



City of Fredericksburg, Virginia



Annual Comprehensive
Financial Report
For
Fiscal Year Ended
June 30, 2022

CITY OF FREDERICKSBURG, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

Prepared By:

Department of Finance
Robyn E. Shugart, Director of Finance

CITY OF FREDERICKSBURG, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

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Timothy J. Baroody
City Manager

D. Mark Whitley
Assistant City Manager

David T. Brown
Assistant City Manager



City of Fredericksburg
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December 12, 2022

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

The City of Fredericksburg, Virginia (the City) hereby issues the Annual Comprehensive Financial Report (the ACFR) for the fiscal year ended June 30, 2022. 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, 2022, 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, 2022. An unmodified opinion is issued when the auditor concludes that the financial statements are presented fairly, in all material respects, and are in conformity with GAAP.

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

Sections of the ACFR

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

Introductory Section

The Introductory Section consists of this transmittal letter, an organizational chart, and a listing of principal officials of the City. Also included is the City's Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the ACFR for the fiscal year ended June 30, 2021.

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 29,059.

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. The City is currently in the process of designing the upgrade of the City's Wastewater Treatment Plant and the agreements in place will be updated as the project progresses.

Economic Condition and Outlook

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

Economic Condition and Outlook (continued)

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

In addition to the major retail commercial development centers, the City is a hub for the provision of health care services to the Fredericksburg region. The center piece of health care in the City is Mary Washington Hospital, a division of Mary Washington Healthcare. Mary Washington Hospital is a 451-bed, full-service hospital that provides over 45 different medical specialties. As the region continues to grow, Mary Washington Hospital will continue to provide a majority of the increased hospital services.

The City's economy also benefits from the presence of a major higher-education institution, the University of Mary Washington (UMW). Founded in 1908, UMW is a state-supported, co-educational university with an enrollment of approximately 4,400 undergraduate students. The university offers over 60 different majors and programs of study as well as several different master's degree programs. The University of Mary Washington is also making significant ongoing investments including a technology center, campus center, various renovations along with a \$100 million dollar plus performing arts center.

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

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

Economic Condition and Outlook(continued)

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

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

Major Capital Initiatives

During fiscal year 2022, the City continued planning for certain major capital initiatives, and progressed in construction on others. The City reduced its capital program somewhat as a response to the ongoing global pandemic, but continued investments in both new improvements and in ongoing maintenance projects.

The largest capital improvement completed during FY 2022 was the construction of the Riverfront Park. The Park, which is located along Sophia Street between Hanover Street and Charlotte Street, is now open to the public. It features great views of the Rappahannock River, a children’s play area, an interactive water feature, and areas for small special events.

The City also continued work on major renovations to the Executive Plaza building, located at 601 Caroline Street. This seven-story building houses several City Departments or divisions, including the Fire Department administration, the Commonwealth’s Attorney’s Office, the Information Technology Department, the City Attorney’s Office, and the Voter Registrar. The project includes replacements for outdated heating, ventilation, and air conditioning systems, plus electrical renovations and other interior work. Work will continue into FY 2023 but renovations have been completed for the fourth floor and the Department of Community Planning and Building has been relocated from City Hall to the renovated space.

Work continues on several utility and stormwater projects. The City’s Wastewater Treatment Plant will require extensive renovations over the next several years, and engineering and design is underway at the end of FY 2022. Other projects were under design during FY 2022 for future implementation, including a culvert replacement at Learning Lane, Snowden Forcemain, and stormwater work at Pond D. The culvert replacement in the 100 block of William Street and the pump station at Celebrate Virginia South were completed during FY 2022.

Major Capital Initiatives(continued)

Major planning is also underway for a new school, and during FY 2022 the City Schools procured a design-build team for the design and construction of a new school under the design-build procurement allowed by the Public-Private Education Facilities and Infrastructure Act of 2002. City Council approved the Interim Agreement in March of 2022 which allows the design-build team to partially develop the project at 35% plans. The current fiscal year, FY 2023, the City and Fredericksburg City School Board approved the Comprehensive Agreement, which will get the plan development to 65% plans. The Comprehensive Agreement totals \$73,075,000 million. The issuance of bonds for the project was recently completed during FY 2023 and will be reflected in next year's audited financial statements.

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 20.47% of the fiscal year 2021 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 construction of a new fire station and several utility system infrastructure upgrades. Financing for these projects will be provided through a combination of bonds, grants, and local funding.

Cash Management Policies and Practices

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

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

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

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

Pension and Other Post-Employment Benefits

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

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. During fiscal year 2016, the City Council established an Other Post-Employment Benefits (OPEB) Trust (the Trust) and funded \$1 million towards the City's liability for OPEB. Through a combination of additional contributions to the Trust and overall gains in the Trust's investments, the market value of the Trust is \$2,156,431 as of June 30, 2022.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the thirty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

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

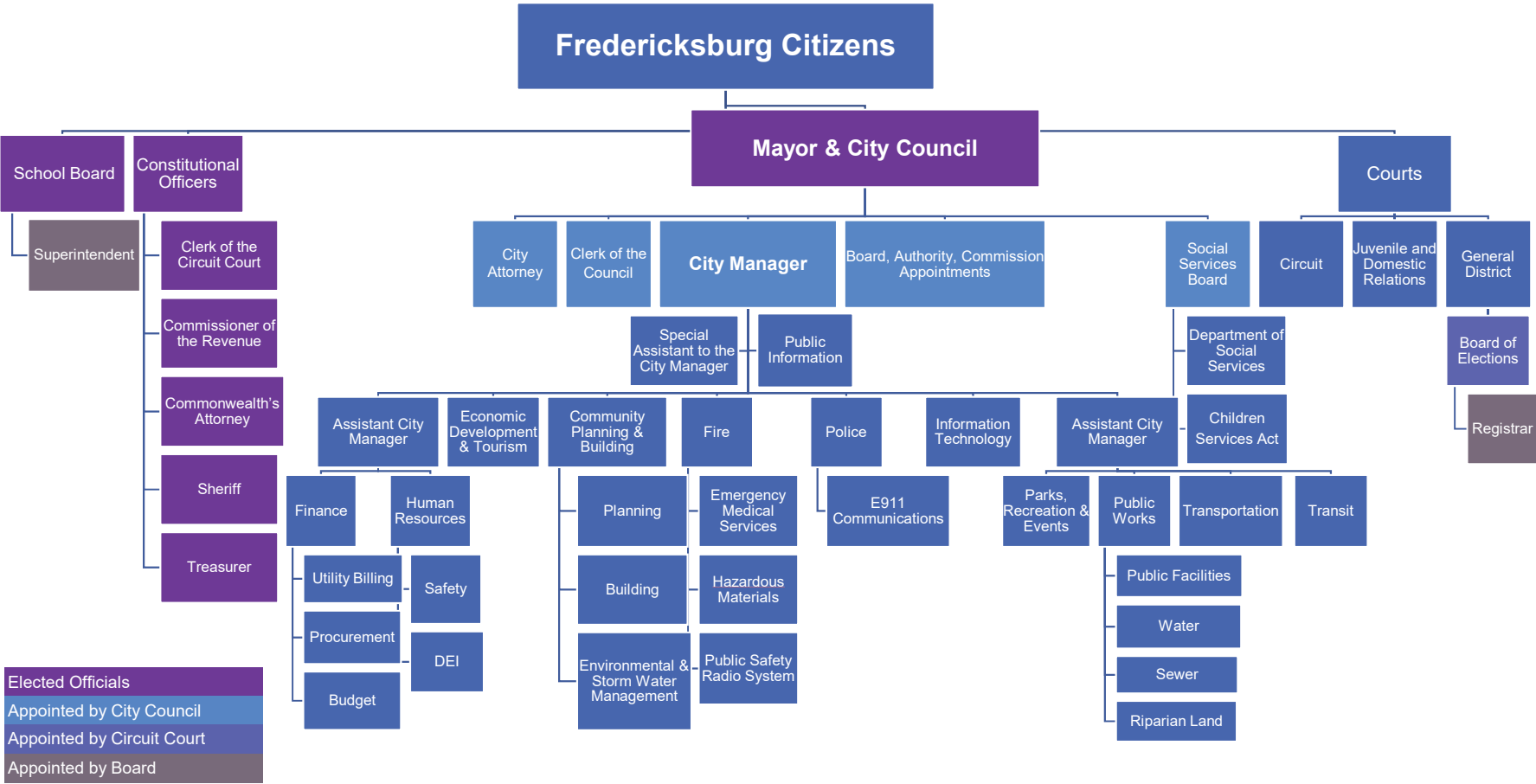
Sincerely,

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

Timothy J. Baroody
City Manager

A handwritten signature in blue ink that reads "Robyn E. Shugart". The signature is written in a cursive style, with the first name "Robyn" being the most distinct part.

Robyn E. Shugart
Director of Finance



CITY OF FREDERICKSBURG, VIRGINIA
PRINCIPAL OFFICIALS
JUNE 30, 2022

CITY COUNCIL

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

CONSTITUTIONAL OFFICERS

Jeff Small Clerk of the Circuit Court
Lois B. Jacob Commissioner of the Revenue
Elizabeth K. Humphries Commonwealth Attorney
Paul W. Higgs Sheriff
Brenda A. Wood Treasurer

CITY ADMINISTRATIVE OFFICERS

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

SCHOOL BOARD

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

SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. Marceline R. Catlett Superintendent



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fredericksburg
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fredericksburg, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, and 92, *Omnibus*, 93. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2022, the City restated beginning balances to reflect the requirements of GASB Statement No. 87. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fredericksburg, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of City of Fredericksburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fredericksburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 12, 2022

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, 2022. 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 \$125,401,798 at the end of fiscal year 2022. This figure is based on assets and deferred outflows of resources totaling \$293,680,036 and liabilities and deferred inflows of resources of \$168,278,238.
- Total net position for business-type activities was \$83,384,461 at the end of fiscal year 2022. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at \$29,267,498; \$27,257,193; and \$21,724,596, respectively.
- Total net position for the primary government was \$208,786,259 at the end of fiscal year 2022. Current assets were \$129,027,440 as compared to total current and other liabilities of \$31,088,041. The resulting net working capital of \$97,939,399 represents a favorable liquidity position for the City.
- The City has an established Financial Management Policy that specifies a targeted goal of maintaining an unassigned General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2022 unassigned General Fund balance was 20.47% of the fiscal year 2021 General Fund revenue total of \$98,054,052.
- General Fund revenues increased \$10,296,294, or 10.5%, as compared to the preceding fiscal year.
- General Fund expenditures increased \$11,534,396 or 14.69% as compared to fiscal year 2021.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements: (Continued)

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 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, COVID-19 Relief Fund, and the Public Works Capital Fund, which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Overview of the Financial Statements: (Continued)

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

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

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

The proprietary funds' financial statements can be found on pages 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 41-134 of this report.

Government-wide Financial Analysis

Statement of Net Position:

Under GASB 34, governmental entities are required to report on their net position. The Statement of Net Position presents the value of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of changes in a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$201,207,395 at the close of fiscal year 2022.

