\$ <u>13,852,259</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>3,311,143</u>	\$ <u>9,342,974</u>	\$ <u>2,279,594</u>	\$ <u>14,933,711</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019

	Special Revenue	Capital Projects	Debt Service	Total
Revenues				
General property taxes	\$ 395,208	\$ -	\$ -	\$ 395,208
Other local taxes	-	-	-	-
Permits, privilege fees and regulatory licenses	37,474	22,750	-	60,224
Fines and forfeitures	10,712	-	-	10,712
Use of money and property	6,013	751,996	-	758,009
Charges for services	34,983	55,185	-	90,168
Miscellaneous	117,997	50,000	280,859	448,856
Recovered costs	488,405	63,125	-	551,530
Intergovernmental:				
Revenue from the Commonwealth	4,115,176	-	-	4,115,176
Revenue from the Federal Government	3,189,938	-	-	3,189,938
Total revenues	\$ 8,395,906	\$ 943,056	\$ 280,859	\$ 9,619,821
Expenditures				
Current:				
Judicial administration	\$ 214,872	\$ -	\$ -	\$ 214,872
Public safety	511,199	-	-	511,199
Public works	532,313	-	-	532,313
Health and welfare	8,643,732	-	-	8,643,732
Parks, recreation and cultural	87,688	-	-	87,688
Community development	721,355	-	-	721,355
Capital projects	-	1,994,963	-	1,994,963
Debt service:				
Principal payments	-	-	4,855,064	4,855,064
Interest and fiscal charges	-	-	3,722,358	3,722,358
Total expenditures	\$ 10,711,159	\$ 1,994,963	\$ 8,577,422	\$ 21,283,544
Excess (deficiency) of revenues over (under) expenditures	\$ (2,315,253)	\$ (1,051,907)	\$ (8,296,563)	\$ (11,663,723)
Other financing sources (uses)				
Issuance of bonds	\$ -	\$ 4,658,488	\$ 178,727	\$ 4,837,215
Bond premium	-	358,438	-	358,438
Proceeds from the sale of capital assets	1,425	-	-	1,425
Transfers in	2,791,930	1,294,370	8,277,649	12,363,949
Transfers out	(87,720)	-	-	(87,720)
Total other financing sources (uses)	\$ 2,705,635	\$ 6,311,296	\$ 8,456,376	\$ 17,473,307
Net change in fund balance	\$ 390,382	\$ 5,259,389	\$ 159,813	\$ 5,809,584
Fund balances, beginning of year	2,369,043	3,827,025	1,846,607	8,042,675
Fund balances, end of year	\$ 2,759,425	\$ 9,086,414	\$ 2,006,420	\$ 13,852,259

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2019

	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	Blight Abatement Fund	Total
Assets:									
Cash and cash equivalents	\$ 215,619	\$ 871,845	\$ 363,170	\$ 174,799	\$ 187,184	\$ 156,464	\$ 136,000	\$ 222,291	\$ 2,327,372
Receivables:									
Property taxes	-	-	-	-	8,136	-	-	-	8,136
Accrued revenue	13,257	13,442	1,209	-	150	-	-	-	28,058
Prepaid items	3,980	3,288	-	-	1,520	788	-	-	9,576
Due from other governments	499,030	80,088	358,883	-	-	-	-	-	938,001
Total assets	\$ 731,886	\$ 968,663	\$ 723,262	\$ 174,799	\$ 196,990	\$ 157,252	\$ 136,000	\$ 222,291	\$ 3,311,143
Liabilities:									
Accounts payable	\$ 22,512	\$ 23,755	\$ 263,977	\$ -	\$ 2,335	\$ -	\$ -	\$ 2,950	\$ 315,529
Accrued liabilities	104,390	11,389	2,846	-	14,257	65,961	-	-	198,843
Unearned revenue	10,500	20,000	-	-	-	-	-	-	30,500
Total liabilities	\$ 137,402	\$ 55,144	\$ 266,823	\$ -	\$ 16,592	\$ 65,961	\$ -	\$ 2,950	\$ 544,872
Deferred Inflows of Resources:									
Unavailable revenue - property taxes	\$ -	\$ -	\$ -	\$ -	\$ 6,846	\$ -	\$ -	\$ -	\$ 6,846
Fund Balances:									
Nonspendable	\$ 3,980	\$ 3,288	\$ -	\$ -	\$ 1,520	\$ 788	\$ -	\$ -	\$ 9,576
Restricted	-	95,250	-	-	-	-	-	-	95,250
Committed	590,504	814,981	456,439	174,799	172,032	90,503	136,000	219,341	2,654,599
Total fund balances	\$ 594,484	\$ 913,519	\$ 456,439	\$ 174,799	\$ 173,552	\$ 91,291	\$ 136,000	\$ 219,341	\$ 2,759,425
Total liabilities, deferred inflows of resources and fund balances	\$ 731,886	\$ 968,663	\$ 723,262	\$ 174,799	\$ 196,990	\$ 157,252	\$ 136,000	\$ 222,291	\$ 3,311,143

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	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	Blight Abatement Fund	Total
Revenues									
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 395,208	\$ -	\$ -	\$ -	\$ 395,208
Permits, privilege fees and regulatory licenses	-	7,800	-	-	29,674	-	-	-	37,474
Fines and forfeitures	-	10,712	-	-	-	-	-	-	10,712
Use of money and property	-	2,913	-	-	-	3,100	-	-	6,013
Charges for services	-	34,983	-	-	-	-	-	-	34,983
Miscellaneous	8,415	107,548	-	-	-	-	-	2,034	117,997
Recovered costs	57,910	391,841	-	-	13,574	-	-	25,080	488,405
Intergovernmental:									
Revenue from the Commonwealth	1,839,380	326,495	1,897,562	-	-	51,739	-	-	4,115,176
Revenue from the Federal Government	2,715,291	405,947	60,982	-	-	7,718	-	-	3,189,938
Total revenues	\$ 4,620,996	\$ 1,288,239	\$ 1,958,544	\$ -	\$ 438,456	\$ 62,557	\$ -	\$ 27,114	\$ 8,395,906
Expenditures									
Judicial administration	\$ -	\$ 203,562	\$ -	\$ -	\$ -	\$ 11,310	\$ -	\$ -	\$ 214,872
Public safety	-	487,915	-	-	-	23,284	-	-	511,199
Public works	-	1,163	-	-	511,950	-	-	19,200	532,313
Health and welfare	5,517,559	-	3,126,173	-	-	-	-	-	8,643,732
Parks, recreation and cultural	-	87,688	-	-	-	-	-	-	87,688
Community development	-	707,355	-	-	-	-	14,000	-	721,355
Total expenditures	\$ 5,517,559	\$ 1,487,683	\$ 3,126,173	\$ -	\$ 511,950	\$ 34,594	\$ 14,000	\$ 19,200	\$ 10,711,159
Excess (deficiency) of revenues over (under) expenditures	\$ (896,563)	\$ (199,444)	\$ (1,167,629)	\$ -	\$ (73,494)	\$ 27,963	\$ (14,000)	\$ 7,914	\$ (2,315,253)
Other financing sources (uses)									
Transfers in	\$ 940,000	\$ 322,930	\$ 1,320,000	\$ -	\$ 134,000	\$ -	\$ 75,000	\$ -	\$ 2,791,930
Transfers out	-	-	-	(87,720)	-	-	-	-	(87,720)
Proceeds from the sale of capital assets	1,425	-	-	-	-	-	-	-	1,425
Total other financing sources (uses)	\$ 941,425	\$ 322,930	\$ 1,320,000	\$ (87,720)	\$ 134,000	\$ -	\$ 75,000	\$ -	\$ 2,705,635
Net change in fund balance	\$ 44,862	\$ 123,486	\$ 152,371	\$ (87,720)	\$ 60,506	\$ 27,963	\$ 61,000	\$ 7,914	\$ 390,382
Fund balances, beginning of year	549,622	790,033	304,068	262,519	113,046	63,328	75,000	211,427	2,369,043
Fund balances, end of year	\$ 594,484	\$ 913,519	\$ 456,439	\$ 174,799	\$ 173,552	\$ 91,291	\$ 136,000	\$ 219,341	\$ 2,759,425

Combining Balance Sheet
Nonmajor Capital Projects Funds
At June 30, 2019

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Assets:				
Cash and cash equivalents	\$ 6,560,222	\$ 1,628,155	\$ 1,061,318	\$ 9,249,695
Accrued revenue	47,157	42,157	3,965	93,279
Due from other governments	-	-	-	-
Total assets	<u>\$ 6,607,379</u>	<u>\$ 1,670,312</u>	<u>\$ 1,065,283</u>	<u>\$ 9,342,974</u>
Liabilities:				
Accounts payable	\$ 170,768	\$ 76,741	\$ -	\$ 247,509
Accrued liabilities	9,051	-	-	9,051
Unearned revenue	-	-	-	-
Total liabilities	<u>\$ 179,819</u>	<u>\$ 76,741</u>	<u>\$ -</u>	<u>\$ 256,560</u>
Fund Balances:				
Committed	\$ 991,868	\$ 1,048	\$ -	\$ 992,916
Assigned	<u>5,435,692</u>	<u>1,592,523</u>	<u>1,065,283</u>	<u>8,093,498</u>
Total fund balances	<u>\$ 6,427,560</u>	<u>\$ 1,593,571</u>	<u>\$ 1,065,283</u>	<u>\$ 9,086,414</u>
Total liabilities and fund balances	<u>\$ 6,607,379</u>	<u>\$ 1,670,312</u>	<u>\$ 1,065,283</u>	<u>\$ 9,342,974</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2019

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Revenues				
Permits, privilege fees and regulatory licenses	\$ 22,750	\$ -	\$ -	\$ 22,750
Use of money and property	416,249	335,747	-	751,996
Charges for services	-	-	55,185	55,185
Miscellaneous	50,000	-	-	50,000
Recovered costs	-	63,125	-	63,125
Total revenues	\$ 488,999	\$ 398,872	\$ 55,185	\$ 943,056
Expenditures				
Capital projects	\$ 1,450,334	\$ 529,629	\$ 15,000	\$ 1,994,963
Excess (deficiency) of revenues over (under) expenditures	\$ (961,335)	\$ (130,757)	\$ 40,185	\$ (1,051,907)
Other financing sources (uses)				
Issuance of bonds	\$ 4,378,943	\$ 279,545	\$ -	\$ 4,658,488
Bond premium	321,057	37,381	-	358,438
Transfers in	1,114,370	180,000	-	1,294,370
Total other financing sources (uses)	\$ 5,814,370	\$ 496,926	\$ -	\$ 6,311,296
Net change in fund balance	\$ 4,853,035	\$ 366,169	\$ 40,185	\$ 5,259,389
Fund balances, beginning of year	1,574,525	1,227,402	1,025,098	3,827,025
Fund balances, end of year	\$ 6,427,560	\$ 1,593,571	\$ 1,065,283	\$ 9,086,414

Combining Balance Sheet
 Nonmajor Debt Service Funds
 At June 30, 2019

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Assets:			
Cash and cash equivalents	\$ <u>586,872</u>	\$ <u>1,692,722</u>	\$ <u>2,279,594</u>
Liabilities:			
Accounts payable	\$ 18,000	\$ -	\$ 18,000
Unearned revenue	<u>255,174</u>	<u>-</u>	<u>255,174</u>
Total liabilities	\$ <u>273,174</u>	\$ <u>-</u>	\$ <u>273,174</u>
Fund Balances:			
Committed	\$ <u>313,698</u>	\$ <u>1,692,722</u>	\$ <u>2,006,420</u>
Total fund balances	\$ <u>313,698</u>	\$ <u>1,692,722</u>	\$ <u>2,006,420</u>
Total liabilities and fund balances	\$ <u>586,872</u>	\$ <u>1,692,722</u>	\$ <u>2,279,594</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year Ended June 30, 2019

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Revenues			
Miscellaneous	\$ 280,859	\$ -	\$ 280,859
Expenditures			
Debt service:			
Principal	\$ 2,577,554	\$ 2,277,510	\$ 4,855,064
Interest and fiscal charges	1,779,338	1,943,020	3,722,358
Total expenditures	\$ 4,356,892	\$ 4,220,530	\$ 8,577,422
Excess (deficiency) of revenues over (under) expenditures	\$ (4,076,033)	\$ (4,220,530)	\$ (8,296,563)
Other financing sources (uses)			
Issuance of bonds	\$ 178,727	\$ -	\$ 178,727
Transfers in	4,211,004	4,066,645	8,277,649
Total other financing sources (uses)	\$ 4,389,731	\$ 4,066,645	\$ 8,456,376
Net change in fund balance	\$ 313,698	\$ (153,885)	\$ 159,813
Fund balances, beginning of year	-	1,846,607	1,846,607
Fund balances, end of year	\$ 313,698	\$ 1,692,722	\$ 2,006,420

Combining Statement of Fiduciary Net Position

Agency Funds

At June 30, 2019

	Criminal Justice Academy	Special Welfare	Court Service Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Assets:							
Cash and cash equivalents	\$ 438,086	\$ 14,992	\$ 162,001	\$ 528,983	\$ 20,451	\$ 508,689	\$ 1,673,202
Accounts receivable	1,118	-	-	117,648	-	-	118,766
Total assets	<u>\$ 439,204</u>	<u>\$ 14,992</u>	<u>\$ 162,001</u>	<u>\$ 646,631</u>	<u>\$ 20,451</u>	<u>\$ 508,689</u>	<u>\$ 1,791,968</u>
Liabilities:							
Accounts payable	\$ 10,174	\$ -	\$ 19,567	\$ 9,795	\$ -	\$ -	\$ 39,536
Accrued liabilities	37,719	-	2,617	19,272	-	-	59,608
Amounts held for others	391,311	14,992	139,817	617,564	20,451	508,689	1,692,824
Total liabilities	<u>\$ 439,204</u>	<u>\$ 14,992</u>	<u>\$ 162,001</u>	<u>\$ 646,631</u>	<u>\$ 20,451</u>	<u>\$ 508,689</u>	<u>\$ 1,791,968</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
CRIMINAL JUSTICE ACADEMY				
Assets:				
Cash and cash equivalents	\$ 424,956	\$ 438,086	\$ 424,956	\$ 438,086
Accounts receivable	3,265	1,118	3,265	1,118
Total assets	<u>\$ 428,221</u>	<u>\$ 439,204</u>	<u>\$ 428,221</u>	<u>\$ 439,204</u>
Liabilities:				
Accounts payable	\$ 6,214	\$ 10,174	\$ 6,214	\$ 10,174
Accrued liabilities	25,111	37,719	25,111	37,719
Amounts held for others	396,896	391,311	396,896	391,311
Total liabilities	<u>\$ 428,221</u>	<u>\$ 439,204</u>	<u>\$ 428,221</u>	<u>\$ 439,204</u>
SPECIAL WELFARE				
Assets:				
Cash and cash equivalents	\$ 22,113	\$ 14,992	\$ 22,113	\$ 14,992
Liabilities:				
Amounts held for others	\$ 22,113	\$ 14,992	\$ 22,113	\$ 14,992
COURT SERVICE UNIT				
Assets:				
Cash and cash equivalents	\$ 167,883	\$ 162,001	\$ 167,883	\$ 162,001
Accounts receivable	4,706	-	4,706	-
Total assets	<u>\$ 172,589</u>	<u>\$ 162,001</u>	<u>\$ 172,589</u>	<u>\$ 162,001</u>
Liabilities:				
Accounts payable	\$ 33,333	\$ 19,567	\$ 33,333	\$ 19,567
Accrued liabilities	2,601	2,617	2,601	2,617
Amounts held for others	136,655	139,817	136,655	139,817
Total liabilities	<u>\$ 172,589</u>	<u>\$ 162,001</u>	<u>\$ 172,589</u>	<u>\$ 162,001</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
RAPPAHANNOCK AREA YOUTH SERVICES				
Assets:				
Cash and cash equivalents	\$ 457,529	\$ 528,983	\$ 457,529	\$ 528,983
Accounts receivable	123,052	117,648	123,052	117,648
Total assets	\$ 580,581	\$ 646,631	\$ 580,581	\$ 646,631
Liabilities:				
Accounts payable	\$ 22,554	\$ 9,795	\$ 22,554	\$ 9,795
Accrued liabilities	33,663	19,272	33,663	19,272
Amounts held for others	524,364	617,564	524,364	617,564
Total liabilities	\$ 580,581	\$ 646,631	\$ 580,581	\$ 646,631
REVENUE MAXIMIZATION				
Assets:				
Cash and cash equivalents	\$ 20,451	\$ -	\$ -	\$ 20,451
Liabilities:				
Amounts held for others	\$ 20,451	\$ -	\$ -	\$ 20,451
COMMUNITY DEVELOPMENT AUTHORITY				
Assets:				
Cash and cash equivalents	\$ 772,234	\$ 508,689	\$ 772,234	\$ 508,689
Liabilities:				
Amounts held for others	\$ 772,234	\$ 508,689	\$ 772,234	\$ 508,689
TOTALS -- ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,865,166	\$ 1,652,751	\$ 1,844,715	\$ 1,673,202
Accounts receivable	131,023	118,766	131,023	118,766
Total assets	\$ 1,996,189	\$ 1,771,517	\$ 1,975,738	\$ 1,791,968
Liabilities:				
Accounts payable	\$ 62,101	\$ 39,536	\$ 62,101	\$ 39,536
Accrued liabilities	61,375	59,608	61,375	59,608
Amounts held for others	1,872,713	1,672,373	1,852,262	1,692,824
Total liabilities	\$ 1,996,189	\$ 1,771,517	\$ 1,975,738	\$ 1,791,968

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 8,415	\$ 8,415
Recovered costs	\$ 66,272	\$ 66,272	\$ 57,910	\$ (8,362)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 2,069,855	\$ 2,167,638	\$ 1,839,380	\$ (328,258)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 2,837,432	\$ 2,837,432	\$ 2,715,291	\$ (122,141)
Total revenues	\$ 4,973,559	\$ 5,071,342	\$ 4,620,996	\$ (450,346)
Expenditures				
Health and welfare	\$ 6,126,905	\$ 6,224,688	\$ 5,517,559	\$ 707,129
State, Federal and Local Grants Fund				
Revenues				
Permits and other licenses	\$ 10,000	\$ 10,000	\$ 7,800	\$ (2,200)
Fines and forfeitures	\$ -	\$ -	\$ 10,712	\$ 10,712
Revenue from use of money and property:				
Use of money				
	\$ -	\$ -	\$ 2,913	\$ 2,913
Miscellaneous	\$ 129,200	\$ 187,245	\$ 107,548	\$ (79,697)
Charges for services:				
Court costs				
	\$ 20,000	\$ 20,000	\$ 33,958	\$ 13,958
Parks and recreation fees				
	\$ 8,000	\$ 8,000	\$ 1,025	\$ (6,975)
Total charges for services	\$ 28,000	\$ 28,000	\$ 34,983	\$ 6,983
Recovered costs:				
Stafford and Spotsylvania Counties				
	\$ 342,000	\$ 342,000	\$ 342,000	\$ -
Other				
	\$ 1,000	\$ 9,975	\$ 49,841	\$ 39,866
Total recovered costs	\$ 343,000	\$ 351,975	\$ 391,841	\$ 39,866
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Records preservation grant				
	\$ 28,000	\$ 28,000	\$ 11,534	\$ (16,466)
Hazardous materials grant				
	\$ 30,000	\$ 114,000	\$ 30,000	\$ (84,000)
Four-for-life				
	\$ 32,000	\$ 32,000	\$ 65,029	\$ 33,029
PSAP grants				
	\$ 77,300	\$ 77,300	\$ 49,140	\$ (28,160)
Fire services program				
	\$ 107,192	\$ 107,192	\$ 84,061	\$ (23,131)
VA domestic violence victim fund				
	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Victim-witness program				
	\$ 30,662	\$ 30,662	\$ 30,165	\$ (497)
Other				
	\$ 51,680	\$ 87,881	\$ 11,566	\$ (76,315)
Total revenue from the Commonwealth	\$ 401,834	\$ 522,035	\$ 326,495	\$ (195,540)
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs				
	\$ 133,485	\$ 133,485	\$ 262,605	\$ 129,120
Community development block grants				
	\$ 162,000	\$ 162,000	\$ 143,342	\$ (18,658)
Total revenue from the Federal Government	\$ 295,485	\$ 295,485	\$ 405,947	\$ 110,462
Total revenues	\$ 1,207,519	\$ 1,394,740	\$ 1,288,239	\$ (106,501)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
State, Federal and Local Grants Fund: (continued)				
Expenditures				
Judicial administration:				
Victim-witness program	\$ 182,430	\$ 182,430	\$ 145,368	\$ 37,062
Domestic violence victim fund grant	69,613	69,613	58,194	11,419
Records preservation program	28,000	28,000	-	28,000
Total judicial administration	\$ 280,043	\$ 280,043	\$ 203,562	\$ 76,481
Public safety:				
Hazardous materials response program	\$ 30,000	\$ 78,114	\$ 19,414	\$ 58,700
Fire services program	107,192	169,244	90,233	79,011
Four-for-life grant	32,000	32,000	65,029	(33,029)
PSAP grants	77,300	84,371	39,936	44,435
Byrne JAG grant	18,500	37,402	61,565	(24,163)
LEMPG	40,680	57,938	47,941	9,997
ICAC grant	6,000	6,000	5,913	87
Community projects	-	20,532	18,369	2,163
Crime prevention	-	2,236	1,200	1,036
E-summons	20,000	56,622	24,632	31,990
Prisoner extradition	-	19,099	15,730	3,369
State homeland security grant	-	119,186	81,153	38,033
OEMS grant	-	4,328	-	4,328
DMV grants	23,000	23,000	16,800	6,200
Total public safety	\$ 354,672	\$ 710,072	\$ 487,915	\$ 222,157
Public works:				
Emerald ash program	\$ -	\$ 3,980	\$ 1,163	\$ 2,817
Parks, recreation and cultural:				
Starfires drill team	\$ 6,000	\$ 3,571	\$ 1,754	\$ 1,817
Farmers' market	24,000	26,429	26,428	1
Midnight madness	15,000	15,000	9,626	5,374
Fredericksburg Arts Commission	40,000	58,567	38,584	19,983
Other	9,000	19,898	11,296	8,602
Total parks, recreation and cultural	\$ 94,000	\$ 123,465	\$ 87,688	\$ 35,777
Community development:				
Community development block grant	\$ 233,630	\$ 233,630	\$ 210,821	\$ 22,809
Low income housing program	-	100,000	4,750	95,250
Smart communities	-	53,776	44,476	9,300
Regional consumer marketing	363,000	403,296	275,284	128,012
Regional group tourism	150,000	206,168	137,748	68,420
PEG access	40,200	40,200	-	40,200
United Way special events	30,000	30,000	16,586	13,414
Other	60,000	57,255	17,690	39,565
Total community development	\$ 876,830	\$ 1,124,325	\$ 707,355	\$ 416,970
Total expenditures	\$ 1,605,545	\$ 2,241,885	\$ 1,487,683	\$ 754,202
Children's Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act grants	\$ 1,686,133	\$ 2,306,133	\$ 1,897,562	\$ (408,571)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 26,000	\$ 26,000	\$ 60,982	\$ 34,982
Total revenues	\$ 1,712,133	\$ 2,332,133	\$ 1,958,544	\$ (373,589)
Expenditures				
Health and Welfare:				
Children's Services Act program	\$ 2,794,989	\$ 3,794,989	\$ 3,126,173	\$ 668,816