A large portion of the City's net position, \$150,923,640, or 72.3%, 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 \$57,249,190 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, 2022
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21
Assets:								
Current and other assets	\$ 86.29	\$ 79.72	\$ 42.12	\$ 40.65	\$ 128.41	\$ 120.37	\$ 20.69	\$ 14.49
Capital assets	198.36	178.78	68.33	71.08	266.69	249.86	32.89	29.50
Total assets	\$ 284.65	\$ 258.50	\$ 110.45	\$ 111.73	\$ 395.10	\$ 370.23	\$ 53.58	\$ 43.99
Deferred Outflow of Resources:								
Pension related items	\$ 7.00	\$ 7.90	\$ 0.96	\$ 0.89	\$ 7.96	\$ 8.79	\$ 8.18	\$ 10.03
OPEB related items	1.31	1.64	0.08	0.09	1.39	1.73	1.84	2.13
Deferred charge on refunding	0.11	0.14	0.25	0.30	0.36	0.44	-	-
Total Deferred Outflows of Resources	\$ 8.42	\$ 9.68	\$ 1.29	\$ 1.28	\$ 9.71	\$ 10.96	\$ 10.02	\$ 12.16
Liabilities:								
Current and other liabilities	\$ 15.08	\$ 14.26	\$ 4.28	\$ 6.35	\$ 19.36	\$ 20.61	\$ 6.48	\$ 4.08
Long-term liabilities	134.74	130.32	21.84	24.93	156.58	155.25	35.26	55.88
Total Liabilities	\$ 149.82	\$ 144.58	\$ 26.12	\$ 31.28	\$ 175.94	\$ 175.86	\$ 41.74	\$ 59.96
Deferred Inflows of Resources:								
Unavailable revenue - property taxes	\$ 0.74	\$ 1.17	\$ -	\$ -	\$ 0.74	\$ 1.17	\$ -	\$ -
Deferred gain on refunding	0.24	0.26	-	-	0.24	0.26	-	-
Pension related items	14.19	0.72	1.59	0.15	15.78	0.87	17.28	3.30
Lease related items	0.81	-	0.52	-	1.33	-	-	-
OPEB related items	2.37	1.76	0.14	0.07	2.51	1.83	2.30	0.86
Total Deferred Inflows of Resources	\$ 18.35	\$ 3.91	\$ 2.25	\$ 0.22	\$ 20.60	\$ 4.13	\$ 19.58	\$ 4.16
Net position:								
Net invested in capital assets	\$ 102.00	\$ 102.35	\$ 48.92	\$ 51.05	\$ 150.92	\$ 153.40	\$ 30.72	\$ 27.47
Restricted	0.60	-	-	-	0.60	-	1.09	0.15
Unrestricted	22.80	17.34	34.46	30.46	57.26	47.80	(29.53)	(35.58)
Total net position	\$ 125.40	\$ 119.69	\$ 83.38	\$ 81.51	\$ 208.78	\$ 201.20	\$ 2.28	\$ (7.96)

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

Changes in Net Position:

Governmental Activities

Governmental activities net position experienced an increase of \$5,707,274. Governmental activities revenues were impacted by growth stemming from development within the City as well as continued growth in consumption based revenues. The largest source of impact was other local taxes that include: sales and use tax, meals tax, lodging tax, admissions tax, and business license tax. General property taxes had continued strong performance in fiscal year 2022. Revenues from general property taxes rose \$4,348,738 in response to growth in the City's tax base and continued high collection rates.

Government-wide Financial Analysis: (Continued)

A decrease in intergovernmental revenue was mainly due to the City using a majority of the CARES revenue received from the federal government related to the COVID-19 pandemic.

Total governmental activities expenses experienced an increase of \$4,878,222 to a total expense amount of \$113,651,363. Of this amount, \$18,785,990, or 16.53%, was offset with program revenues consisting of \$4,507,994 in charges for services and \$14,277,996 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 29.95% of the total expenses for governmental activities in fiscal year 2022. The amount transferred from the City for School Board operations and capital improvements, to include joint tenancy asset transfers, totaled \$33,130,696.

Business-type Activities

The positive growth in net position in the Water Fund of \$922,860 and Sewer Fund of \$843,916 represent the most notable changes to the City's enterprise operations.

The revenues from availability and connection fees were \$766,438 in the Water Fund and \$1,226,450 in the Sewer Fund. This revenue helps to address the funding needed to replace aging water and sewer treatment and transmission facilities.

A rate study was conducted that provided recommendations on water and sewer rates over the next several years. The fiscal year 2022 budget included a ten percent increase in water and sewer rates to help offset future capital and operating costs. Future rate increases are anticipated as a result of the study to assist with funding that will be needed for increasing operational costs as well as for significant capital projects planned for the future.

Component Units

The School Board's net position increased \$10,171,918 for fiscal year 2022. 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 2022 the City's asset transfer to the School Board was \$2,630,000.

The overall surplus net position of \$824,476 is related to the School Board's net pension liability decreasing to \$21,171,519 and net OPEB liability decreasing to \$10,711,935.

The Economic Development Authority also saw an increase in net position in the amount of \$65,567.

Component Units: (Continued)

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

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21
Revenues:								
Program Revenues:								
Charges for services	\$ 4.51	\$ 3.71	\$ 11.32	\$ 9.85	\$ 15.83	\$ 13.56	\$ 0.24	\$ 0.37
Operating grants and contributions	13.73	17.88	6.87	5.26	20.60	23.14	32.69	25.78
Capital grants and contributions	0.55	0.81	0.37	0.18	0.92	0.99	-	-
General Revenues:								
Property taxes	50.55	46.41	-	-	50.55	46.41	-	-
Other local taxes	44.95	38.67	0.52	0.55	45.47	39.22	-	-
Grants and contributions not restricted	3.42	3.36	-	-	3.42	3.36	33.41	30.58
Use of property	-	0.20	-	-	-	0.20	-	-
Investment earnings	(0.69)	0.18	(0.18)	0.03	(0.87)	0.21	0.03	-
Miscellaneous	1.27	1.04	0.45	0.54	1.72	1.58	0.72	0.52
Total Revenues	\$ 118.29	\$ 112.26	\$ 19.35	\$ 16.41	\$ 137.64	\$ 128.67	\$ 67.09	\$ 57.25
Expenses:								
General government	\$ 9.53	\$ 9.74	\$ -	\$ -	\$ 9.53	\$ 9.74	\$ -	\$ -
Judicial administration	6.61	6.39	-	-	6.61	6.39	-	-
Public safety	28.78	25.68	-	-	28.78	25.68	-	-
Public works	13.26	13.36	-	-	13.26	13.36	-	-
Health and welfare	9.58	9.75	-	-	9.58	9.75	-	-
Education	34.03	31.47	-	-	34.03	31.47	56.47	54.83
Parks, recreation, and cultural	5.43	5.05	-	-	5.43	5.05	-	-
Community development	3.71	4.71	-	-	3.71	4.71	0.38	0.76
Interest	2.72	2.63	-	-	2.72	2.63	-	-
Water	-	-	3.75	4.01	3.75	4.01	-	-
Sewer	-	-	6.85	4.89	6.85	4.89	-	-
Transit	-	-	5.36	4.83	5.36	4.83	-	-
Parking	-	-	0.45	0.40	0.45	0.40	-	-
Total Expenses	\$ 113.65	\$ 108.78	\$ 16.41	\$ 14.13	\$ 130.06	\$ 122.91	\$ 56.85	\$ 55.59
Excess (deficiency) of revenues over expenses before transfers	\$ 4.64	\$ 3.48	\$ 2.94	\$ 2.28	\$ 7.58	\$ 5.76	\$ 10.24	\$ 1.66
Transfers	1.07	0.63	(1.07)	(0.63)		-	-	-
Change in net position	\$ 5.71	\$ 4.11	\$ 1.87	\$ 1.65	\$ 7.58	\$ 5.76	\$ 10.24	\$ 1.66
Net Position, beginning of year, as restated	119.69	115.58	81.51	79.86	201.20	195.44	(7.96)	(9.62)
Net Position, end of year	\$ 125.40	\$ 119.69	\$ 83.38	\$ 81.51	\$ 208.78	\$ 201.20	\$ 2.28	\$ (7.96)

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

Financial Analysis of the City's Governmental Funds

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

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

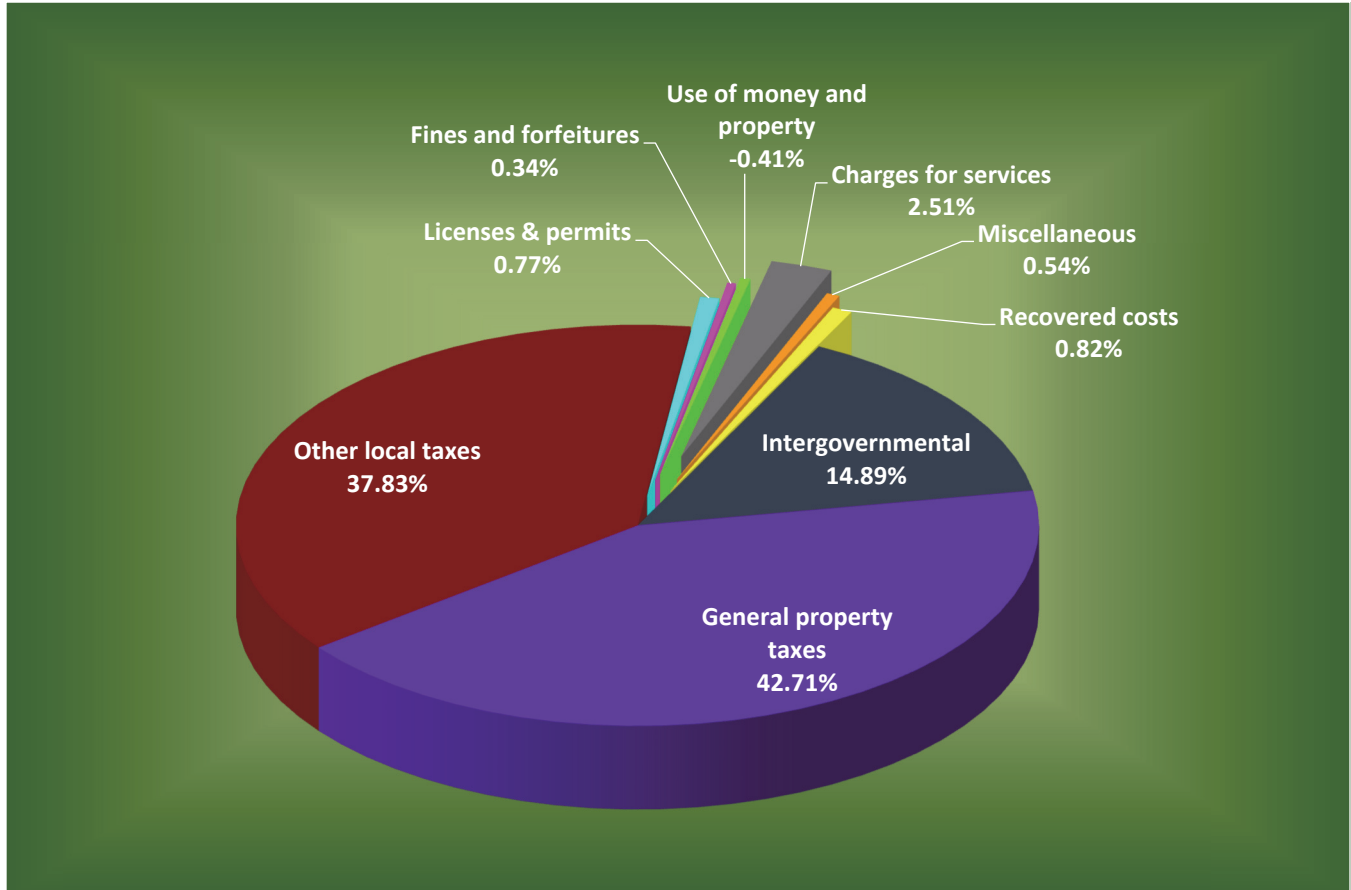
Revenues:

A summary of the general revenue sources for the governmental funds for fiscal years 2022 and 2021 is presented below:

TABLE 3
Governmental Funds - Revenues

	FY 2022	FY 2021	Percentage of Total Revenues FY 2022	Increase (Decrease) from FY 2021
General property taxes	\$ 50,737,977	\$ 46,389,239	42.71%	\$ 4,348,738
Other local taxes	44,952,568	38,665,411	37.83%	6,287,157
Licenses and permits	918,778	836,452	0.77%	82,326
Fines and forfeitures	405,155	260,986	0.34%	144,169
Use of money and property	(483,148)	385,329	-0.41%	(868,477)
Charges for services	2,980,037	2,610,690	2.51%	369,347
Miscellaneous	637,430	1,027,644	0.54%	(390,214)
Recovered costs	972,949	1,341,410	0.82%	(368,461)
Intergovernmental	17,696,432	22,043,671	14.89%	(4,347,239)
Totals	\$ 118,818,178	\$ 113,560,832	100.00%	\$ 5,257,346

FY2022 GOVERNMENTAL FUNDS - REVENUES



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

Revenues: (Continued)

The City's total revenues in the governmental funds were \$118,818,178 in fiscal year 2022, an increase of \$5,257,346, or 4.6%, compared to fiscal year 2021. Much of the increase can be attributed to other local taxes, which increased by \$6,287,157 during the fiscal year. This is due to local taxes that include meals and lodging taxes increasing due to robust organic growth and continued commercial and residential development within the City. The City's real estate tax impacting the General Fund increased to \$36,906,866, which was \$2,631,532 more than the prior year total. Included within that total are real estate collections for prior tax years. Real estate tax revenue accounted for 34.1% of General Fund revenue for fiscal year 2022.