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
Stormwater Management Fund				
Revenues				
General property taxes	\$ 395,000	\$ 395,000	\$ 395,208	\$ 208
Permits and other licenses	\$ 25,000	\$ 25,000	\$ 29,674	\$ 4,674
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Recovered costs	\$ -	\$ -	\$ 13,574	\$ 13,574
Total revenues	\$ 445,000	\$ 445,000	\$ 438,456	\$ (6,544)
Expenditures				
Public works:				
Drainage	\$ 301,863	\$ 301,863	\$ 241,391	\$ 60,472
VSMP administration	279,460	304,838	270,559	34,279
Total expenditures	\$ 581,323	\$ 606,701	\$ 511,950	\$ 94,751
Blight Abatement Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 2,034	\$ 2,034
Recovered costs	\$ 20,000	\$ 20,000	\$ 25,080	\$ 5,080
Total revenues	\$ 20,000	\$ 20,000	\$ 27,114	\$ 7,114
Expenditures				
Public works:				
Blight abatement	\$ 95,000	\$ 95,000	\$ 19,200	\$ 75,800
Forfeited Asset Sharing Program Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 3,100	\$ 3,100
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited asset sharing program	\$ -	\$ 4,154	\$ 51,739	\$ 47,585
Revenue from the Federal Government:				
Categorical aid:				
Forfeited asset sharing program	\$ -	\$ -	\$ 7,718	\$ 7,718
Total revenues	\$ -	\$ 4,154	\$ 62,557	\$ 58,403
Expenditures				
Judicial administration:				
Forfeited asset sharing program	\$ -	\$ 19,000	\$ 11,310	\$ 7,690
Public safety:				
Forfeited asset sharing program	\$ -	\$ 23,284	\$ 23,284	\$ -
Total expenditures	\$ -	\$ 42,284	\$ 34,594	\$ 7,690
Fredericksburg Opportunity Fund				
Expenditures				
Community development:				
Tourism study	\$ -	\$ 35,000	\$ 14,000	\$ 21,000
Capital Projects Funds				
Public Works Capital Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ -	\$ 479,062	\$ 62,500	\$ (416,562)
Revenue from use of money and property:				
Use of money	\$ 10,000	\$ 360,743	\$ 583,799	\$ 223,056
Recovered costs	\$ 80,000	\$ 80,000	\$ 178,807	\$ 98,807
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grants	\$ 1,502,000	\$ 4,773,829	\$ 581,288	\$ (4,192,541)
FEMA grant	-	-	39,484	39,484
Stormwater management grant	100,000	100,000	-	(100,000)
Total revenue from the Commonwealth	\$ 1,602,000	\$ 4,873,829	\$ 620,772	\$ (4,253,057)
Total revenues	\$ 1,692,000	\$ 5,793,634	\$ 1,445,878	\$ (4,347,756)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures				
Capital projects:				
Annual pavement rehabilitation	\$ 725,000	\$ 2,325,011	\$ 1,427,643	\$ 897,368
Downtown streetscape renovation	-	2,550,000	-	2,550,000
Historic district improvements	-	100,000	-	100,000
Culvert repair	50,000	137,000	105,875	31,125
Rolling stock	275,000	275,000	165,084	109,916
Historic assets	30,000	30,000	-	30,000
Riverfront Park	5,000,000	5,486,419	504,734	4,981,685
Rappahannock Canal repairs	68,000	58,000	24,370	33,630
Stormwater management plan	200,000	299,950	-	299,950
Fall Hill Avenue widening	-	30,298	30,298	-
Fall Hill Avenue/Noble Way signal	-	332,165	203,719	128,446
Fall Hill Avenue street lights	-	250,000	-	250,000
Fall Hill Avenue sidewalks	300,000	300,000	-	300,000
Route 3 signal optimization	222,000	369,000	-	369,000
Traffic calming	75,000	75,000	-	75,000
Idlewild pathway improvements	75,000	75,000	-	75,000
Lafayette Boulevard corridor study	-	62,500	62,500	-
Blue-Gray storm sewer improvements	-	95,000	48,052	46,948
Arterial traffic signage	480,000	480,000	-	480,000
Pedestrian bridges rehab	-	10,000	-	10,000
Central Park improvements	262,000	262,000	87,720	174,280
VCR Trail bridge	-	160,000	5,675	154,325
College Terrace storm sewer	800,000	1,010,743	97,300	913,443
Salt storage facility	375,000	375,000	5,650	369,350
Kensington bike connection	500,000	500,000	-	500,000
Total capital projects	\$ 9,437,000	\$ 15,648,086	\$ 2,768,620	\$ 12,879,466
Public Facilities Capital Fund				
Revenues				
Other local taxes:				
Gasoline tax	\$ 210,000	\$ 210,000	\$ -	\$ (210,000)
Permits and other licenses	\$ -	\$ -	\$ 22,750	\$ 22,750
Revenue from use of money and property:				
Use of money	\$ 10,000	\$ 10,000	\$ 335,747	\$ 325,747
Use of property	50,000	50,000	80,502	30,502
Total revenue from use of money and property	\$ 60,000	\$ 60,000	\$ 416,249	\$ 356,249
Miscellaneous	\$ -	\$ 70,000	\$ 50,000	\$ (20,000)
Total revenues	\$ 270,000	\$ 340,000	\$ 488,999	\$ 148,999
Expenditures				
Capital projects:				
General parks maintenance improvements	\$ -	\$ 6,644	\$ 5,465	\$ 1,179
Roof replacements	50,000	50,000	-	50,000
Computer equipment replacement	300,000	334,741	248,679	86,062
Executive Plaza building	3,200,000	3,288,399	18,283	3,270,116
Memorial Park restroom	-	155,000	-	155,000
Energy retrofits	-	55,000	-	55,000
Downtown parking garage	210,000	210,000	-	210,000
Doris E Buffett pool improvements	25,000	25,000	18,368	6,632
Old town hall museum	51,000	51,000	20,606	30,394
ERP implementation	-	1,201,613	429,562	772,051
Parks plan development	90,000	101,601	-	101,601
Train station sidewalk improvements	90,000	90,000	26,038	63,962
Area plan updates	200,000	422,540	277,329	145,211
Library parking lot	-	52,000	6,743	45,257
Dixon Park inline skating	143,000	224,098	218,264	5,834
IT resilience	48,000	156,106	33,536	122,570
HVAC replacements	50,000	50,000	35,463	14,537
Police department phone system	120,000	120,000	111,998	8,002
Total capital projects	\$ 4,577,000	\$ 6,593,742	\$ 1,450,334	\$ 5,143,408

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2019

	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	\$ -	\$ -	\$ 335,747	\$ 335,747
Recovered costs	\$ -	\$ -	\$ 63,125	\$ 63,125
Total revenues	\$ -	\$ -	\$ 398,872	\$ 398,872
Expenditures				
Capital projects:				
New fire station	\$ 675,000	\$ 675,000	\$ 3,788	\$ 671,212
Animal shelter	160,000	160,000	64,963	95,037
Emergency medical vehicles	325,000	325,000	316,925	8,075
Fire station upgrades	-	26,410	24,001	2,409
Police camera system	120,000	120,000	119,952	48
Total capital projects	\$ 1,280,000	\$ 1,306,410	\$ 529,629	\$ 776,781
New Court Capital Fund				
Revenues				
Charges for services:				
Courthouse construction fees	\$ -	\$ -	\$ 55,185	\$ 55,185
Expenditures				
Capital projects:				
Renwick courthouse redevelopment	\$ -	\$ 250,000	\$ 15,000	\$ 235,000
Debt Service Funds				
General Obligation Bond Debt Service Fund				
Revenues				
Miscellaneous	\$ 280,859	\$ 280,859	\$ 280,859	\$ -
Expenditures				
Principal and interest	\$ 4,485,691	\$ 4,485,691	\$ 4,356,892	\$ 128,799
Education Debt Service Fund				
Expenditures				
Principal and interest	\$ 4,222,052	\$ 4,222,052	\$ 4,220,530	\$ 1,522

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, 2019

	School Operating Fund	Special School Fund	School Capital Projects Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 5,352,943	\$ 67,168	\$ 1,922,854	\$ 7,342,965
Due from other governments	483,698	984,657	-	1,468,355
Prepaid items	501,897	48,029	-	549,926
Total assets	<u>\$ 6,338,538</u>	<u>\$ 1,099,854</u>	<u>\$ 1,922,854</u>	<u>\$ 9,361,246</u>
Liabilities:				
Accounts payable	\$ 361,534	\$ 126,312	\$ 46,568	\$ 534,414
Accrued liabilities	2,796,532	326,469	-	3,123,001
Total liabilities	<u>\$ 3,158,066</u>	<u>\$ 452,781</u>	<u>\$ 46,568</u>	<u>\$ 3,657,415</u>
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 501,897	\$ 48,029	\$ -	\$ 549,926
Committed:				
Grant related expenditures	-	599,044	-	599,044
Subsequent year's expenditures	250,000	-	-	250,000
Assigned:				
Capital projects	-	-	1,876,286	1,876,286
Debt service	300,000	-	-	300,000
Unassigned	2,128,575	-	-	2,128,575
Total fund balances	<u>\$ 3,180,472</u>	<u>\$ 647,073</u>	<u>\$ 1,876,286</u>	<u>\$ 5,703,831</u>
Total liabilities and fund balances	<u>\$ 6,338,538</u>	<u>\$ 1,099,854</u>	<u>\$ 1,922,854</u>	<u>\$ 9,361,246</u>

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2019

Total fund balances for governmental funds (Exhibit 40)	\$	5,703,831
---	----	-----------

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		70,374	
Land improvements, net of accumulated depreciation		231,870	
Buildings and improvements, net of accumulated depreciation		24,764,916	
Machinery, equipment, and vehicles, net of accumulated depreciation		<u>2,762,683</u>	28,302,522

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Net pension asset	558,091
-------------------	---------

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	4,757,359	
OPEB related items		<u>664,012</u>	5,421,371

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Capital lease	\$	(2,542,000)	
Net OPEB liability		(10,206,508)	
Net pension liability		(33,837,000)	
Compensated absences		<u>(1,110,094)</u>	(47,695,602)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(3,949,028)	
OPEB related items		<u>(395,804)</u>	(4,344,832)

Total net position of governmental activities (Exhibits 1 and 12)	\$	<u><u>(12,054,619)</u></u>
---	----	----------------------------