For fiscal years 2018 and 2019, \$0.01 of the tax rate of \$0.80 per \$100 valuation was been dedicated for operating and capital costs of the Stormwater Management Fund, which is a special revenue fund. In fiscal year 2021, this amount increased to \$0.02 of the tax rate of \$0.85 per \$100 valuation. The fiscal year 2020 rate continued for the first half of fiscal year 2021, with a mid-year assessment moving the tax rate back to \$0.80 but maintaining the \$0.02 Stormwater Management portion. The fiscal year 2022 rate was increased to \$0.83 and continued to maintain the \$0.02 Stormwater Management portion. The additional revenue will enhance the City's ability to manage stormwater runoff. Real estate revenue allocated to that fund totaled \$910,778 during the fiscal year.

Revenue from other local taxes increased by \$6,287,157 during the fiscal year. Continued relaxing of State restrictions that were put in place to help combat the spread of COVID-19 coupled with organic growth within the City allowed these tax sources to outpace the prior fiscal year. Sales tax revenue saw a strong increase and the total for the fiscal year was \$15,569,291. Sales tax revenue accounted for 14.4% of total General Fund revenues for fiscal year 2022.

Meals tax revenue, which accounted for 12.8% of General Fund revenues for the current fiscal year, totaled \$13,849,223 along with business license and rental tax accounting for 7.2% of general fund revenues totaling \$7,810,020 for the fiscal year.

The following table reflects other local tax revenue for the General Fund for fiscal years 2022 and 2021:

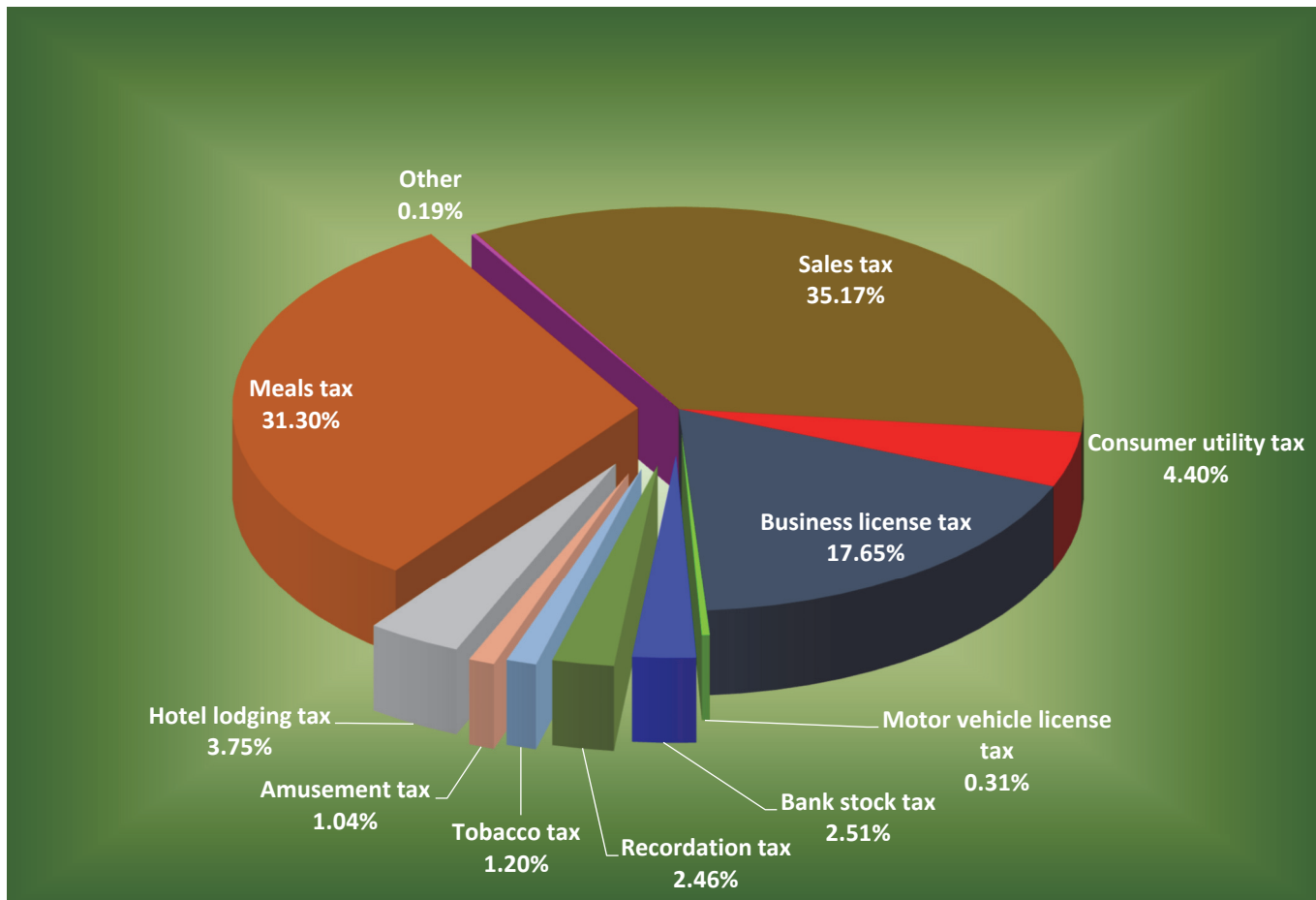
TABLE 4
Other Local Taxes - General Fund

	FY 2022	FY 2021	Percentage of Total Revenues FY 2022	Increase (Decrease) from FY 2021
Sales and use tax	\$ 15,569,291	\$ 13,842,064	35.17%	\$ 1,727,227
Consumer utility tax	1,946,425	1,663,159	4.40%	283,266
Business license tax	7,810,020	7,082,682	17.65%	727,338
Motor vehicle license tax	137,252	632,091	0.31%	(494,839)
Bank stock tax	1,112,472	929,913	2.51%	182,559
Recordation tax	1,087,879	1,024,161	2.46%	63,718
Tobacco tax	532,959	553,580	1.20%	(20,621)
Amusement tax	459,244	183,476	1.04%	275,768
Hotel lodging tax	1,661,182	1,183,455	3.75%	477,727
Meals tax	13,849,223	11,199,108	31.30%	2,650,115
Other	84,619	189,874	0.19%	(105,255)
Totals	\$ 44,250,566	\$ 38,483,563	100.00%	\$ 5,767,003

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

Revenues: (Continued)

FY2022 OTHER LOCAL TAXES - GENERAL FUND



Expenditures:

The expenditures of governmental funds in fiscal year 2022 totaled \$114,863,725 which is an increase from the prior fiscal year but more closely in line to pre-pandemic growth rates. The most significant changes occurred in education, public safety, and debt service. Education expenditures increased \$2,567,000 with the majority of that increase occurring in the General Fund. Public Safety expenditures increased by \$3,731,820 with majority being related to personnel and operating capital costs. Debt Service saw an increase due to debt service payments returning to pre-pandemic levels as the City front loaded savings from the refunding issued in 2020. This decision was spurred on by the economic uncertainty surrounding the COVID-19 pandemic.

Decreases to governmental expenditures occurred in general and financial administration, health and welfare, and community development from fiscal year 2021 to fiscal year 2022. Public Works saw minimal increased expenditures.

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

Expenditures: (Continued)

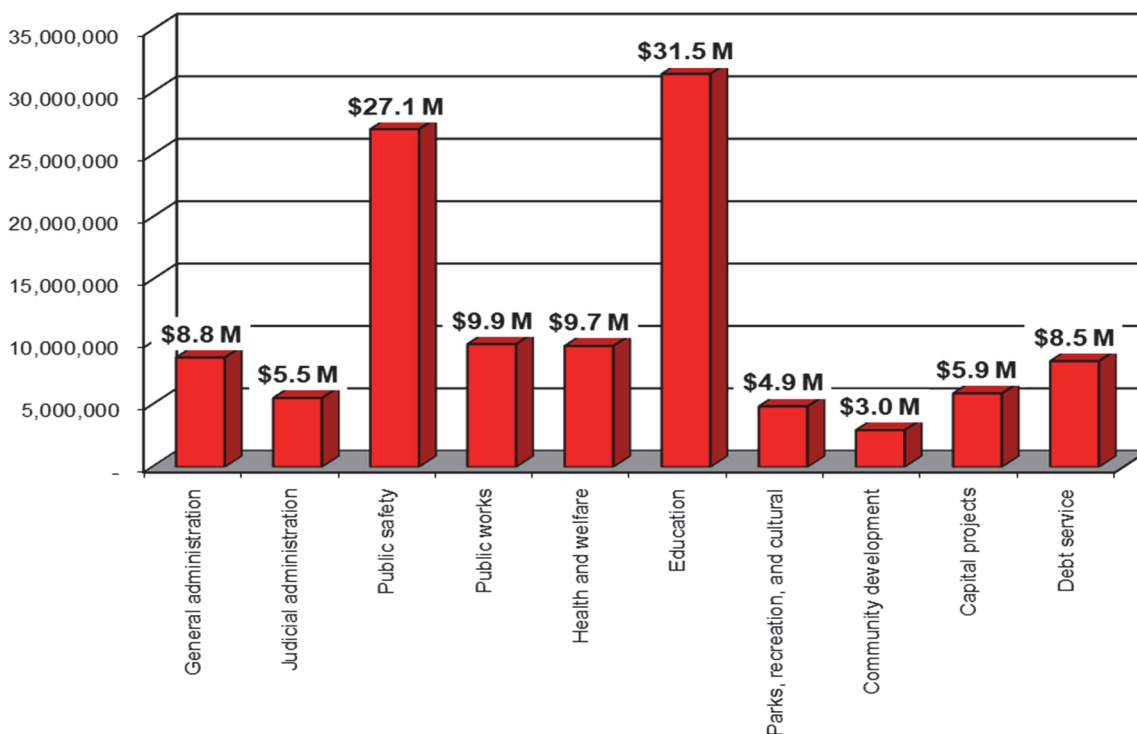
Expenditures in the Special Revenue Fund for Public Safety saw an increase due to more grant funding opportunities being compared to the prior year. The Children's Services Act Fund (CSA), expenditures remained slightly decreased in comparison to the previous fiscal year. Both the total premiums and the City share of health insurance premiums stayed consistent in fiscal year 2022. Expenditures to the Virginia Retirement System saw a slight increase during the year as the City's required contribution percentage rose in fiscal year 2022.

Debt Service expenditures saw an increase in fiscal year 2022 due to the initial principal payments for the refunding of the 2010 series issuance beginning.

TABLE 5
Governmental Funds - Expenditures

	FY 2022	FY 2021	Percentage of Total Expenditures FY 2022	Increase (Decrease) from 2021
General administration	\$ 8,774,467	\$ 8,989,502	7.64%	\$ (215,035)
Judicial administration	5,541,449	5,186,289	4.82%	355,160
Public safety	27,070,833	23,339,013	23.57%	3,731,820
Public works	9,856,733	9,770,892	8.58%	85,841
Health and welfare	9,699,067	9,732,153	8.44%	(33,086)
Education	31,500,557	28,933,557	27.42%	2,567,000
Parks, recreation, and cultural	4,865,580	4,210,394	4.24%	655,186
Community development	2,958,489	4,413,373	2.58%	(1,454,884)
Nondepartmental	200,000	-	0.17%	200,000
Capital projects	5,904,667	5,931,715	5.14%	(27,048)
Debt service	8,491,883	6,854,784	7.39%	1,637,099
Totals	\$ 114,863,725	\$ 107,361,672	100.00%	\$ 7,502,053

FY 2022 GOVERNMENTAL FUNDS - EXPENDITURES



General Fund Budgetary Highlights

Over the course of fiscal year 2022, 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 2022, total final General Fund budgeted expenditures and revenues increased by \$4,389,458 from the original adopted budget.

Actual General Fund expenditures were \$90,082,342 compared to the final budgeted expenditures totaling \$92,948,644. The City increased expenditures from the prior year in response to the strong economic standing from the prior fiscal year. This still resulted in a favorable budget variance of \$2,866,302. General Government Administration, Public Safety and Public Works experienced the most significant favorable variance of \$699,075, \$818,734 and \$893,020, respectively.

Actual General Fund revenues were \$108,350,346 compared to the final budgeted revenues totaling \$99,556,230. This resulted in a budget variance of \$8,794,116. The largest source of budget variance was local taxes. This is mainly due to the categories of meals tax and sales tax. This revenue source was largely impacted by continued commercial and residential development as well as relaxed restrictions related to the COVID-19 pandemic.

The General Fund budget for fiscal year 2022 included a use of fund balance totaling \$6,561,899. During FY22, due to increased revenue and reduced expenditures, the City was able to increase its fund balance. A portion of these funds were committed to help offset costs of future capital projects.

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 July 1, 2021	Net Additions/ Deletions	Balance June 30, 2022
Capital assets not being depreciated:			
Land	\$ 26,373,125	\$ -	\$ 26,373,125
Construction in progress	6,734,312	(3,462,631)	3,271,681
Other capital assets:			
Land improvements	21,398,582	6,553,020	27,951,602
Buildings and building improvements	64,389,770	56,557	64,446,327
Lease buildings and building improvements	24,762,624	-	24,762,624
Joint tenancy assets	34,260,000	(2,630,000)	31,630,000
Machinery, equipment, and vehicles	30,398,431	1,217,808	31,616,239
Lease equipment	461,293	-	461,293
Infrastructure	106,146,554	1,777,403	107,923,957
Accumulated depreciation	(111,375,187)	(8,698,983)	(120,074,170)
Totals	\$ 203,549,504	\$ (5,186,826)	\$ 198,362,678

Capital Asset and Debt Administration: (Continued)

The net decrease in capital assets during the fiscal year was \$5,186,826, mainly due to depreciation. Other increases to capital assets include \$6,533,020 for land improvements, and \$1,777,403 for infrastructure.

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

Long-term Debt

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

Governmental activities general obligation debt totaled \$70,627,198 at the end of the fiscal year. This debt includes projects such as the construction of two schools, building renovation, and construction and renovation of court facilities, and construction of new parks. Business-type activities general obligation debt total outstanding balance is \$19,042,517.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2022, the City's outstanding long-term indebtedness amount totaled \$90,204,715. After an adjustment to reflect the reserve of \$1,712,726 for future debt service payments and \$535,000 of revenue bonded debt, the remaining net debt applicable to the debt limit of \$94,610,852 is below the policy debt limit of \$294,698,647.

The table below reflects a summary of the City's long-term debt outstanding for fiscal years 2022 and 2021:

TABLE 7
Long-Term Debt
As of June 30, 2022

	Governmental Activities		Business-type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
General obligation bonds	\$ 38,997,198	\$ 40,209,700	\$ 19,042,517	\$ 20,817,749	\$ 58,039,715	\$ 61,027,449
General obligation school bonds	31,630,000	34,260,000	-	-	31,630,000	34,260,000
Revenue bonds	535,000	780,000	-	-	535,000	780,000
Total long-term debt	\$ 71,162,198	\$ 75,249,700	\$ 19,042,517	\$ 20,817,749	\$ 90,204,715	\$ 96,067,449

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

Economic Factors and Next Year's Budget

The City government continues to maintain a stable financial condition as reflected by the financial statements and schedules in this report. Through fiscally responsible budget oversight, cost containment monitoring, and a stable economic base, the City continues to expand services to its citizens while maintaining appropriate General Fund reserves. The City's strategic location at the center of one of the fastest-growing regions in the Commonwealth, coupled with its established and expanding commercial centers, has provided the City stable economic traction moving forward. Fiscal year 2022 saw continued positive growth as pandemic restrictions have been lifted and there were increases in the City's consumption related taxes.

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

The fiscal year 2023 budget represents a responsible spending plan which advances City Council's Vision and Priorities, strengthens public safety, and supports the City's workforce, all while meeting the needs of a growing community. Within this budget, the City has approved a new middle school project as well as an upgrade to our wastewater treatment facility. Both of which are generational projects that will allow the City to continue to grow in a sustainable manner.

The fiscal year 2023 adopted budget includes expenditures of \$114,954,755, a 10.6% increase over the fiscal year 2022 original adopted budget. The fiscal year 2023 budget is higher than the adopted fiscal year 2022 budget due to a continued positive economic outlook along with the additional debt service that is budgeted for the construction of a new middle school along with other capital projects.

The revenue budget for fiscal year 2023 also reflect increases in revenue sources that have been brought back into line with traditional growth rates after the pandemic. One of the largest sources being meals tax. This budget was projected to be significantly higher for fiscal year 2023, bringing the totals closer to their historical values. Other impacted revenues include: lodging taxes, amusement taxes, business license tax, and sales tax. Real estate tax revenue is budgeted to increase to a budgeted amount of \$37,800,000 for current tax collections. Personal property tax revenue is budgeted at a slightly higher budget in the amount of \$10,523,000. Both of these can be partially attributed to new residential developments within the City.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

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Statement of Net Position
At June 30, 2022

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 66,323,567	\$ 37,045,200	\$ 103,368,767	\$ 9,736,703	\$ 1,329,314
Receivables, net of allowance for uncollectibles	4,346,247	2,424,691	6,770,938	119,346	59,542
Due from other governments	4,742,698	1,183,583	5,926,281	6,710,921	-
Inventory, at cost	25,815	173,470	199,285	-	-
Prepaid items	2,212,552	43,099	2,255,651	1,533,759	-
Due from component unit	-	-	-	-	-
Investment in joint venture	8,433,884	-	8,433,884	-	-
Loans receivable	-	-	-	-	103,005
Leases receivable	817,898	521,175	1,339,073	-	-
Net pension asset	-	-	-	1,092,335	-
Restricted:					
Cash and cash equivalents	-	733,561	733,561	-	-
Capital assets:					
Land, construction in progress and other	29,644,806	3,007,749	32,652,555	3,552,971	-
Other capital assets, net of accumulated depreciation	168,717,872	65,319,102	234,036,974	29,338,754	-
Capital assets, net	\$ 198,362,678	\$ 68,326,851	\$ 266,689,529	\$ 32,891,725	\$ -
Total assets	\$ 285,265,339	\$ 110,451,630	\$ 395,716,969	\$ 52,084,789	\$ 1,491,861
Deferred Outflows of Resources:					
Pension related items	\$ 6,995,269	\$ 961,070	\$ 7,956,339	\$ 8,181,498	\$ -
OPEB related items	1,307,143	81,942	1,389,085	1,840,040	-
Deferred charge on refunding	112,285	253,169	365,454	-	-
Total deferred outflows of resources	\$ 8,414,697	\$ 1,296,181	\$ 9,710,878	\$ 10,021,538	\$ -
Liabilities:					
Accounts payable	\$ 1,802,836	\$ 1,659,598	\$ 3,462,434	\$ 3,218,191	\$ 36,810
Accrued liabilities	5,103,917	475,705	5,579,622	2,520,258	-
Unearned revenue	6,038,682	1,414,394	7,453,076	698,691	-
Claims payable	483,000	-	483,000	-	-
Amounts held for others	1,663,122	-	1,663,122	-	-
Liabilities payable from restricted assets	-	733,561	733,561	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	2,514,978	199,678	2,714,656	695,260	-
Revenue bonds	260,000	-	260,000	-	-
General obligation bonds	5,762,603	1,841,043	7,603,646	-	-
Accrued landfill post-closure costs	90,000	-	90,000	-	-
Lease liabilities	1,044,924	-	1,044,924	88,121	-
Energy performance contract	-	-	-	278,000	-
Due in more than one year:					
Compensated absences	1,541,438	130,950	1,672,388	641,779	-
Net OPEB liability	15,712,389	784,121	16,496,510	10,711,935	-
Revenue bonds	275,000	-	275,000	-	-
General obligation bonds	69,591,500	17,433,500	87,025,000	-	-
Lease liabilities	23,237,979	-	23,237,979	203,829	-
Energy performance contract	-	-	-	1,475,000	-
Net pension liability	13,300,047	1,450,804	14,750,851	21,171,519	-
Accrued landfill post-closure costs	1,392,161	-	1,392,161	-	-
Total liabilities	\$ 149,814,576	\$ 26,123,354	\$ 175,937,930	\$ 41,702,583	\$ 36,810
Deferred Inflows of Resources:					
Deferred revenue - property taxes	\$ 851,245	\$ -	\$ 851,245	\$ -	\$ -
Deferred gain on refunding	239,265	-	239,265	-	-
Pension related items	14,194,135	1,586,963	15,781,098	17,279,108	-
Leases related	811,286	517,140	1,328,426	-	-
OPEB related items	2,367,731	135,893	2,503,624	2,300,160	-
Total deferred inflows of resources	\$ 18,463,662	\$ 2,239,996	\$ 20,703,658	\$ 19,579,268	\$ -
Net Position:					
Net investment in capital assets	\$ 102,002,263	\$ 48,921,377	\$ 150,923,640	\$ 30,719,325	\$ -
Restricted:					
Net pension asset	-	-	-	1,092,335	-
Opioid settlement	613,429	-	613,429	-	-
Unrestricted	22,786,106	34,463,084	57,249,190	(30,987,184)	1,455,051
Total net position	\$ 125,401,798	\$ 83,384,461	\$ 208,786,259	\$ 824,476	\$ 1,455,051

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 9,525,905	\$ 126,795	\$ 357,102	\$ -
Judicial administration	6,608,300	130,279	1,052,465	-
Public safety	28,780,621	2,123,106	2,341,507	32,570
Public works	13,258,188	1,409,844	3,236,543	249,294
Health and welfare	9,580,103	20,397	6,690,670	-
Education	34,033,404	-	-	-
Parks, recreation and cultural	5,431,122	446,489	4,500	-
Community development	3,714,170	251,084	44,439	268,906
Interest on long-term debt	2,719,550	-	-	-
Total governmental activities	\$ 113,651,363	\$ 4,507,994	\$ 13,727,226	\$ 550,770
Business-type activities				
Water	\$ 3,746,584	\$ 4,130,803	\$ 839,905	\$ -
Sewer	6,850,708	6,873,481	1,369,101	50,220
Transit	5,361,406	91,898	4,658,522	323,239
Parking	449,702	221,094	-	-
Total business-type activities	\$ 16,408,400	\$ 11,317,276	\$ 6,867,528	\$ 373,459
Total Primary Government	\$ 130,059,763	\$ 15,825,270	\$ 20,594,754	\$ 924,229
Component Units				
Fredericksburg City Public Schools	\$ 56,471,048	\$ 101,963	\$ 32,666,339	\$ -
Fredericksburg Economic Development Authority	376,602	138,601	19,870	-
Total Component Units	\$ 56,847,650	\$ 240,564	\$ 32,686,209	\$ -
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				
Interest and investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (9,042,008)	\$ -	\$ (9,042,008)	\$	-
(5,425,556)	-	(5,425,556)		-
(24,283,438)	-	(24,283,438)		-
(8,362,507)	-	(8,362,507)		-
(2,869,036)	-	(2,869,036)		-
(34,033,404)	-	(34,033,404)		-
(4,980,133)	-	(4,980,133)		-
(3,149,741)	-	(3,149,741)		-
(2,719,550)	-	(2,719,550)		-
<u>\$ (94,865,373)</u>	<u>\$ -</u>	<u>\$ (94,865,373)</u>	<u>\$</u>	<u>-</u>
\$ -	\$ 1,224,124	\$ 1,224,124	\$	-
-	1,442,094	1,442,094		-
-	(287,747)	(287,747)		-
-	(228,608)	(228,608)		-
<u>\$ -</u>	<u>\$ 2,149,863</u>	<u>\$ 2,149,863</u>	<u>\$</u>	<u>-</u>
<u>\$ (94,865,373)</u>	<u>\$ 2,149,863</u>	<u>\$ (92,715,510)</u>	<u>\$</u>	<u>-</u>
			\$ (23,702,746)	
			(218,131)	
			<u>\$ (23,920,877)</u>	
\$ 50,549,139	\$ -	\$ 50,549,139	\$	-
15,569,291	-	15,569,291		-
1,946,425	-	1,946,425		-
7,810,020	-	7,810,020		-
1,661,182	-	1,661,182		-
13,849,223	-	13,849,223		-
4,116,427	518,361	4,634,788		-
-	-	-	33,406,203	
3,418,436	-	3,418,436		-
(687,172)	(182,076)	(869,248)	28,710	
1,270,683	454,435	1,725,118	723,449	
1,068,993	(1,068,993)	-	-	
<u>\$ 100,572,647</u>	<u>\$ (278,273)</u>	<u>\$ 100,294,374</u>	<u>\$ 34,158,362</u>	
\$ 5,707,274	\$ 1,871,590	\$ 7,578,864	\$ 10,237,485	
119,694,524	81,512,871	201,207,395	(7,957,958)	
<u>\$ 125,401,798</u>	<u>\$ 83,384,461</u>	<u>\$ 208,786,259</u>	<u>\$ 2,279,527</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2022