Component Unit School Board

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	School Operating Fund	Special School Fund	School Capital Projects Fund	Total Governmental Funds
Revenues				
Charges for services	\$ 162,359	\$ 155,607	\$ -	\$ 317,966
Miscellaneous	100,603	270,674	-	371,277
Recovered costs	109,000	26,550	568,188	703,738
Intergovernmental:				
Appropriation from primary government	28,885,892	-	1,354,000	30,239,892
Revenue from the Commonwealth	15,175,969	443,776	-	15,619,745
Revenue from the Federal Government	-	4,912,040	-	4,912,040
Total revenues	\$ 44,433,823	\$ 5,808,647	\$ 1,922,188	\$ 52,164,658
Expenditures				
Current:				
Education:				
Instruction	\$ 32,600,861	\$ 4,080,857	\$ -	\$ 36,681,718
Administration, attendance and health	3,147,860	-	-	3,147,860
Transportation	1,853,424	-	-	1,853,424
Facilities operations	4,044,725	-	-	4,044,725
Technology	1,698,489	132,352	-	1,830,841
School food service operations	178,602	1,985,481	-	2,164,083
Capital projects	-	-	743,332	743,332
Debt service:				
Principal	238,000	-	-	238,000
Interest	55,878	-	-	55,878
Total expenditures	\$ 43,817,839	\$ 6,198,690	\$ 743,332	\$ 50,759,861
Excess (deficiency) of revenues over (under) expenditures	\$ 615,984	\$ (390,043)	\$ 1,178,856	\$ 1,404,797
Net change in fund balance	\$ 615,984	\$ (390,043)	\$ 1,178,856	\$ 1,404,797
Fund balances, beginning of year	2,564,488	1,037,116	697,430	4,299,034
Fund balances, end of year	\$ 3,180,472	\$ 647,073	\$ 1,876,286	\$ 5,703,831

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, 2019

Net change in fund balances - total governmental funds (Exhibit 42)	\$ 1,404,797
---	--------------

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

	(877,492)
--	-----------

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board	1,530,797
--	-----------

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

Repayments of long-term debt:

Capital lease	238,000
---------------	---------

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

Pension expense	1,175,665
OPEB expense	(159,785)
Compensated absences	297

Change in net position of governmental activities (Exhibit 12)	\$ <u>3,312,279</u>
--	---------------------

Component Unit School Board
 School Operating Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	\$ 1,200	\$ 1,200	\$ -	\$ (1,200)
Charges for services:				
Charges for education	\$ 139,779	\$ 140,979	\$ 162,359	\$ 21,380
Miscellaneous	\$ 28,200	\$ 28,200	\$ 100,603	\$ 72,403
Recovered costs:				
Education	\$ -	\$ -	\$ 109,000	\$ 109,000
Intergovernmental:				
Appropriation from primary government	\$ 28,760,210	\$ 28,885,892	\$ 28,885,892	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 3,859,863	\$ 3,859,863	\$ 3,921,325	\$ 61,462
Basic aid	6,689,064	6,689,064	6,737,787	48,723
Other	4,297,273	4,297,273	4,516,857	219,584
Total revenue from the Commonwealth	\$ 14,846,200	\$ 14,846,200	\$ 15,175,969	\$ 329,769
Total revenues	\$ 43,775,589	\$ 43,902,471	\$ 44,433,823	\$ 531,352
Expenditures				
Current:				
Education:				
Instruction	\$ 33,237,907	\$ 33,938,017	\$ 32,600,861	\$ 1,337,156
Administration, attendance and health	3,142,669	3,160,469	3,147,860	12,609
Transportation	1,779,897	1,990,579	1,853,424	137,155
School food service operations	100,000	220,000	178,602	41,398
Facilities operations	4,208,856	4,208,856	4,044,725	164,131
Technology	1,504,100	1,658,550	1,698,489	(39,939)
Debt service:				
Principal	238,000	238,000	238,000	-
Interest and fiscal charges	37,000	37,000	55,878	(18,878)
Total expenditures	\$ 44,248,429	\$ 45,451,471	\$ 43,817,839	\$ 1,633,632
Excess (deficiency) of revenues over (under) expenditures	\$ (472,840)	\$ (1,549,000)	\$ 615,984	\$ 2,164,984
Net change in fund balance	\$ (472,840)	\$ (1,549,000)	\$ 615,984	\$ 2,164,984
Fund balance, beginning of year	472,840	1,549,000	2,564,488	1,015,488
Fund balance, end of year	\$ -	\$ -	\$ 3,180,472	\$ 3,180,472

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, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special School Fund				
Revenues				
Charges for services:				
Cafeteria sales	\$ 388,300	\$ 388,300	\$ 155,607	\$ (232,693)
Miscellaneous	\$ -	\$ 352,096	\$ 270,674	\$ (81,422)
Recovered costs:				
Education	\$ 27,000	\$ 27,000	\$ 26,550	\$ (450)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 64,603	\$ 64,603	\$ 42,947	\$ (21,656)
Preschool initiative grant	168,187	168,187	190,945	22,758
VPSA technology grant	154,000	154,000	132,352	(21,648)
Other	26,000	126,000	77,532	(48,468)
Total revenue from the Commonwealth	\$ 412,790	\$ 512,790	\$ 443,776	\$ (69,014)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 1,098,585	\$ 1,098,585	\$ 996,924	\$ (101,661)
School food	1,350,712	1,350,712	1,894,245	543,533
Head Start	1,119,060	1,119,060	1,008,096	(110,964)
Special education IDEA	661,221	704,635	583,332	(121,303)
Other	318,609	407,796	429,443	21,647
Total revenue from the Federal Government	\$ 4,548,187	\$ 4,680,788	\$ 4,912,040	\$ 231,252
Total revenues	\$ 5,376,277	\$ 5,960,974	\$ 5,808,647	\$ (152,327)
Expenditures				
Current:				
Education:				
Instruction	\$ 3,418,661	\$ 4,327,358	\$ 4,080,857	\$ 246,501
Technology	154,000	154,000	132,352	21,648
School food service operations	1,803,616	1,803,616	1,985,481	(181,865)
Total expenditures	\$ 5,376,277	\$ 6,284,974	\$ 6,198,690	\$ 86,284
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (324,000)	\$ (390,043)	\$ (66,043)
Net change in fund balance	\$ -	\$ (324,000)	\$ (390,043)	\$ (66,043)
Fund balance, beginning of year	-	324,000	1,037,116	713,116
Fund balance, end of year	\$ -	\$ -	\$ 647,073	\$ 647,073

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, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Capital Projects Fund				
Revenues				
Recovered costs:				
Education	\$ -	\$ -	\$ 568,188	\$ 568,188
Intergovernmental:				
Appropriation from primary government	\$ -	\$ 1,354,000	\$ 1,354,000	\$ -
Total revenues	\$ -	\$ 1,354,000	\$ 1,922,188	\$ 568,188
Expenditures				
Capital projects:				
School buses	\$ -	\$ 474,000	\$ 188,594	\$ 285,406
School computer technology	-	375,500	339,548	35,952
James Monroe and Walker Grant expansion	-	250,000	70,374	179,626
School maintenance equipment	-	100,000	95,981	4,019
Other	-	155,000	48,835	106,165
Total capital projects	\$ -	\$ 1,354,500	\$ 743,332	\$ 611,168
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (500)	\$ 1,178,856	\$ 1,179,356
Net change in fund balance	\$ -	\$ (500)	\$ 1,178,856	\$ 1,179,356
Fund balance, beginning of year	-	500	697,430	696,930
Fund balance, end of year	\$ -	\$ -	\$ 1,876,286	\$ 1,876,286

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

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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.

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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.

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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.

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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.

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

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CITY OF FREDERICKSBURG, VIRGINIA

Table 1

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Invested in capital assets, net of related debt	\$ 81,665,145	\$ 80,513,796	\$ 80,274,520	\$ 81,353,678	\$ 84,961,559	\$ 88,179,245	\$ 85,329,030	\$ 88,860,358	\$ 86,992,126	\$ 108,060,205
Unrestricted	22,042,434	23,055,185	27,061,221	31,143,089	30,874,128	6,205,397	9,448,661	8,241,949	(301,359)	9,020,303
Total governmental activities net position	\$ 103,707,579	\$ 103,568,981	\$ 107,335,741	\$ 112,496,767	\$ 115,835,687	\$ 94,384,642	\$ 94,777,691	\$ 97,102,307	\$ 86,690,767	\$ 117,080,508
Business-type activities:										
Invested in capital assets, net of related debt	\$ 39,780,366	\$ 39,550,414	\$ 40,307,710	\$ 44,809,475	\$ 47,687,656	\$ 47,153,509	\$ 44,280,931	\$ 44,971,811	\$ 45,749,607	\$ 49,954,998
Unrestricted	13,022,965	16,473,376	17,161,279	16,705,512	17,779,917	17,046,024	21,962,726	23,631,467	23,572,937	26,567,206
Total business-type activities net position	\$ 52,803,331	\$ 56,023,790	\$ 57,468,989	\$ 61,514,987	\$ 65,467,573	\$ 64,199,533	\$ 66,243,657	\$ 68,603,278	\$ 69,322,544	\$ 76,522,204
Primary government:										
Net investment in capital assets	\$ 121,445,511	\$ 120,064,210	\$ 120,582,230	\$ 126,163,153	\$ 132,649,215	\$ 135,332,754	\$ 129,609,961	\$ 133,832,169	\$ 132,741,733	\$ 158,015,203
Unrestricted	35,065,399	39,528,561	44,222,500	47,848,601	48,654,045	23,251,421	31,411,387	31,873,416	23,271,578	35,587,509
Total primary government net position	\$ 156,510,910	\$ 159,592,771	\$ 164,804,730	\$ 174,011,754	\$ 181,303,260	\$ 158,584,175	\$ 161,021,348	\$ 165,705,585	\$ 156,013,311	\$ 193,602,712

Note: The City implemented GASB Statement No. 68 beginning with fiscal year 2015. Details of the City's pension plan can be found in Note 12. The City also implemented GASB Statement No. 75 effective for fiscal year 2018. Information on the City's other post-employment benefits is located in Notes 19 and 22.

CITY OF FREDERICKSBURG, VIRGINIA

Table 2
Page 1 of 3

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Expenses	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 5,171,028	\$ 5,407,587	\$ 5,833,003	\$ 6,889,501	\$ 6,397,126	\$ 6,285,041	\$ 6,866,241	\$ 7,065,308	\$ 7,073,403	\$ 7,341,468
Judicial administration	3,854,380	3,609,180	3,879,790	4,341,611	4,392,902	4,478,163	5,566,392	5,700,242	5,566,589	5,560,113
Public safety	20,200,427	19,937,181	19,316,975	19,579,277	20,623,797	20,645,685	21,630,457	22,472,125	22,748,234	21,708,879
Public works	10,964,359	10,707,212	10,898,437	11,584,108	12,681,384	13,162,173	12,836,598	12,324,625	11,144,393	11,909,503
Health and welfare	6,721,050	6,797,908	6,790,459	6,426,311	6,594,938	7,279,605	7,014,254	7,951,696	8,303,383	9,174,372
Education	26,228,250	26,383,137	27,249,752	28,633,110	28,797,870	28,803,904	29,862,457	30,433,939	33,548,965	32,906,022
Parks, recreation and cultural	3,936,068	4,031,435	4,340,912	4,554,212	4,765,119	4,790,452	4,748,604	5,025,061	5,020,617	5,096,742
Community development	1,819,607	1,930,369	2,154,832	2,165,794	2,186,948	2,694,020	2,882,580	2,652,990	2,705,777	3,050,238
Interest on long-term debt	2,674,176	2,542,424	3,186,127	3,485,231	3,343,630	3,150,988	3,419,833	3,357,340	3,129,894	3,351,555
Total governmental activities expenses	\$ 81,569,345	\$ 81,346,433	\$ 83,650,287	\$ 87,659,155	\$ 89,783,714	\$ 91,290,031	\$ 94,827,416	\$ 96,983,326	\$ 99,241,255	\$ 100,098,892
Business-type activities:										
Water	\$ 2,882,295	\$ 2,523,517	\$ 2,884,071	\$ 2,999,771	\$ 2,751,523	\$ 2,933,514	\$ 2,972,130	\$ 3,125,748	\$ 3,212,402	\$ 3,548,890
Sewer	4,156,245	4,975,289	5,256,052	4,875,587	4,874,582	4,795,857	5,092,925	5,485,742	5,299,352	5,355,770
Transit	3,600,428	3,887,158	4,097,929	4,157,157	4,437,179	4,275,370	4,410,391	4,671,545	4,797,484	5,152,302
Parking	528,819	460,950	476,315	456,999	470,905	448,933	443,485	493,395	465,613	463,019
Total business-type activities expenses	\$ 11,167,787	\$ 11,846,914	\$ 12,714,367	\$ 12,489,514	\$ 12,534,189	\$ 12,453,674	\$ 12,918,931	\$ 13,776,430	\$ 13,774,851	\$ 14,519,981
Total primary government expenses	\$ 92,737,132	\$ 93,193,347	\$ 96,364,654	\$ 100,148,669	\$ 102,317,903	\$ 103,743,705	\$ 107,746,347	\$ 110,759,756	\$ 113,016,106	\$ 114,618,873