	General	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 39,478,472	\$ 6,958,841	\$ 5,229,248	\$ 13,263,136	\$ 64,929,697
Receivables (net of allowances for uncollectibles):					
Property taxes	1,367,733	-	-	13,825	1,381,558
Accounts	325,289	-	-	-	325,289
Accrued revenue	2,508,932	38,114	-	92,354	2,639,400
Leases receivable	817,898	-	-	-	817,898
Inventory, at cost	25,815	-	-	-	25,815
Prepaid items	415,048	-	-	1,797,504	2,212,552
Due from other governments	3,630,977	-	12,680	1,099,041	4,742,698
Total assets	<u>\$ 48,570,164</u>	<u>\$ 6,996,955</u>	<u>\$ 5,241,928</u>	<u>\$ 16,265,860</u>	<u>\$ 77,074,907</u>
Liabilities:					
Accounts payable	\$ 1,065,576	\$ 13,344	\$ 8,950	\$ 714,966	\$ 1,802,836
Accrued liabilities	3,465,402	61,713	-	398,030	3,925,145
Amounts held for others	1,663,122	-	-	-	1,663,122
Unearned revenue	148,824	636,880	5,232,978	20,000	6,038,682
Total liabilities	<u>\$ 6,342,924</u>	<u>\$ 711,937</u>	<u>\$ 5,241,928</u>	<u>\$ 1,132,996</u>	<u>\$ 13,429,785</u>
Deferred Inflows of Resources:					
Leases related	\$ 811,286	\$ -	\$ -	\$ -	\$ 811,286
Unavailable revenue - other	613,429	-	-	-	613,429
Unavailable revenue - property taxes	1,408,108	-	-	7,930	1,416,038
Total deferred inflows of resources	<u>\$ 2,832,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,930</u>	<u>\$ 2,840,753</u>
Fund Balances:					
Nonspendable	\$ 447,475	\$ -	\$ -	\$ 1,797,504	\$ 2,244,979
Restricted	-	-	-	95,250	95,250
Committed	16,279,164	378,414	-	7,683,166	24,340,744
Assigned	2,646,004	5,906,604	-	5,549,014	14,101,622
Unassigned	20,021,774	-	-	-	20,021,774
Total fund balances	<u>\$ 39,394,417</u>	<u>\$ 6,285,018</u>	<u>\$ -</u>	<u>\$ 15,124,934</u>	<u>\$ 60,804,369</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,570,164</u>	<u>\$ 6,996,955</u>	<u>\$ 5,241,928</u>	<u>\$ 16,265,860</u>	<u>\$ 77,074,907</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2022

Total fund balances for governmental funds (Exhibit 3)	\$	60,804,369
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Total net position reported for governmental activities in the statement of net position is different because:

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

Land	\$	26,373,125	
Construction in progress		3,271,681	
Land improvements, net of accumulated depreciation		20,954,947	
Buildings and improvements, net of accumulated depreciation		39,140,489	
Lease buildings and improvements, net of accumulated depreciation		23,797,287	
Joint tenancy assets, net of accumulated depreciation		24,420,507	
Infrastructure, net of accumulated depreciation		48,083,198	
Lease equipment, net of accumulated depreciation		293,550	
Machinery, vehicles, and equipment, net of accumulated depreciation		<u>12,027,894</u>	
Total capital assets			198,362,678

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.

910,870

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

Investment in joint venture		8,433,884
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Deferred charge on refunding	\$	112,285	
Pension related items		6,995,269	
OPEB related items		<u>1,307,143</u>	8,414,697

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

1,178,222

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	\$	(1,178,772)	
Bonds and notes payable		(71,162,198)	
Lease liabilities		(24,282,903)	
Premium on long-term debt, net of accumulated amortization		(4,726,905)	
Net pension liability		(13,300,047)	
Net OPEB liability		(15,712,389)	
Landfill post-closure costs		<u>(1,482,161)</u>	(131,845,375)

Compensated absences not reported as fund liabilities		(4,056,416)
-------------------------------------------------------	--	-------------

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

Pension related items	\$	(14,194,135)	
Deferred gain on refunding		(239,265)	
OPEB related items		<u>(2,367,731)</u>	(16,801,131)

Total net position of governmental activities (Exhibits 1 and 2)	\$	<u>125,401,798</u>
------------------------------------------------------------------	----	--------------------

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, 2022

	General Fund	Public Works Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 49,639,185	\$ -	\$ -	\$ 1,098,792	\$ 50,737,977
Other local taxes	44,250,566	156,621	-	545,381	44,952,568
Permits, privilege fees and regulatory licenses	893,971	-	-	24,807	918,778
Fines and forfeitures	405,155	-	-	-	405,155
Use of money and property	(72,180)	(201,577)	-	(209,391)	(483,148)
Charges for services	2,931,999	-	-	48,038	2,980,037
Miscellaneous	183,874	55,000	-	398,556	637,430
Recovered costs	474,901	256,071	-	241,977	972,949
Intergovernmental:					
Revenue from the Commonwealth	9,505,868	201,022	-	3,866,031	13,572,921
Revenue from the Federal Government	137,007	-	325,575	3,660,929	4,123,511
Total revenues	\$ 108,350,346	\$ 467,137	\$ 325,575	\$ 9,675,120	\$ 118,818,178
Expenditures					
Current:					
General government administration	\$ 8,761,613	\$ -	\$ 12,854	\$ -	\$ 8,774,467
Judicial administration	5,296,284	-	-	245,165	5,541,449
Public safety	26,562,959	-	159,180	348,694	27,070,833
Public works	9,296,384	-	2,773	557,576	9,856,733
Health and welfare	1,114,291	-	-	8,584,776	9,699,067
Education - local community college and other	34,291	-	-	-	34,291
Education - public school system	31,466,266	-	-	-	31,466,266
Parks, recreation and cultural	4,801,663	-	-	63,917	4,865,580
Community development	2,425,971	-	160,185	372,333	2,958,489
Capital projects	-	2,928,509	-	2,976,158	5,904,667
Nondepartmental	200,000	-	-	-	200,000
Debt service:					
Principal payments	117,841	-	-	4,910,684	5,028,525
Interest and fiscal charges	4,779	-	-	3,458,579	3,463,358
Total expenditures	\$ 90,082,342	\$ 2,928,509	\$ 334,992	\$ 21,517,882	\$ 114,863,725
Excess (deficiency) of revenues over (under) expenditures	\$ 18,268,004	\$ (2,461,372)	\$ (9,417)	\$ (11,842,762)	\$ 3,954,453
Other financing sources (uses)					
Proceeds from the sale of capital assets	\$ 17,344	\$ -	\$ -	\$ 2,480	\$ 19,824
Transfers in	1,068,993	2,607,690	-	12,383,557	16,060,240
Transfers out	(14,891,247)	-	-	(100,000)	(14,991,247)
Total other financing sources (uses)	\$ (13,804,910)	\$ 2,607,690	\$ -	\$ 12,286,037	\$ 1,088,817
Net change in fund balance	\$ 4,463,094	\$ 146,318	\$ (9,417)	\$ 443,275	\$ 5,043,270
Fund balances, beginning of year	34,931,323	6,138,700	9,417	14,681,659	55,761,099
Fund balances, end of year	\$ 39,394,417	\$ 6,285,018	\$ -	\$ 15,124,934	\$ 60,804,369

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, 2022

Net change in fund balances - total governmental funds (Exhibit 5)	\$	5,043,270
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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	\$	6,223,796	
Depreciation		<u>(9,746,192)</u>	(3,522,396)

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board			(1,664,430)
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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.			424,591
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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			621,411
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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.

Amortization of premium on long-term debt	\$	682,881	
Repayments of long-term debt:			
General obligation bonds		4,087,511	
Lease liabilities		<u>941,014</u>	
Net adjustment			5,711,406

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	\$	(351)	
OPEB expense		(654,923)	
Pension expense		59,991	
Accrued interest on bonds and loans		73,508	
Amortization of deferred charge/gain on refunding		(12,581)	
Accrued landfill post-closure costs		<u>(65,180)</u>	
Net adjustment			(599,536)

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>(307,042)</u>
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Change in net position of governmental activities (Exhibit 2)	\$	<u>5,707,274</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, 2022

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 12,408,670	\$ 11,502,406	\$ 12,558,866	\$ 575,258	\$ 37,045,200	\$ 1,393,870
Accounts receivable, net of allowance for uncollectibles	887,858	1,469,725	-	-	2,357,583	-
Accrued revenue	9,528	9,528	15,538	32,514	67,108	-
Leases receivable	80,177	-	-	36,080	116,257	-
Inventory, at cost	144,072	29,398	-	-	173,470	-
Prepaid items	1,185	1,060	25,830	15,024	43,099	-
Due from other governments	-	211,350	972,233	-	1,183,583	-
Restricted assets:						
Cash and cash equivalents	733,561	-	-	-	733,561	-
Total current assets	\$ 14,265,051	\$ 13,223,467	\$ 13,572,467	\$ 658,876	\$ 41,719,861	\$ 1,393,870
Noncurrent assets:						
Leases receivable	\$ 80,198	\$ -	\$ -	\$ 324,720	\$ 404,918	\$ -
Capital Assets:						
Land	701,345	114,880	560,686	782,125	2,159,036	-
Construction in progress	34,595	810,768	3,350	-	848,713	-
Land improvements	-	-	976,403	-	976,403	-
Dams and reservoirs	2,531,502	-	-	-	2,531,502	-
Buildings and systems	25,378,081	47,633,605	10,185,298	6,942,467	90,139,451	-
Furniture, machinery and equipment	770,812	5,335,557	4,645,120	374,252	11,125,741	-
Intangible assets	7,734,882	1,556,496	-	-	9,291,378	-
Total property, plant and equipment	\$ 37,151,217	\$ 55,451,306	\$ 16,370,857	\$ 8,098,844	\$ 117,072,224	\$ -
Accumulated depreciation	(13,037,562)	(26,487,830)	(6,777,428)	(2,442,553)	(48,745,373)	-
Capital assets, net	\$ 24,113,655	\$ 28,963,476	\$ 9,593,429	\$ 5,656,291	\$ 68,326,851	\$ -
Total noncurrent assets	\$ 24,193,853	\$ 28,963,476	\$ 9,593,429	\$ 5,981,011	\$ 68,731,769	\$ -
Total assets	\$ 38,458,904	\$ 42,186,943	\$ 23,165,896	\$ 6,639,887	\$ 110,451,630	\$ 1,393,870
Deferred Outflows of Resources:						
Pension related items	\$ 146,863	\$ 245,693	\$ 558,229	\$ 10,285	\$ 961,070	\$ -
OPEB related items	24,058	33,538	23,684	662	81,942	-
Deferred charge on refunding	11,604	211,773	-	29,792	253,169	-
Total deferred outflows of resources	\$ 182,525	\$ 491,004	\$ 581,913	\$ 40,739	\$ 1,296,181	\$ -
Liabilities:						
Current liabilities:						
Accounts payable	\$ 868,934	\$ 659,620	\$ 129,204	\$ 1,840	\$ 1,659,598	\$ -
Accrued liabilities	90,399	78,467	154,480	7,422	330,768	-
Interest payable	43,049	101,888	-	-	144,937	-
Compensated absences, current portion	57,852	82,530	58,050	1,246	199,678	-
Claims payable	-	-	-	-	-	483,000
Unearned revenue, current portion	-	50,220	-	-	50,220	-
General obligation bonds, current portion	421,587	1,144,688	-	274,768	1,841,043	-
Current liabilities payable from restricted assets:						
Customer deposits	733,561	-	-	-	733,561	-
Total current liabilities	\$ 2,215,382	\$ 2,117,413	\$ 341,734	\$ 285,276	\$ 4,959,805	\$ 483,000
Noncurrent liabilities:						
Unearned revenue, noncurrent portion	\$ -	\$ 1,364,174	\$ -	\$ -	\$ 1,364,174	\$ -
Compensated absences, noncurrent portion	35,457	14,564	80,165	764	130,950	-
Net OPEB liability	277,148	363,030	141,545	2,398	784,121	-
Net pension liability	279,001	467,515	684,683	19,605	1,450,804	-
General obligation bonds, noncurrent portion	6,046,686	10,522,974	-	863,840	17,433,500	-
Total noncurrent liabilities	\$ 6,638,292	\$ 12,732,257	\$ 906,393	\$ 886,607	\$ 21,163,549	\$ -
Total liabilities	\$ 8,853,674	\$ 14,849,670	\$ 1,248,127	\$ 1,171,883	\$ 26,123,354	\$ 483,000
Deferred Inflows of Resources:						
Pension related items	\$ 305,334	\$ 512,901	\$ 741,203	\$ 27,525	\$ 1,586,963	\$ -
Leases related	172,037	-	-	345,103	517,140	-
OPEB related items	42,886	58,183	33,883	941	135,893	-
Total deferred inflows of resources	\$ 520,257	\$ 571,084	\$ 775,086	\$ 373,569	\$ 2,239,996	\$ -
Net Position:						
Net investment in capital assets	\$ 17,453,469	\$ 17,327,004	\$ 9,593,429	\$ 4,547,475	\$ 48,921,377	\$ -
Unrestricted	11,814,029	9,930,189	12,131,167	587,699	34,463,084	910,870
Total net position	\$ 29,267,498	\$ 27,257,193	\$ 21,724,596	\$ 5,135,174	\$ 83,384,461	\$ 910,870

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, 2022

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 4,130,803	\$ 6,873,481	\$ 91,898	\$ 221,094	\$ 11,317,276	\$ 6,022,582
Operating expenses:						
Personal services	\$ 594,922	\$ 1,000,528	\$ 2,184,589	\$ 87,208	\$ 3,867,247	\$ -
Fringe benefits	420,055	394,347	720,970	19,991	1,555,363	5,442,355
Contractual services	1,172,685	2,787,252	475,943	65,942	4,501,822	-
Other operating expenses	411,060	758,848	1,155,544	60,985	2,386,437	887,269
Depreciation expense	897,326	1,407,471	824,360	175,475	3,304,632	-
Total operating expenses	\$ 3,496,048	\$ 6,348,446	\$ 5,361,406	\$ 409,601	\$ 15,615,501	\$ 6,329,624
Total operating income (loss)	\$ 634,755	\$ 525,035	\$ (5,269,508)	\$ (188,507)	\$ (4,298,225)	\$ (307,042)
Nonoperating revenues (expenses):						
Interest income	\$ (47,740)	\$ (50,454)	\$ (50,454)	\$ (33,428)	\$ (182,076)	\$ -
Gasoline tax receipts	-	-	131,554	386,807	518,361	-
Availability/connection fees	766,438	1,226,450	-	-	1,992,888	-
Miscellaneous	247,345	20,400	175,425	11,265	454,435	-
Utility relief program	(73,467)	(132,132)	-	-	(205,599)	-
State and local grant funds	-	-	2,108,823	-	2,108,823	-
Federal grant funds	73,467	142,651	2,549,699	-	2,765,817	-
Interest expense	(177,069)	(370,130)	-	(40,101)	(587,300)	-
Total nonoperating revenues (expenses)	\$ 788,974	\$ 836,785	\$ 4,915,047	\$ 324,543	\$ 6,865,349	\$ -
Income (loss) before contributions and transfers	\$ 1,423,729	\$ 1,361,820	\$ (354,461)	\$ 136,036	\$ 2,567,124	\$ (307,042)
Capital grants and contributions:						
State and local grant funds	\$ -	\$ 50,220	\$ 104,260	\$ -	\$ 154,480	\$ -
Federal grant funds	-	-	218,979	-	218,979	-
Total capital grants and contributions	\$ -	\$ 50,220	\$ 323,239	\$ -	\$ 373,459	\$ -
Transfers:						
Transfers out	\$ (500,869)	\$ (568,124)	\$ -	\$ -	\$ (1,068,993)	\$ -
Change in net position	\$ 922,860	\$ 843,916	\$ (31,222)	\$ 136,036	\$ 1,871,590	\$ (307,042)
Net position, beginning of year	28,344,638	26,413,277	21,755,818	4,999,138	81,512,871	1,217,912
Net position, end of year	\$ 29,267,498	\$ 27,257,193	\$ 21,724,596	\$ 5,135,174	\$ 83,384,461	\$ 910,870

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	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	\$ 3,957,383	\$ 6,809,206	\$ 89,456	\$ 485,735	\$ 11,341,780	\$ 6,022,582
Other miscellaneous receipts	259,007	20,400	306,979	398,072	984,458	-
Payments to suppliers	(1,893,070)	(3,282,330)	(1,570,363)	(131,324)	(6,877,087)	(887,269)
Payments to and for employees	(854,198)	(1,457,770)	(2,854,407)	(106,798)	(5,273,173)	(5,482,711)
Net cash provided by (used for) operating activities	\$ 1,469,122	\$ 2,089,506	\$ (4,028,335)	\$ 645,685	\$ 175,978	\$ (347,398)
Cash flows from noncapital financing activities:						
Availability and connection fees	\$ 766,438	\$ 1,226,450	\$ -	\$ -	\$ 1,992,888	\$ -
State, federal and local grant funds	-	801	4,400,214	-	4,401,015	-
Transfers	(500,869)	(568,124)	-	-	(1,068,993)	-
Net cash provided by (used for) noncapital financing activities	\$ 265,569	\$ 659,127	\$ 4,400,214	\$ -	\$ 5,324,910	\$ -
Cash flows from investing activities:						
Interest income	\$ (47,740)	\$ (50,454)	\$ (50,454)	\$ (33,428)	\$ (182,076)	\$ -
Cash flows from capital and related financing activities:						
Purchase of capital assets	\$ (727,669)	\$ (1,538,520)	\$ (91,485)	\$ (87,798)	\$ (2,445,472)	\$ -
State, federal and local grant funds	-	-	323,239	-	323,239	-
Principal payment on debt	(407,436)	(1,098,947)	-	(268,827)	(1,775,210)	-
Interest paid on debt	(177,478)	(331,897)	-	(30,171)	(539,546)	-
Net cash provided by (used for) capital and related financing activities	\$ (1,312,583)	\$ (2,969,364)	\$ 231,754	\$ (386,796)	\$ (4,436,989)	\$ -
Increase (decrease) in cash and cash equivalents for the year	\$ 374,368	\$ (271,185)	\$ 553,179	\$ 225,461	\$ 881,823	\$ (347,398)
Cash and cash equivalents (including restricted), beginning of year	12,767,863	11,773,591	12,005,687	349,797	36,896,938	1,741,268
Cash and cash equivalents (including restricted), end of year	\$ 13,142,231	\$ 11,502,406	\$ 12,558,866	\$ 575,258	\$ 37,778,761	\$ 1,393,870
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 634,755	\$ 525,035	\$ (5,269,508)	\$ (188,507)	\$ (4,298,225)	\$ (307,042)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	897,326	1,407,471	824,360	175,475	3,304,632	-
Other miscellaneous receipts	247,345	20,400	306,979	398,072	972,796	-
Changes in assets and liabilities:						
Accounts receivable	(36,204)	(48,716)	-	-	(84,920)	-
Inventory	10,450	620	-	-	11,070	-
Accrued revenue	17	(983)	5,478	(21,172)	(16,660)	-
Leases receivable	110,945	-	-	33,603	144,548	-
Prepaid items	(185)	882	(6,174)	2,147	(3,330)	-
Due from other governments	-	(14,576)	-	301,510	286,934	-
Other asset	-	1,693,618	-	-	1,693,618	-
Deferred outflows of resources - pension related items	17,318	10,503	(107,452)	3,808	(75,823)	-
Deferred outflows of resources - OPEB related items	(5,433)	9,920	1,174	88	5,749	-
Accounts payable	(363,714)	(1,473,383)	16,648	(6,544)	(1,826,993)	-
Accrued liabilities	44,124	42,033	50,650	4,463	141,270	-
Net OPEB liability	123,576	(39,312)	(16,065)	(998)	67,201	-
Net pension liability	(298,553)	(447,206)	(554,717)	(30,346)	(1,330,822)	-
Unearned revenue	(155,935)	-	(7,920)	-	(163,855)	-
Claims payable	-	-	-	-	-	(40,356)
Compensated absences	14,530	(34,036)	(2,991)	(2,889)	(25,386)	-
Deferred inflows of resources - pension related items	281,603	421,836	709,545	25,470	1,438,454	-
Deferred inflows of resources - OPEB related items	27,738	15,400	21,658	805	65,601	-
Deferred inflows of resources - leases related	(99,283)	-	-	(49,300)	(148,583)	-
Deposits payable from restricted assets	18,702	-	-	-	18,702	-
Net cash provided by (used for) operating activities	\$ 1,469,122	\$ 2,089,506	\$ (4,028,335)	\$ 645,685	\$ 175,978	\$ (347,398)

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2022

	Custodial Funds	Other Postemployment Benefit Plan Fund	Private Purpose Trust Fund
Assets:			
Cash and cash equivalents	\$ 1,735,334	\$ -	\$ 1,648,824
Accounts receivable	228,277	-	6,451
Prepaid items	47,414	-	3
Pension asset	404,082	-	-
Investments at fair value:			
Investment in pooled funds	-	2,156,431	-
Capital assets net of accumulated depreciation	2,459,043	-	-
Total assets	\$ 4,874,150	\$ 2,156,431	\$ 1,655,278
Deferred Outflows of Resources:			
Pension related items	\$ 177,644	\$ -	\$ 22,659
OPEB related items	16,477	-	2,427
Total deferred outflows of resources	\$ 194,121	\$ -	\$ 25,086
Liabilities:			
Accounts payable	\$ 39,699	\$ -	\$ 64
Accrued liabilities	232,622	-	27,111
Notes payable	429,256	-	-
Lease liabilities	210,362	-	-
Net OPEB liability	58,107	-	24,519
Net pension liability	292,574	-	37,703
Amounts held for others	718,619	-	-
Total liabilities	\$ 1,981,239	\$ -	\$ 89,397
Deferred Inflows of Resources:			
Pension related items	\$ 486,337	\$ -	\$ 39,913
OPEB related items	27,521	-	4,136
Total deferred inflows of resources	\$ 513,858	\$ -	\$ 44,049
Net Position:			
Net position restricted for OPEB and other purposes	\$ 2,573,174	\$ 2,156,431	\$ 1,546,918