CITY OF FREDERICKSBURG, VIRGINIA

Table 2
Page 2 of 3

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 79,215	\$ 85,191	\$ 82,624	\$ 94,773	\$ 109,152	\$ 152,025	\$ 157,793	\$ 149,415	\$ 144,698	\$ 151,722
Judicial administration	196,474	219,127	214,894	209,917	204,046	220,427	195,804	191,999	222,654	236,010
Public safety	1,848,719	2,111,221	1,943,884	2,042,868	1,862,973	2,087,775	1,891,374	1,872,937	2,169,937	2,687,383
Public works	725,710	733,070	743,145	757,997	828,049	967,752	985,924	998,126	1,017,049	921,651
Parks, recreation and cultural	469,802	487,368	459,848	440,392	471,289	497,253	455,603	473,643	507,083	539,224
Community development	691	476	145	274	1,169	263	57	28	9	28
Operating grants and contributions	10,073,459	10,159,077	11,758,221	9,685,095	9,985,588	10,896,754	10,645,954	11,601,213	12,294,048	13,095,478
Capital grants and contributions	1,750,758	841,870	1,725,467	2,967,105	4,595,323	2,011,484	1,460,003	3,192,416	2,643,606	25,072,392
Total governmental activities program revenues	\$ 15,144,828	\$ 14,637,400	\$ 16,928,228	\$ 16,198,421	\$ 18,057,589	\$ 16,833,733	\$ 15,792,512	\$ 18,479,777	\$ 18,999,084	\$ 42,703,888
Business-type activities:										
Charges for services:										
Water	\$ 2,261,200	\$ 2,344,438	\$ 2,448,425	\$ 2,689,470	\$ 2,829,872	\$ 3,035,359	\$ 3,285,584	\$ 3,322,933	\$ 3,363,456	\$ 3,325,758
Sewer	3,742,221	3,821,281	4,013,111	4,526,072	4,857,512	5,144,191	5,408,049	5,426,986	5,611,484	5,522,266
Transit	271,610	274,395	368,072	344,624	423,081	403,921	470,343	307,579	333,462	304,830
Parking	192,461	238,240	261,991	304,003	328,385	353,532	283,741	247,274	276,452	282,249
Operating grants and contributions	5,270,270	6,621,263	5,493,221	3,521,961	4,784,398	3,514,732	4,336,969	3,979,565	4,463,470	5,734,213
Capital grants and contributions	931,897	870,726	763,564	4,397,886	2,307,225	145,599	410,573	1,682,639	-	5,526,154
Total business-type activities program revenues	\$ 12,669,659	\$ 14,170,343	\$ 13,348,384	\$ 15,784,016	\$ 15,530,473	\$ 12,597,334	\$ 14,195,259	\$ 14,966,976	\$ 14,048,324	\$ 20,695,470
Total primary government program revenues	\$ 27,814,487	\$ 28,807,743	\$ 30,276,612	\$ 31,982,437	\$ 33,588,062	\$ 29,431,067	\$ 29,987,771	\$ 33,446,753	\$ 33,047,408	\$ 63,399,358
Net (expense)/revenue										
Governmental activities	\$ (66,424,517)	\$ (66,709,033)	\$ (66,722,059)	\$ (71,460,734)	\$ (71,726,125)	\$ (74,456,298)	\$ (79,034,904)	\$ (78,503,549)	\$ (80,242,171)	\$ (57,395,004)
Business-type activities	1,501,872	2,323,429	634,017	3,294,502	2,996,284	143,660	1,276,328	1,190,546	273,473	6,175,489
Total primary government net expense	\$ (64,922,645)	\$ (64,385,604)	\$ (66,088,042)	\$ (68,166,232)	\$ (68,729,841)	\$ (74,312,638)	\$ (77,758,576)	\$ (77,313,003)	\$ (79,968,698)	\$ (51,219,515)

CITY OF FREDERICKSBURG, VIRGINIA

Table 2
Page 3 of 3

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 29,951,918	\$ 31,254,682	\$ 33,896,976	\$ 34,601,092	\$ 35,247,134	\$ 37,567,214	\$ 38,983,743	\$ 40,022,650	\$ 42,657,551	\$ 43,504,349
Local sales and use taxes	10,043,091	10,191,895	10,311,633	10,840,598	10,663,183	10,780,677	11,176,401	11,376,302	11,580,437	11,925,147
Consumer utility taxes	1,677,699	1,644,628	1,831,083	1,795,046	1,844,379	1,856,992	1,810,911	1,808,256	1,834,078	1,850,089
Business license taxes	5,893,072	5,538,312	5,735,557	5,994,920	5,641,614	5,943,742	6,101,499	6,320,104	6,382,569	6,575,645
Hotel/Lodging taxes	1,084,542	1,175,244	1,182,500	1,204,855	1,149,906	1,329,542	1,432,190	1,524,371	1,565,938	1,547,989
Meals taxes	8,132,542	8,842,347	9,373,302	9,657,796	9,752,120	10,115,765	10,693,375	11,141,603	11,765,352	11,918,714
Other local taxes	3,147,579	2,892,598	2,877,503	2,914,744	3,837,495	4,391,651	3,911,733	3,158,608	3,151,831	3,338,504
Unrestricted grants and contributions	3,810,995	3,909,817	3,741,002	4,696,323	5,557,931	3,820,401	3,814,470	3,724,175	3,653,002	3,592,560
Revenues from use of money and property	537,035	441,779	426,375	348,295	462,109	405,457	554,699	468,252	545,326	2,163,744
Miscellaneous	391,890	294,113	512,888	243,201	287,916	403,665	329,387	664,489	552,057	761,832
Transfers	904,224	385,020	600,000	620,436	604,393	603,480	619,545	619,355	605,665	606,172
Total governmental activities	\$ 65,574,587	\$ 66,570,435	\$ 70,488,819	\$ 72,917,306	\$ 75,048,180	\$ 77,218,586	\$ 79,427,953	\$ 80,828,165	\$ 84,293,806	\$ 87,784,745
Business-type activities:										
Taxes:										
Other local taxes	\$ 321,058	\$ 765,756	\$ 726,653	\$ 897,209	\$ 961,084	\$ 743,502	\$ 687,620	\$ 1,154,538	\$ 725,117	\$ 730,000
Revenues from use of money and property	123,522	71,152	85,668	31,694	70,392	65,812	111,862	62,519	47,630	335,748
Miscellaneous	512,162	445,142	598,861	443,029	529,219	655,766	587,859	571,373	545,583	564,595
Transfers	(904,224)	(385,020)	(600,000)	(620,436)	(604,393)	(603,480)	(619,545)	(619,355)	(605,665)	(606,172)
Total business-type activities	\$ 52,518	\$ 897,030	\$ 811,182	\$ 751,496	\$ 956,302	\$ 861,600	\$ 767,796	\$ 1,169,075	\$ 712,665	\$ 1,024,171
Total primary government	\$ 65,627,105	\$ 67,467,465	\$ 71,300,001	\$ 73,668,802	\$ 76,004,482	\$ 78,080,186	\$ 80,195,749	\$ 81,997,240	\$ 85,006,471	\$ 88,808,916
Change in Net Position										
Governmental activities	\$ (849,930)	\$ (138,598)	\$ 3,766,760	\$ 1,456,572	\$ 3,322,056	\$ 2,762,288	\$ 393,049	\$ 2,324,616	\$ 4,051,635	\$ 30,389,741
Business-type activities	1,554,390	3,220,459	1,445,199	4,045,998	3,952,586	1,005,260	2,044,124	2,359,621	986,138	7,199,660
Total primary government	\$ 704,460	\$ 3,081,861	\$ 5,211,959	\$ 5,502,570	\$ 7,274,642	\$ 3,767,548	\$ 2,437,173	\$ 4,684,237	\$ 5,037,773	\$ 37,589,401

CITY OF FREDERICKSBURG, VIRGINIA

Table 3

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 445,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,272,991	-	-	-	-	-	-	-	-	-
Nondspendable	-	44,611	348,945	359,240	480,656	370,237	387,695	427,347	349,361	461,923
Restricted	-	-	-	-	-	-	327,422	100,466	-	-
Committed	-	5,257,805	5,004,661	7,786,761	6,236,045	6,731,037	4,347,210	6,897,202	7,214,757	7,562,176
Assigned	-	373,829	292,876	858,372	769,149	47,997	1,306,350	996,272	1,326,619	1,896,004
Unassigned	-	13,662,911	20,225,801	18,571,037	19,799,255	20,988,745	19,335,778	15,854,106	16,944,452	18,246,141
Total general fund	\$ 17,718,299	\$ 19,339,156	\$ 25,872,283	\$ 27,575,410	\$ 27,285,105	\$ 28,138,016	\$ 25,704,455	\$ 24,275,393	\$ 25,835,189	\$ 28,166,244
All other governmental funds										
Reserved	\$ 250,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,346,494	-	-	-	-	-	-	-	-	-
Capital projects funds	7,938,299	-	-	-	-	-	-	-	-	-
Nondspendable, reported in:										
Special revenue funds	-	-	-	1,190	4,569	4,876	581	9,710	1,767	9,576
Restricted, reported in:										
Special revenue funds	-	193,070	243,980	290,342	336,280	332,993	-	100,000	100,000	95,250
Committed, reported in:										
Special revenue funds	-	2,480,555	1,821,770	1,487,032	1,966,427	1,758,385	2,157,281	2,083,137	2,267,276	2,654,599
Capital projects funds	-	1,981,075	31,832,728	24,819,754	9,247,406	2,351,359	12,032,685	3,249,100	2,156,267	2,984,479
Debt service Funds	-	-	-	805,804	2,462,142	2,308,258	2,614,397	2,000,490	1,846,607	2,006,420
Assigned, reported in:										
Capital projects funds	-	7,653,041	8,261,194	9,501,088	5,784,081	8,251,305	7,939,214	6,680,441	4,852,951	15,386,142
Total all other governmental funds	\$ 11,535,267	\$ 12,307,741	\$ 42,159,672	\$ 36,905,210	\$ 19,800,905	\$ 15,007,176	\$ 24,744,158	\$ 14,122,878	\$ 11,224,868	\$ 23,136,466

Note: The City implemented GASB Statement No. 54 beginning with fiscal year 2011 - see 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	\$ 29,903,318	\$ 31,240,415	\$ 33,961,795	\$ 34,698,020	\$ 35,293,983	\$ 37,516,803	\$ 39,027,174	\$ 40,074,290	\$ 42,480,519	\$ 43,669,156
Other local taxes	29,978,525	30,285,024	31,311,578	32,407,959	32,888,697	34,418,369	35,126,109	35,329,244	36,280,205	37,156,088
Permits, privilege fees and regulatory licenses	822,476	945,035	748,371	676,892	598,444	726,685	691,636	700,197	823,463	1,125,519
Fines and forfeitures	344,897	586,421	479,355	603,398	477,161	523,547	350,564	312,851	460,046	661,837
Revenue from use of money and property	537,035	441,779	426,375	348,295	462,109	405,457	554,699	468,252	545,326	2,163,744
Charges for services	2,153,238	2,104,997	2,216,814	2,265,931	2,401,073	2,675,263	2,644,355	2,673,100	2,777,921	2,748,662
Miscellaneous	391,890	257,448	485,647	214,655	274,259	273,284	248,557	644,920	530,385	729,375
Recovered costs	1,256,605	1,004,106	1,491,448	1,087,070	959,739	1,143,810	1,038,569	1,119,710	1,393,098	1,337,404
Intergovernmental:										
Commonwealth	11,239,010	11,490,604	13,345,182	12,561,997	15,071,859	12,829,369	12,909,183	13,615,207	13,676,579	14,128,204
Federal	3,337,402	3,221,610	3,879,508	4,775,305	4,363,883	3,761,934	2,603,528	3,161,316	3,543,527	3,284,464
Total revenues	\$ 79,964,396	\$ 81,577,439	\$ 88,346,073	\$ 89,639,522	\$ 92,791,207	\$ 94,274,521	\$ 95,194,374	\$ 98,099,087	\$ 102,511,069	\$ 107,004,453
Expenditures										
General government administration	\$ 4,785,487	\$ 5,034,113	\$ 5,785,583	\$ 6,669,886	\$ 6,178,075	\$ 6,309,106	\$ 7,905,904	\$ 7,016,265	\$ 7,034,405	\$ 7,761,417
Judicial administration	3,326,241	3,347,017	3,707,295	3,872,721	4,058,896	4,426,162	4,757,907	4,842,421	4,825,345	4,916,591
Public safety	18,666,202	18,154,890	18,006,243	18,838,158	19,354,308	20,738,813	21,014,424	21,862,258	22,571,905	21,708,907
Public works	7,648,942	7,430,631	7,932,048	8,134,695	8,719,453	8,680,717	9,938,991	10,799,421	9,407,885	9,309,156
Health and welfare	7,004,337	7,136,173	7,181,433	6,692,144	6,878,616	7,776,388	7,343,391	8,193,779	8,750,439	9,711,324
Education	24,143,850	24,343,841	25,243,849	26,663,850	26,853,825	27,937,535	28,350,929	28,350,929	29,088,569	30,309,183
Parks, recreation and cultural	3,441,368	3,389,943	3,733,260	3,755,802	3,883,740	4,041,718	4,134,366	4,354,413	4,384,188	4,455,929
Community development	2,168,755	2,255,173	2,416,979	2,487,037	2,602,400	2,848,613	3,102,783	2,817,023	2,784,571	2,936,606
Capital projects	4,792,112	2,675,390	9,269,823	10,160,076	25,044,316	13,197,828	12,206,160	14,332,314	7,031,684	4,763,583
Debt service										
Principal	3,026,695	3,127,831	2,857,891	2,704,885	3,588,507	4,437,379	3,966,345	4,456,281	4,980,957	4,855,064
Interest and other fiscal charges	2,843,788	2,710,791	2,675,680	3,860,585	3,658,596	3,457,000	3,593,740	3,763,249	3,610,416	3,722,358
Total expenditures	\$ 81,847,777	\$ 79,605,793	\$ 88,810,084	\$ 93,839,839	\$ 110,820,732	\$ 102,797,549	\$ 105,901,546	\$ 110,788,353	\$ 104,470,364	\$ 104,450,118
Excess (deficiency) of revenues over expenditures	\$ (1,883,381)	\$ 1,971,646	\$ (464,011)	\$ (4,200,317)	\$ (18,029,525)	\$ (8,523,028)	\$ (10,707,172)	\$ (12,689,266)	\$ (1,959,295)	\$ 2,554,335
Other financing sources (uses)										
Transfers in	\$ 9,732,457	\$ 11,913,628	\$ 9,615,156	\$ 10,600,181	\$ 10,924,477	\$ 12,138,388	\$ 12,726,061	\$ 12,614,866	\$ 13,448,403	\$ 14,534,669
Transfers out	(8,828,233)	(11,528,608)	(9,015,156)	(9,979,745)	(10,320,084)	(11,534,908)	(12,106,516)	(11,995,511)	(12,842,738)	(13,928,497)
Refunding bonds issued	-	-	2,469,101	-	-	5,714,176	-	-	-	-
Bonds issued	-	-	33,860,000	-	-	3,832,391	14,820,000	-	-	10,329,145
Premium on bonds issued	-	-	1,760,063	-	-	-	2,490,218	-	-	720,544
Payments to refunded bond escrow agent	-	-	(2,592,336)	-	-	(5,698,218)	-	-	-	-
Long-term notes payable issued	-	-	725,000	-	-	-	-	-	-	-
Sale of capital assets	-	36,665	27,241	28,546	13,658	130,381	80,830	19,569	15,416	32,457
Total other financing sources (uses)	\$ 904,224	\$ 421,685	\$ 36,849,069	\$ 648,982	\$ 618,051	\$ 4,582,210	\$ 18,010,593	\$ 638,924	\$ 621,081	\$ 11,688,318
Net change in fund balances	\$ (979,157)	\$ 2,393,331	\$ 36,385,058	\$ (3,551,335)	\$ (17,411,474)	\$ (3,940,818)	\$ 7,303,421	\$ (12,050,342)	\$ (1,338,214)	\$ 14,242,653
Debt service as a percentage of noncapital expenditures	7.59%	7.53%	6.93%	7.86%	8.44%	8.84%	7.88%	8.52%	8.84%	8.57%

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	Motor				Recordation and Wills Tax	Tobacco Tax	Amusement Tax	Hotel		Total
				Business License Tax	Vehicle License Tax	Bank Stock Tax	Lodging Tax				Meals Tax		
2010	\$ 29,903,318	\$ 10,043,091	\$ 1,677,699	\$ 5,893,072	\$ 375,553	\$ 758,805	\$ 406,123	\$ 503,322	\$ 319,137	\$ 1,084,542	\$ 8,132,542	\$ 59,097,204	
2011	31,240,415	10,191,895	1,644,628	5,538,312	429,626	777,521	468,241	554,701	341,693	1,175,244	8,842,347	61,204,623	
2012	33,961,795	10,311,633	1,831,083	5,735,557	421,393	696,511	402,018	578,303	368,842	1,182,500	9,373,302	64,862,937	
2013	34,698,020	10,840,598	1,795,046	5,994,920	450,126	657,687	408,981	442,569	349,301	1,204,855	9,657,796	66,499,899	
2014	35,293,983	10,663,183	1,844,379	5,641,614	455,246	700,378	567,244	543,916	367,554	1,149,906	9,752,120	66,979,523	
2015	37,516,803	10,780,677	1,856,992	5,943,742	471,438	792,451	456,665	525,413	432,380	1,329,542	10,115,765	70,221,868	
2016	39,027,174	11,176,401	1,810,911	6,101,499	472,014	755,230	711,445	513,669	387,529	1,432,190	10,693,375	73,081,437	
2017	40,074,290	11,376,302	1,808,256	6,320,104	486,096	862,442	567,144	509,819	462,665	1,524,371	11,141,603	75,133,092	
2018	42,480,519	11,580,437	1,834,078	6,382,569	473,299	861,080	435,488	498,154	500,907	1,565,938	11,765,352	78,377,821	
2019	43,669,156	11,925,147	1,850,089	6,575,645	502,675	944,752	703,388	474,305	530,822	1,547,989	11,918,714	80,642,682	

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
2010	\$ 3,501,342,300	0.68	237,860,715	3.40	\$ 20,065,271	0.80	\$ 92,224,942	\$ 3,464,100	3,854,957,328	0.85	\$ 3,854,957,328	100.00%
2011	3,542,088,600	0.68	252,413,838	3.40	33,658,145	0.80	106,522,343	3,464,100	3,938,147,026	0.86	3,938,147,026	100.00%
2012	3,606,739,500	0.72	266,300,640	3.40	34,817,018	0.80	121,621,449	3,464,100	4,032,942,707	0.90	4,032,942,707	100.00%
2013	3,519,520,600	0.74	289,788,976	3.40	29,433,766	0.80	112,250,088	3,427,400	3,954,420,830	0.94	3,954,420,830	100.00%
2014	3,596,021,600	0.74	296,590,842	3.40	25,812,744	0.80	98,288,766	3,927,400	4,020,641,352	0.94	4,020,641,352	100.00%
2015	3,626,209,900	0.79	301,993,080	3.40	22,001,821	0.80	100,894,855	3,427,400	4,054,527,056	0.99	4,054,527,056	100.00%
2016	3,651,843,200	0.82	311,513,383	3.40	16,746,858	0.80	98,498,817	3,427,400	4,082,029,658	1.02	4,082,029,658	100.00%
2017	3,956,381,500	0.77	312,718,088	3.40	15,692,250	0.80	103,541,921	3,541,360	4,391,875,119	0.96	4,391,875,119	100.00%
2018	3,996,438,900	0.80	324,731,053	3.40	15,334,580	0.80	199,976,183	3,541,360	4,540,022,076	0.99	4,540,022,076	100.00%
2019	4,033,008,800	0.80	341,306,676	3.40	14,446,339	0.80	114,503,940	3,541,360	4,506,807,115	1.00	4,506,807,115	100.00%

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
2010	\$ 0.68	\$ 3.40	0.68	\$ 0.80	0.85
2011	0.68	3.40	0.68	0.80	0.86
2012	0.72	3.40	0.72	0.80	0.90
2013	0.74	3.40	0.74	0.80	0.94
2014	0.74	3.40	0.74	0.80	0.94
2015	0.79	3.40	0.79	0.80	0.99
2016	0.82	3.40	0.82	0.80	1.02
2017	0.77	3.40	0.77	0.80	0.96
2018	0.80	3.40	0.80	0.80	0.99
2019	0.80	3.40	0.80	0.80	1.00

(1) Source: Commissioner of Revenue.

(2) Property tax rates are based on \$100 of assessed value.

CITY OF FREDERICKSBURG, VIRGINIA

Table 8

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2019			Fiscal Year 2010		
		2018-2019 Assessed Valuation	Rank	% of Total Assessed Valuation (1)	2009-2010 Assessed Valuation	Rank	% of Total Assessed Valuation (1)
Central Park Retail LLC	Retail	\$ 73,473,800	1	1.77 %	\$ -	-	-
Mach II MCB Silver Portfolio	Central Park property	61,425,800	2	1.48	-	-	-
The Apartments at Cobblestone	Apartment complex	59,887,100	3	1.44	-	-	-
Virginia Electric & Power Co.	Public utility	58,489,573	4	1.41	34,138,742	5	0.95
Mid-America Apartments LP	Apartment complex	45,494,600	5	1.10	-	-	-
Medicorp Properties, Inc.	Hospitals, office buildings, surgical center	41,532,300	6	1.00	54,102,500	2	1.50
Mid-America Apts. LP Seasons at Cel. VA.	Apartment complex	38,196,000	7	0.92	-	-	-
Residences at Belmont Apts. LLC	Apartment complex	33,667,000	9	0.81	-	-	-
Central Park Marketplace Holdings LLC	Central Park property	31,914,100	8	0.77	38,463,300	4	1.07
Verizon Virginia, Inc.	Public utility	29,412,047	10	0.71	30,309,416	7	0.84
Fredericksburg 35 LLC	Central Park property	-	-	-	106,058,800	1	2.95
Celebrate Virginia South LLC	Commercial	-	-	-	43,555,400	3	1.21
Stellar Belmont LLC	Apartment complex	-	-	-	30,913,400	6	0.86
The Ryland Group, Inc.	Home builder, mortgage finance	-	-	-	25,992,600	8	0.72
Wal-Mart Real Estate Business	Retail	-	-	-	25,048,100	9	0.70
Hylton Venture LLC	Land development	-	-	-	24,545,200	10	0.68
Total		\$ 473,492,320		11.41 %	\$ 413,127,458		11.49 %

Source: Commissioner of Revenue.

(1) Percentage of total assessed valuation is based on the combined total assessed value of real estate, public service, and service charges listed in Table 6.

CITY OF FREDERICKSBURG, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal				Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Year of the Levy		Percentage of Levy (2)	Amount (1) (3)		Percentage of Levy (2)	
		Amount (1) (3)						
2010	\$ 32,129,525	\$ 31,050,501	96.64%	\$ 1,009,832	\$ 32,060,333	99.78%		
2011	33,269,826	32,103,892	96.50%	1,073,964	33,177,856	99.72%		
2012	35,663,960	34,417,182	96.50%	1,156,657	35,573,839	99.75%		
2013	36,540,252	35,453,742	97.03%	981,449	36,435,191	99.71%		
2014	37,507,994	35,982,391	95.93%	1,417,800	37,400,191	99.71%		
2015	39,392,612	38,212,293	97.00%	1,036,301	39,248,594	99.63%		
2016	40,976,073	39,725,807	96.95%	1,059,151	40,784,958	99.53%		
2017	41,500,053	40,450,013	97.47%	873,092	41,323,105	99.57%		
2018	43,566,222	42,562,250	97.70%	706,990	43,269,240	99.32%		
2019	44,388,011	43,258,568	97.46%	-	43,258,568	97.46%		

(1) Exclusive of penalties and interest.

(2) Percentages are calculated using levy for fiscal year.

(3) The Commonwealth reimbursement under the Personal Property Tax Relief Act
is included in total collections.

CITY OF FREDERICKSBURG, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)				
	General		Revenue Bonds	General		Revenue Bonds							
	Obligation Bonds	Notes		Obligation Bonds	Notes								
2010	\$	59,625,306	\$	-	\$	-	\$	3,633,315	\$	83,327,466	8.73%	\$	3,431
2011		56,386,080		-		-		2,638,594		78,059,859	7.43%		3,038
2012		88,917,128			725,000			17,984,434		1,609,765	10.26%		4,198
2013		85,946,002			725,000			16,964,140		545,659	9.33%		3,815
2014		82,110,710			725,000			15,939,460		-	8.12%		3,511
2015		82,357,412		-				27,611,336		-	9.15%		3,898
2016		93,367,519		-		2,103,232		25,658,010		-	9.64%		4,308
2017		88,724,301		-		1,853,884		23,662,010		-	8.70%		4,037
2018		83,569,255		-		1,599,850		21,608,219		-	7.97%		3,765
2019		89,595,891		-		1,342,703		25,008,035		-	8.15%		3,978

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 (1)	Net Bonded Debt (2)	Ratio of Net General Obligation	
				Debt to Assessed Value (3)	Net Bonded Debt per Capita (4)
2010	\$ 79,694,151	\$ -	79,694,151	2.07%	\$ 3,281
2011	75,421,265	-	75,421,265	1.92%	2,936
2012	107,626,562	-	107,626,562	2.67%	4,136
2013	103,635,142	805,804	102,829,338	2.60%	3,766
2014	98,775,170	2,462,142	96,313,028	2.40%	3,424
2015	109,968,748	2,308,258	107,660,490	2.66%	3,816
2016	119,025,529	2,154,374	116,871,155	2.86%	4,156
2017	112,386,311	2,000,490	110,385,821	2.51%	3,901
2018	105,177,474	1,846,607	103,330,867	2.28%	3,644
2019	114,603,926	2,006,420	112,597,506	2.50%	3,863

(1) Includes amounts committed in the General Obligation Debt Service Fund and Education Debt Service Fund.

(2) Excludes revenue bonds, capital leases, compensated absences, landfill post-closure costs,
net OPEB liability, and net pension liability.

(3) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6.

(4) 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 207,207,276	\$ 211,856,637	\$ 216,056,402	\$ 212,771,995	\$ 215,659,654	\$ 218,129,465	\$ 219,586,863	\$ 252,766,739	\$ 259,318,338	\$ 257,665,735
Total net debt applicable to limit	78,024,146	73,892,147	104,475,147	99,973,210	93,731,873	105,466,742	112,678,626	106,587,510	99,923,393	108,548,580
Legal debt margin	\$ 129,183,130	\$ 137,964,490	\$ 111,581,255	\$ 112,798,785	\$ 121,927,781	\$ 112,662,723	\$ 106,908,237	\$ 146,179,229	\$ 159,394,945	\$ 149,117,155
Total net debt applicable to the limit as a percentage of debt limit	37.66%	34.88%	48.36%	46.99%	43.46%	48.35%	51.31%	42.17%	38.53%	42.13%

Legal Debt Margin Calculation for Fiscal Year 2019:

Assessed value	\$ 4,147,512,740
Add back: exempt real property	1,220,523,400
Total assessed value	\$ 5,368,036,140
Debt limit (4.8% of total assessed value)	\$ 257,665,735
Net debt applicable to limit	108,548,580
Legal debt margin	\$ 149,117,155

CITY OF FREDERICKSBURG, VIRGINIA

Table 13

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Bonds							
Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2010	\$ 7,693,179	\$ 6,388,224	\$ 1,304,955	\$ 1,583,149	\$ 650,316	0.58	
2011	10,049,028	6,710,195	3,338,833	1,860,357	788,611	1.26	
2012	9,218,671	7,394,400	1,824,271	1,905,625	745,723	0.69	
2013	8,241,838	7,211,193	1,030,645	1,902,540	664,165	0.40	
2014	9,101,122	7,019,203	2,081,919	1,380,571	606,902	1.05	
2015	9,342,915	7,097,478	2,245,437	835,936	631,893	1.53	
2016	10,357,703	7,294,421	3,063,282	1,707,399	770,634	1.24	
2017	10,027,275	7,889,958	2,137,317	1,742,554	721,532	0.87	
2018	10,630,042	7,843,959	2,786,083	1,796,926	667,795	1.13	
2019	11,686,088	8,081,142	3,604,946	1,668,889	650,465	1.55	

CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Direct and Overlapping Debt
As of June 30, 2019

	Debt Outstanding	Percentage	Share of Direct and Overlapping Debt
Direct Debt:			
Primary Government:			
General Obligation Bonds	\$ 89,595,891	100.00%	\$ 89,595,891
VRA Revenue Bonds	1,342,703	100.00%	1,342,703
Total Primary Government Direct Debt	<u>\$ 90,938,594</u>		<u>\$ 90,938,594</u>

The City has no overlapping debt.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Per Capita				School Enrollment (3)	Unemploy- ment Rate (4)
	Population (1)	Personal Income	Personal Income (2)			
2010	24,286	\$ 954,391,228	\$ 39,298		2,793	9.6%
2011	25,691	1,050,582,063	40,893		3,037	10.3%
2012	26,024	1,064,199,432	40,893		3,072	8.8%
2013	27,307	1,116,665,151	40,893		3,139	8.2%
2014	28,132	1,215,808,776	43,218		3,214	5.9%
2015	28,213	1,201,676,309	42,593		3,300	6.2%
2016	28,118	1,256,818,364	44,698		3,478	4.8%
2017	28,297	1,313,009,097	46,401		3,546	4.6%
2018	28,360	1,339,442,800	47,230		3,567	4.3%
2019	29,144	1,422,897,512	48,823		3,649	3.5%

(1) Source: Weldon Cooper Center for Public Service except for fiscal year 2010, which is from the U.S. Census Bureau.

(2) Source: Bureau of Economic Analysis. Per capita income includes the City of Fredericksburg combined with Spotsylvania County.

(3) Source: Fredericksburg School Board office.

(4) Source: Bureau of Labor Statistics.

CITY OF FREDERICKSBURG, VIRGINIA

Table 16

Principal Employers

Current Year and the Period Nine Years Prior

Employer	Fiscal Year 2019			Fiscal Year 2010	
	Number of Employees (1)	Rank	Percentage of Total Employment	Number of Employees	Rank
Mary Washington Healthcare	4,700	1	24.61%	1,395	1
University of Mary Washington	865	2	4.53%	966	2
City of Fredericksburg School Board	784	3	4.11%	644	4
City of Fredericksburg	757	4	3.96%	650	3
Medicorp Health System	500	5	2.62%	-	-
Wal-Mart	499	6	2.61%	500	5
Wegmans	379	7	1.99%	500	6
Snowden Services	360	8	1.89%	-	-
Free Lance Star Publishing, Inc.	350	9	1.83%	383	7
Rappahannock Area Community Services Board	249	10	1.30%	-	-
United States Postal Service	-	-	-	200	8
Lowe's Home Centers, Inc.	-	-	-	200	9
Target	-	-	-	177	10

(1) Source: Department of Economic Development and Tourism.

CITY OF FREDERICKSBURG, VIRGINIA

Table 17

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

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	38	41	41	43	44	51	52	51	50	55
Judicial administration	38	39	39	40	42	48	48	50	48	50
Public safety	164	162	166	162	156	165	159	161	164	165
Public works	75	73	74	73	78	72	73	80	82	81
Health and welfare	35	34	33	32	34	33	35	35	36	37
Parks and recreation	17	17	16	17	32	19	19	18	19	19
Community development	12	12	11	13	14	14	16	15	16	16
Water	10.5	10	10	9	6	11	12	12	12	13
Wastewater	16.5	19	19	17	12	20	21	18	18	18
Transit	13	13	13	14	15	15	14	15	17	21
Parking garage	1	1	1	1	1	1	1	1	1	1
Totals	420	421	423	421	434	449	450	456	463	476

Source: Department of Finance.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety:										
Police department:										
Physical arrests (7)	3,477	3,772	3,621	3,722	3,660	3,974	3,522	3,435	5,336	4,914
Traffic violations (1)	6,546	7,937	7,914	7,824	5,981	5,320	3,733	3,738	5,049	6,047
Parking violations (8)	7,467	7,223	6,965	6,528	7,513	6,235	6,219	7,577	7,014	9,311
Sheriffs department:										
Civil papers (2)	48,074	48,918	50,764	63,886	58,338	58,111	59,405	59,568	62,084	61,087
Fire and rescue:										
Number of calls answered	5,882	5,825	5,471	5,407	5,311	5,344	5,462	5,554	6,185	6,279
Inspections	1,624	1,596	1,548	1,650	1,673	2,072	2,015	1,762	1,699	2,011
Building inspections:										
Permits issued	1,486	1,633	1,558	1,554	1,618	1,640	1,703	1,580	1,558	1,685
Animal control:										
Number of calls answered	1,015	897	864	1,022	926	520	895	876	1,223	781
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	327	517	400	309	212	248	377	359	324	348
Waste removal:										
Refuse collected										
(thousands of pounds/day)	21.4	20.7	19.3	19.0	20.6	21.1	21.4	20.4	21.2	19.0
Recycling collected:										
Leaves (cubic yards)	5,604	5,038	4,510	5,421	5,336	5,027	4,218	4,820	4,155	6,022
General services:										
Buildings maintained										
(thousands of square feet)	500.5	500.5	480.5	462.3	551.2	551.9	604.2	550.8	550.8	550.8
Culture and recreation:										
Parks and recreation:										
Number of programs (3)	464	471	514	495	414	397	377	394	402	424
Number of participants (3)	16,193	19,082	20,425	19,525	14,177	13,966	8,421	12,576	13,656	13,817
Community development:										
Planning:										
Zoning permits issued (4)	260	283	390	338	309	367	365	364	293	383

CITY OF FREDERICKSBURG, VIRGINIA

Table 18
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Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water:										
Number of connections	7,453	7,614	7,718	7,801	7,861	7,911	7,950	8,047	8,115	8,165
Average daily consumption (thousands of gallons)	2,334	2,557	2,584	2,649	2,537	2,650	2,544	2,561	2,485	2,413
Wastewater:										
Average daily sewage treatment (thousands of gallons)	3,210	2,700	3,010	2,493	2,833	3,290	3,350	2,720	2,770	3,180
Transit:										
Ridership per service area: (5)										
City of Fredericksburg	261,238	274,540	278,657	279,363	259,790	238,024	214,439	193,786	160,249	151,219
UMW - Eagle Express	12,030	15,323	12,284	13,685	11,679	10,287	11,371	7,893	7,533	6,176
Spotsylvania County	97,343	96,248	116,623	117,633	114,162	114,417	94,740	79,935	69,560	62,710
South Stafford County (6)	40,830	45,288	44,341	68,614	65,033	63,781	62,618	55,409	50,800	45,870
North Stafford County (6)	74,369	70,397	72,366	39,446	33,751	38,495	34,036	32,622	29,422	24,778
Caroline County	7,155	5,882	7,352	10,425	11,094	12,168	10,192	7,397	7,216	5,879
King George County	16,792	16,993	17,033	-	-	-	-	-	-	-
Component Unit - School Board:										
Education:										
Number of students	2,793	3,037	3,072	3,139	3,214	3,300	3,356	3,546	3,567	3,649
Number of teachers	256	258	258	264	267	265	269	304	295	299
Cost per pupil	\$ 13,276	\$ 11,882	\$ 12,546	\$ 13,853	\$ 14,235	\$ 13,771	\$ 13,849	\$ 13,582	\$ 13,997	\$ 13,911

Source: Individual city departments.

- (1) Beginning in fiscal year 2014, reduction in traffic violations issued is due to Police Department staffing shortage and shift in work functions.
- (2) Beginning in fiscal year 2013, increase in civil papers served is due to a higher number of jury summons for Circuit Court.
- (3) Beginning in fiscal year 2014, program and participant decrease is due to elimination of unprofitable programs and change in tracking methods of new software.
- (4) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.
- (5) In general, ridership decreases are due to a combination of low gas prices, low unemployment, improved economic conditions, and the opening of Spotsylvania County's Virginia Railway Express station in fiscal year 2016, which has impacted the City of Fredericksburg ridership totals.
- (6) Beginning in fiscal year 2013, North Stafford and South Stafford transit routes have shifted due to new census data.
- (7) Physical arrest increases beginning in fiscal year 2018 are due to a change in calculation method from number of persons arrested to number of arrests.
- (8) Parking violations increased in fiscal year 2019 in response to changes in parking regulations for City streets in the vicinity of the University of Mary Washington campus.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	31	31	31	35	34	34	40	40	39	40
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	8	9	10	11	12	12	14	15	15	16
Sheriffs department:										
Patrol units	15	15	15	16	16	19	20	22	22	23
Building inspections:										
Vehicles	7	7	7	7	6	5	5	5	5	5
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	21	20	20	20	20	20	20	20	20	20
Streets (moving lane miles)	189	189	189	189	189	189	189	189	189	195
Traffic signals	61	61	61	61	60	61	61	56	55	56
Waste removal:										
Trucks/vehicles	8	10	10	7	7	7	7	6	6	6
Building maintenance:										
Trucks/vehicles	10	10	10	10	13	11	11	11	10	9
Health and welfare:										
Department of Social Services:										
Vehicles	6	6	6	6	6	6	6	6	6	6

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	13	13	14	14	13	15	15	15	15	16
Parks	17	18	18	18	19	19	19	19	19	19
Park acreage	1,051	1,055	1,055	1,055	1,085	1,085	1,085	1,085	1,090	1,173
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	66	66
Maximum daily capacity (millions of gallons)	5	5	5	5	5	5	5	5	5	5
Wastewater:										
Sanitary sewers (miles)	67	67	67	67	67	67	67	67	67	67
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Component Unit - School Board:										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	37	38	37	41	41	42	43	44	46	48

Source: Individual City departments.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2019, 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 November 29, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fredericksburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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
November 29, 2019

**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fredericksburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fredericksburg, Virginia's major federal programs for the year ended June 30, 2019. City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fredericksburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fredericksburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fredericksburg, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fredericksburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 29, 2019

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Primary Government:				
Department of Agriculture:				
Pass-through Payments:				
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119	\$ 462,319	\$ -
Total SNAP Cluster			\$ 462,319	\$ -
Total Department of Agriculture			\$ 462,319	\$ -
Department of the Treasury:				
Direct Payments:				
Asset Forfeiture	21.000	N/A	\$ 7,718	\$ -
Total Department of the Treasury			\$ 7,718	\$ -
Department of Housing and Urban Development:				
Direct Payments:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant/Entitlement Grants	14.218	N/A	\$ 143,342	\$ 37,459
Total CDBG - Entitlement Grants Cluster			\$ 143,342	\$ 37,459
Total Department of Housing and Urban Development			\$ 143,342	\$ 37,459
Department of Justice:				
Pass-through Payments:				
Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CJS51000/CJS51000	\$ 45,455	\$ -
Crime Victim Assistance	16.575	CJS7601601/CJS5601701	90,459	-
Total Department of Justice			\$ 135,914	\$ -
Department of Transportation:				
Direct Payments:				
Federal Transit Cluster:				
Federal Transit - Formula Grants	20.507	N/A	\$ 2,194,714	\$ -
Total Federal Transit Cluster			\$ 2,194,714	\$ -
Pass-through Payments:				
Virginia Department of Transportation:				
Formula Grants for Rural Areas	20.509	42219-14/ 42519-06	159,002	-
Virginia Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-18-58336/ FSC-19-59047	14,400	-
National Priority Safety Programs	20.616	M60T-18-58385 M60T-19-59046	2,400	-
Total Highway Safety Cluster			\$ 16,800	\$ -
Total Department of Transportation			\$ 2,370,516	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2019 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Primary Government: (continued)				
Department of Health and Human Services:				
Pass-through Payments:				
Department of Social Services:				
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and	93.596	0760119/0760118	\$ 51,513	\$ -
Total CCDF Cluster			\$ 51,513	\$ -
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	0400119/0400118	\$ 298,445	\$ -
Total TANF Cluster			\$ 298,445	\$ -
Medicaid Cluster:				
Medical Assistance Program	93.778	1200119/1200118	\$ 617,973	\$ -
Total Medicaid Cluster			\$ 617,973	\$ -
Promoting Safe and Stable Families	93.556	0950117/0950118	20,421	-
Refugee and Entrant Assistance State Administered Programs	93.566	0500119/0500118	3,608	-
Low-Income Home Energy Assistance	93.568	0600419/0600418	44,824	-
Chafee Education and Training Vouchers Program	93.599	9160118	5,074	-
Adoption and Legal Guardianship Incentive Payments	93.603	1130116	2,903	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900118	283	-
Foster Care - Title IV-E	93.658	1100119/1100118	388,128	-
Adoption Assistance	93.659	1120119/1120118	685,996	-
Social Services Block Grant	93.667	1000119/1000118	267,075	-
Chafee Foster Care Independence Program	93.674	9150118	4,465	-
Children's Health Insurance Program	93.767	0540119	17,772	-
Total Department of Health and Human Services			\$ 2,408,480	\$ -
Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	112487/114373	\$ 79,211	\$ -
Emergency Management Performance Grants	97.042	112485/114363	30,680	-
Total Department of Homeland Security			\$ 109,891	\$ -
Total Expenditures of Federal Awards - Primary Government			\$ 5,638,180	\$ 37,459
Component Unit - School Board:				
Department of Agriculture:				
Pass-through Payments:				
Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution Service	10.555	201919IN109941/ 201818N109941	\$ 159,209	\$ -
Virginia Department of Education:				
National School Lunch Program (SL-4) (SL-11)	10.555	201919IN109941/ 201818N109941	1,259,053	-
Total 10.555			\$ 1,418,262	\$ -
School Breakfast Program	10.553	201919IN109941/ 201818N109941	412,649	-
Summer Food Service Program for Children	10.559	201818N109941	63,334	-
Total Child Nutrition Cluster			\$ 1,894,245	\$ -
Total Department of Agriculture			\$ 1,894,245	\$ -
Department of Health and Human Services:				
Direct Payments:				
Head Start	93.600	N/A	\$ 1,008,096	\$ -
Total Department of Health and Human Services			\$ 1,008,096	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2019 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Component Unit - School Board: (continued)				
Department of Education:				
Pass-through Payments:				
Virginia Council on Higher Education:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	PS334S140027	\$ 46,552	\$ -
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A180046/ S010A170046	996,924	-
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A170107/ H027A180107	\$ 583,332	\$ -
Special Education - Preschool Grants	84.173	H173A170112/ H173A160112/	81,632	-
Total Special Education Cluster (IDEA)			\$ 664,964	\$ -
English Language Acquisition State Grants	84.365	S365A180046/ S365A170046	67,387	-
Career and Technical Education - Basic Grants to States	84.048	V048A170046/ V048A180046	55,642	-
Student Support and Academic Enrichment Program	84.424	S424A180048/ S424A170048	66,315	-
Supporting Effective Instruction State Grant	84.367	S367A180044/ S367A170044	111,915	-
Total Department of Education			\$ 2,009,699	\$ -
Total Expenditures of Federal Awards - Component Unit School Board			\$ 4,912,040	\$ -
Total Expenditures of Federal Awards - Reporting Entity			\$ 10,550,220	\$ 37,459

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fredericksburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fredericksburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10% de minimus indirect cost rate.

Note 3 - Loan Balances

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary Government:

General Fund	\$ 94,526
Special Revenue Funds:	
Virginia Public Assistance Fund	2,715,291
Children's Services Act Fund	60,982
State, Federal, and Local Grants Fund	405,947
Forfeited Asset Sharing Program Fund	7,718
Proprietary Funds:	
Transit Fund	2,353,716
Wastewater Fund	57,684
Total Primary Government	\$ 5,695,864

Component Unit School Board:

Special School Fund	\$ 4,912,040
Total Component Unit School Board	\$ 4,912,040

Less:

Build America Bonds Interest Subsidy	\$ (57,684)
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards

\$ 10,550,220

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? No

 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiencies identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.555/10.553/10.559 93.600	Child Nutrition Cluster Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

CITY OF FREDERICKSBURG, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

There were no prior year findings.