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, 2022

	<u>Custodial Funds</u>	<u>Other Post-employment Benefit Plan Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:			
Contributions:			
Contributions	\$ 1,486,012	\$ 200,000	\$ 82,400
Investment income:			
Interest earned on investments	-	(221,250)	(41,183)
Miscellaneous	<u>3,829,161</u>	<u>-</u>	<u>-</u>
Total additions	\$ <u>5,315,173</u>	\$ <u>(21,250)</u>	\$ <u>41,217</u>
Deductions:			
Payments for property management	\$ -	\$ -	\$ 123,773
Other charges	<u>5,259,032</u>	<u>2,846</u>	<u>-</u>
Total deductions	\$ <u>5,259,032</u>	\$ <u>2,846</u>	\$ <u>123,773</u>
Net increase (decrease) in plan assets	\$ 56,141	\$ (24,096)	\$ (82,556)
Net position held in trust for OPEB benefits and other purposes:			
Balance, beginning of year, as restated	<u>2,517,033</u>	<u>2,180,527</u>	<u>1,629,474</u>
Balance, end of year	\$ <u><u>2,573,174</u></u>	\$ <u><u>2,156,431</u></u>	\$ <u><u>1,546,918</u></u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Component Units
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 56,428,295	\$ 101,963	\$ 32,666,339	\$ -
Interest on long-term debt	42,753	-	-	-
Total School Board	\$ 56,471,048	\$ 101,963	\$ 32,666,339	\$ -
Economic Development Authority				
Community development	\$ 376,602	\$ 138,601	\$ 19,870	\$ -
Total Component Units	<u>\$ 56,847,650</u>	<u>\$ 240,564</u>	<u>\$ 32,686,209</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
\$ (23,659,993)	\$ -	\$ (23,659,993)
(42,753)	-	(42,753)
\$ (23,702,746)	\$ -	\$ (23,702,746)
\$ -	\$ (218,131)	\$ (218,131)
\$ (23,702,746)	\$ (218,131)	\$ (23,920,877)
\$ 33,130,696	\$ 275,507	\$ 33,406,203
26,288	2,422	28,710
717,680	5,769	723,449
\$ 33,874,664	\$ 283,698	\$ 34,158,362
\$ 10,171,918	\$ 65,567	\$ 10,237,485
(9,347,442)	1,389,484	(7,957,958)
\$ 824,476	\$ 1,455,051	\$ 2,279,527

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

Note 1—Summary of Significant Accounting Policies:

Narrative Profile

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

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

A. Financial Reporting Entity

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, effects of interfund activity have been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

A. Financial Reporting Entity: (Continued)

Statement of Activities: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Inclusions in the Reporting Entity:

1. Component Units:

a. Fredericksburg City School Board:

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

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

A. Financial Reporting Entity: (Continued)

Inclusions in the Reporting Entity: (Continued)

1. Component Units: (Continued)

b. Fredericksburg Economic Development Authority:

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

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

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

a. Rappahannock Security Center

The Rappahannock Security Center is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Center provides adult detention services for its participant localities. The Counties of Spotsylvania, Stafford and King George and the City provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints three (3) of the nine (9) members of the Board. No one locality contributes more than 50% of the Center's funding. The City provided \$4,890,828 in operating and other funds to the Center in 2022.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

b. Rappahannock Regional Library

The Rappahannock Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Counties of Westmoreland, Stafford and Spotsylvania and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints two (2) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding. The City provided \$1,364,006 in operating funds to the Library in 2022.

c. Rappahannock Regional Solid Waste Management Board

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

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

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The City's equity interest as of June 30, 2022 was \$8,433,884.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

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

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7.5 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2022 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 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

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

d. Rappahannock Area Community Services Board

The Board was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Mayor appoints the three (3) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Board provides mental health, mental retardation and substance abuse services to residents of the participant localities. The City provided operating grants of \$286,306 to the Board in 2022.

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 2022.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

f. George Washington Regional Commission

The Commission was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the four (4) commissioners; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$24,073 in operating grants to the Commission in 2022.

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 \$306,677 to the Center in 2022.

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

The Home was created by City Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$88,951 in operating funds to the Home in 2022.

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 2022.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

Obtaining of Financial Statements for Jointly Governed Organizations

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

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. If applicable, internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

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

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

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and custodial). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2022.

1. Governmental Funds:

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

- a. General Fund - The General Fund is the primary operating fund of the City and accounts for and reports all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds include the following funds:

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

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

2. Proprietary Funds:

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

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

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

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

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

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

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

2. Proprietary Funds: (Continued)

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

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

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

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

3. Fiduciary Funds (Trust and Custodial Funds):

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

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

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

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

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

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

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

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

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

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

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

4. Component Units:

a. Fredericksburg City School Board:

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

Governmental Funds:

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

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

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

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

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

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

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

b. Economic Development Authority:

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

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

C. Basis of Accounting

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

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

D. Budgets and Budgetary Accounting: (Continued)

All operating budgets included proposed expenditures and the means of financing them. City Council must approve all budget revisions once the appropriation ordinance has been adopted. Budgets are approved and may not exceed appropriations at the department level. Budgeted amounts as presented in the financial statements reflect budget revisions through June 30, 2022. 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, 2022.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2022, the allowance totaled \$1,743,989 with \$1,340,985 in the General Fund and \$403,004 in the Enterprise Funds.

H. Inventory

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

I. Prepaid Items

Prepaid expenses are reported on the consumption method.

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

J. Capital Assets

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

Land improvements	20 to 50 years
Buildings and improvements	20 to 40 years
Furniture and other equipment	5 to 20 years
Infrastructure	10 to 50 years
Joint tenancy assets	40 years
Lease buildings and improvements	5 to 30 years
Lease equipment	3 to 5 years

To the extent the City’s capitalization threshold of \$10,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the following estimated useful lives:

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

All capital assets are valued at historical cost (except for intangible right-to-use assets (lease), the measurement of which is discussed in more detail below), or estimated historical cost if actual cost was not available. Donated capital assets are valued at their acquisition value on the date donated.

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

K. Compensated Absences

The City and School Board 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 includes a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Another item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 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 pension, OPEB, and leases. 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, 2022 was \$682,881 and \$26,521 for the governmental and business-type activities, respectively.

Q. Long-term Obligations

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

R. Net Position

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

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

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

S. Net Position Flow Assumption

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

T. Fund 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, 2022

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	\$ 25,815	\$ -	\$ -	\$ 25,815
Leases	6,612	-	-	6,612
Prepays	415,048	-	1,797,504	2,212,552
Total Nonspendable Fund Balance	\$ 447,475	\$ -	\$ 1,797,504	\$ 2,244,979
Restricted:				
Housing initiatives	\$ -	\$ -	\$ 95,250	\$ 95,250
Committed:				
Social services	\$ -	\$ -	\$ 626,164	\$ 626,164
Comprehensive services	-	-	967,822	967,822
Cowan Boulevard debt service	-	-	35,611	35,611
Public safety construction projects	-	-	284,772	284,772
Public facilities construction projects	-	-	1,385,591	1,385,591
Public works construction projects	-	378,414	-	378,414
Blight abatement	-	-	236,302	236,302
Economic development opportunities	-	-	464,252	464,252
Grant related expenditures	-	-	1,104,431	1,104,431
Forfeited asset sharing program	-	-	119,538	119,538
Stormwater management	-	-	733,351	733,351
Education debt service	-	-	1,249,973	1,249,973
Debt service	-	-	462,753	462,753
City capital projects	8,628,926	-	-	8,628,926
School capital projects	5,500,000	-	-	5,500,000
Health insurance claims	800,000	-	-	800,000
Other purposes	1,350,238	-	12,606	1,362,844
Total Committed Fund Balance	\$ 16,279,164	\$ 378,414	\$ 7,683,166	\$ 24,340,744
Assigned:				
Public works construction projects	\$ -	\$ 5,906,604	\$ -	\$ 5,906,604
Public facilities construction projects	-	-	3,434,931	3,434,931
Public safety construction projects	-	-	1,040,475	1,040,475
Court facilities construction projects	-	-	1,073,608	1,073,608
Detention stabilization	2,071,004	-	-	2,071,004
Economic development opportunities	575,000	-	-	575,000
Total Assigned Fund Balance	\$ 2,646,004	\$ 5,906,604	\$ 5,549,014	\$ 14,101,622
Unassigned	\$ 20,021,774	\$ -	\$ -	\$ 20,021,774
Total Fund Balances	\$ 39,394,417	\$ 6,285,018	\$ 15,124,934	\$ 60,804,369

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

U. Other Postemployment Benefits (OPEB)

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

V. Leases

The City leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

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

Lessor

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

Key Estimates and Judgments

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

- The City uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

V. Leases: (Continued)

Key Estimates and Judgments: (Continued)

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

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

W. Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. 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. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	Governmental Activities	General Fund	Component Unit School Board
Leasee activity:			
Lease assets	\$ 25,223,917	\$ -	\$ 304,373
Lease liabilities	\$ 25,223,917	\$ -	\$ 304,373
Lessor activity:			
Leases receivable	\$ 894,646	\$ 894,646	\$ -
Deferred inflows of resources - leases	\$ 894,646	\$ 894,646	\$ -
	Business-type Activities	Water Fund	Parking Fund
Leasee activity:			
Lease assets	\$ -	\$ -	\$ -
Lease liabilities	\$ -	\$ -	\$ -
Lessor activity:			
Leases receivable	\$ 665,723	\$ 271,320	\$ 394,403
Deferred inflows of resources - leases	\$ 665,723	\$ 271,320	\$ 394,403

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

W. Adoption of Accounting Principles: (Continued)

The implementation of this Statement resulted in the following restatement of net position:

	<u>Governmental Activities Net Position</u>
July 1, 2021, as previously reported	\$ 119,690,024
Implementation of GASB 87	<u>4,500</u>
July 1, 2021, as restated	<u>\$ 119,694,524</u>

Note 2—Deposits and Investments:

Deposits - Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments - Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments) - The City’s investments at June 30, 2022 were held by the City or in the City’s name by the City’s custodial banks; except for U.S. Agency investments, U.S. Treasuries, Corporate Debt investments, municipal public bonds, and commercial paper, where the underlying securities were uninsured and held by an investment broker.

Credit Risk of Debt Securities

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 2—Deposits and Investments: (Continued)

The City's rated debt investments as of June 30, 2022 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					
	AAA	AA+	AA	AA-	A-1+	A-1
U.S. Agencies	\$ -	\$ 21,208,153	\$ -	\$ -	\$ -	\$ -
Corporate Debt	-	-	1,241,418	154,997	-	-
Certificates of Deposit	-	-	-	-	664,888	2,379,129
VML/VACO Pooled Trust	2,156,431	-	-	-	-	-
Virginia State Non-Arbitrage Program	3,121,480	-	-	-	-	-
Money Market Mutual Fund	34,882,167	-	-	-	-	-
Total	<u>\$ 40,160,078</u>	<u>\$ 21,208,153</u>	<u>\$ 1,241,418</u>	<u>\$ 154,997</u>	<u>\$ 664,888</u>	<u>\$ 2,379,129</u>

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	\$ 21,208,153	\$ 2,162,945	\$ 19,045,208
U.S. Treasuries	26,255,048	10,985,826	15,269,222
Certificates of Deposit	3,044,017	3,044,017	-
VML/VACO Pooled Trust	2,156,431	2,156,431	-
Virginia State Non-Arbitrage Program	3,121,480	3,121,480	-
Corporate Debt	1,396,415	1,396,415	-
Total	<u>\$ 57,181,544</u>	<u>\$ 22,867,114</u>	<u>\$ 34,314,430</u>

External Investment Pool

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 3—Fair Value Measurements:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

The City has the following recurring fair value measurements as of June 30, 2022:

Investment	June 30, 2022	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)	
U.S. Agencies	\$ 21,208,153	\$	21,208,153
U.S. Treasuries	26,255,048		26,255,048
Certificates of Deposit	3,044,017		3,044,017
Money Market Mutual Fund	34,882,167		34,882,167
Corporate Debt	1,396,415		1,396,415
Total	\$ 86,785,800	\$	86,785,800

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 4—Real and Personal Property Tax Data:

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

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

Note 5—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2022 consist of the following:

Primary Government:

	Governmental Activities					Business-Type Activities
	General	Public Works Capital Fund	Special Revenue	Capital Projects	Total	
Property taxes	\$ 2,656,351	\$ -	\$ 13,825	\$ -	\$ 2,670,176	\$ -
Water charges	-	-	-	-	-	1,051,792
Wastewater charges	-	-	-	-	-	1,708,795
EMS fees	132,950	-	-	-	132,950	-
Meals tax	1,436,090	-	-	-	1,436,090	-
Refuse disposal fees	268,141	-	-	-	268,141	-
Opioid settlements	613,429	-	-	-	613,429	-
Investment earnings	38,114	38,114	-	76,227	152,455	38,114
Other	397,864	-	16,127	-	413,991	28,994
Total	\$ 5,542,939	\$ 38,114	\$ 29,952	\$ 76,227	\$ 5,687,232	\$ 2,827,695
Allowance for uncollectibles	(1,340,985)	-	-	-	(1,340,985)	(403,004)
Net receivables	<u>\$ 4,201,954</u>	<u>\$ 38,114</u>	<u>\$ 29,952</u>	<u>\$ 76,227</u>	<u>\$ 4,346,247</u>	<u>\$ 2,424,691</u>

Component Units

	School Board	Economic Development Authority
Other	\$ 119,346	\$ 59,542
Total	\$ 119,346	\$ 59,542
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 119,346</u>	<u>\$ 59,542</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 6—Due From Other Governmental Units:

	Governmental Activities				Business- Type Activities	Component Unit School Board
	General	Special Revenue	COVID-19 Relief	Total		
Primary Government:						
Commonwealth of Virginia:						
Local sales taxes	\$ 2,637,745	\$ -	\$ -	\$ 2,637,745	\$ -	\$ -
Telecommunication sales tax	203,453	-	-	203,453	-	-
PPTRA	676,647	-	-	676,647	-	-
Children's Services Act	-	369,411	-	369,411	-	-
Shared expenses and grants	12,696	-	-	12,696	-	-
Virginia Department of Transportation	-	-	-	-	204,722	-
Virginia Department of Emergency Management	-	47,076	-	47,076	-	-
Virginia Department of Criminal Justice Services	-	53,804	-	53,804	-	-
Social services grants	-	613,161	-	613,161	-	-
Other	97,642	6,459	-	104,101	-	-
Federal government:						
Transit grants	-	-	-	-	767,511	-
Criminal justice grants	-	-	12,680	12,680	-	-
Department of Housing and Community Development	-	4,019	-	4,019	-	-
Others:						
Other	2,794	5,111	-	7,905	-	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	211,350	-
Component Unit School Board:						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	910,244
State school funds	-	-	-	-	-	14,699
Federal pass-through:						
School funds	-	-	-	-	-	5,480,845
Federal government:						
Head Start	-	-	-	-	-	305,133
Total	\$ 3,630,977	\$ 1,099,041	\$ 12,680	\$ 4,742,698	\$ 1,183,583	\$ 6,710,921

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 7—Interfund Balances and Activity:

Primary Government:

Balances due To/From other funds at June 30, 2022:

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	\$ 880,000
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	241,201
Transfer to the Children's Services Act Fund for the local share of the program costs	1,000,000
Transfers to the Multi Purpose Stadium Fund for community development	158,024
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,845,625
Transfers to the Education Debt Service Fund to pay school debt service and related costs	3,832,988
Transfers to the Public Works Capital Fund to fund infrastructure and related capital projects	2,607,690
Transfers to the Public Safety Capital Fund to fund capital projects	2,600,282
Transfers to the Public Facilities Capital Fund to fund building improvements and related costs	825,437
Total transfers in - other governmental funds	\$ 14,991,247
Transfers to the General Fund for various programs	\$ 1,068,993
Total transfers	\$ 16,060,240
Reconciliation of transfers:	
Transfers out from governmental funds	\$ 14,991,247
Transfers from enterprise funds to governmental funds	1,068,993
Total transfers	\$ 16,060,240

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

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, 2021 As Restated	GASB 87 Implementation	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 26,373,125	\$ -	\$ -	\$ -	\$ 26,373,125
Construction in progress:					
Infrastructure	\$ 3,070	\$ -	\$ 396,910	\$ -	\$ 399,980
Land improvements	5,955,988	-	652,325	6,553,020	55,293
Buildings	775,254	-	2,090,553	49,399	2,816,408
Total construction in progress	\$ 6,734,312	\$ -	\$ 3,139,788	\$ 6,602,419	\$ 3,271,681
Total capital assets not being depreciated	\$ 33,107,437	\$ -	\$ 3,139,788	\$ 6,602,419	\$ 29,644,806
Other capital assets:					
Land improvements	\$ 21,398,582	\$ -	\$ 6,553,020	\$ -	\$ 27,951,602
Buildings and improvements	64,389,770	-	56,557	-	64,446,327
Lease buildings and improvements	-	24,762,624	-	-	24,762,624
Joint tenancy assets	34,260,000	-	-	2,630,000	31,630,000
Infrastructure	106,146,554	-	1,777,403	-	107,923,957
Lease equipment	-	461,293	-	-	461,293
Machinery, equipment and vehicles	30,398,431	-	1,299,447	81,639	31,616,239
Total other capital assets	\$ 256,593,337	\$ 25,223,917	\$ 9,686,427	\$ 2,711,639	\$ 288,792,042
Accumulated depreciation:					
Land improvements	\$ 6,378,506	\$ -	\$ 618,149	\$ -	\$ 6,996,655
Buildings and improvements	23,604,781	-	1,701,057	-	25,305,838
Lease buildings and improvements	-	-	965,337	-	965,337
Joint tenancy assets	7,306,646	-	868,417	965,570	7,209,493
Infrastructure	56,150,835	-	3,689,924	-	59,840,759
Lease equipment	-	-	167,743	-	167,743
Machinery, equipment and vehicles	17,934,419	-	1,735,565	81,639	19,588,345
Total accumulated depreciation	\$ 111,375,187	\$ -	\$ 9,746,192	\$ 1,047,209	\$ 120,074,170
Other capital assets, net	\$ 145,218,150	\$ 25,223,917	\$ (59,765)	\$ 1,664,430	\$ 168,717,872
Net capital assets	\$ 178,325,587	\$ 25,223,917	\$ 3,080,023	\$ 8,266,849	\$ 198,362,678
Depreciation is allocated to:					
General government administration			\$ 522,025		
Judicial administration			1,041,964		
Public safety			1,200,477		
Public works			4,456,276		
Health and welfare			100,560		
Education			868,417		
Parks and recreation			705,039		
Community development			851,434		
Total			\$ 9,746,192		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 8—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 2,159,036	\$ -	\$ -	\$ 2,159,036
Construction in progress	1,950,489	1,182,451	2,284,227	848,713
Total capital assets not being depreciated	\$ 4,109,525	\$ 1,182,451	\$ 2,284,227	\$ 3,007,749
Other capital assets:				
Land improvements	\$ 976,403	\$ -	\$ -	\$ 976,403
Buildings and systems	89,345,813	793,638	-	90,139,451
Dams and reservoirs	2,531,502	-	-	2,531,502
Intangible assets	8,801,792	489,586	-	9,291,378
Furniture, machinery and equipment	10,752,879	372,862	-	11,125,741
Total other capital assets	\$ 112,408,389	\$ 1,656,086	\$ -	\$ 114,064,475
Accumulated depreciation:				
Land improvements	\$ 251,909	\$ 35,987	\$ -	\$ 287,896
Buildings and systems	34,162,362	2,026,480	-	36,188,842
Dams and reservoirs	460,257	88,076	-	548,333
Intangible assets	3,336,048	284,098	-	3,620,146
Furniture, machinery and equipment	7,230,165	869,991	-	8,100,156
Total accumulated depreciation	\$ 45,440,741	\$ 3,304,632	\$ -	\$ 48,745,373
Other capital assets, net	\$ 66,967,648	\$ (1,648,546)	\$ -	\$ 65,319,102
Net capital assets	\$ 71,077,173	\$ (466,095)	\$ 2,284,227	\$ 68,326,851
Depreciation is allocated to:				
Water operations		\$ 897,326		
Wastewater operations		1,407,471		
Parking garage operations		824,360		
Transit operations		175,475		
Total		\$ 3,304,632		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 8—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2021	GASB 87 Implementation	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 472,679	\$ -	\$ -	\$ -	\$ 472,679
Construction in progress	330,374	-	2,749,918	-	3,080,292
Total capital assets not being depreciated	\$ 803,053	\$ -	\$ 2,749,918	\$ -	\$ 3,552,971
Other capital assets:					
Land improvements	\$ 569,274	\$ -	\$ 304,266	\$ -	\$ 873,540
Buildings and improvements	51,238,836	-	2,653,760	-	53,892,596
Lease equipment	-	304,373	65,392	-	369,765
Machinery, equipment and vehicles	8,270,626	-	349,134	-	8,619,760
Total other capital assets	\$ 60,078,736	\$ 304,373	\$ 3,372,552	\$ -	\$ 63,755,661
Accumulated depreciation:					
Land improvements	\$ 101,762	\$ -	\$ 26,790	\$ -	\$ 128,552
Buildings and improvements	25,993,191	-	2,538,725	-	28,531,916
Lease equipment	-	-	78,161	-	78,161
Machinery, equipment and vehicles	5,289,585	-	388,693	-	5,678,278
Total accumulated depreciation	\$ 31,384,538	\$ -	\$ 3,032,369	\$ -	\$ 34,416,907
Other capital assets, net	\$ 28,694,198	\$ 304,373	\$ 340,183	\$ -	\$ 29,338,754
Net capital assets	\$ 29,497,251	\$ 304,373	\$ 3,090,101	\$ -	\$ 32,891,725
Depreciation allocated to education			\$ 3,032,369		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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.	\$ -	\$ 1,414,394
Unspent grant funds and other items	6,038,682	-
Total unearned revenue	\$ 6,038,682	\$ 1,414,394
	Deferred/Unavailable Revenue Balance Sheet	
	Governmental Funds	Government-wide Statements
	Governmental Funds	Governmental Activities
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 851,245	\$ 851,245
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.	564,793	-
Other unavailable revenues	613,429	-
Total deferred/unavailable revenue	\$ 2,029,467	\$ 851,245

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

Note 10—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021 As Restated	GASB 87 Implementation	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2022	Current Portion
Primary Government:						
Long-term obligations payable from governmental activities:						
General obligation bonds	\$ 35,891,895	\$ -	\$ -	\$ 468,799	\$ 35,423,096	\$ 1,588,347
Direct borrowings and placements:						
General obligation bonds	4,317,814	-	-	743,712	3,574,102	766,232
General obligation school bonds	34,260,000	-	-	2,630,000	31,630,000	2,765,000
Revenue bonds	780,000	-	-	245,000	535,000	260,000
Add: Unamortized bond premium	5,409,786	-	-	682,881	4,726,905	643,024
Other liabilities:						
Lease liabilities	-	25,223,917	-	941,014	24,282,903	1,044,924
Landfill post-closure costs	1,416,981	-	65,180	-	1,482,161	90,000
Compensated absences	4,056,065	-	2,515,111	2,514,760	4,056,416	2,514,978
Net pension liability	27,728,843	-	17,593,090	32,021,886	13,300,047	-
Net OPEB liability	16,003,418	-	3,153,333	3,444,362	15,712,389	-
Total	\$ 129,864,802	\$ 25,223,917	\$ 23,326,714	\$ 43,692,414	\$ 134,723,019	\$ 9,672,505
Long-term obligations payable from business-type activities:						
General obligation bonds	\$ 12,053,105	\$ -	\$ -	\$ 626,201	\$ 11,426,904	\$ 641,653
Direct borrowings and placements:						
General obligation bonds	8,764,633	-	-	1,149,020	7,615,613	1,174,113
Add: Unamortized bond premium	258,547	-	-	26,521	232,026	25,277
Other liabilities:						
Compensated absences	356,014	-	197,262	222,648	330,628	199,678
Net pension liability	2,781,626	-	2,140,756	3,471,578	1,450,804	-
Net OPEB liability	716,920	-	299,377	232,176	784,121	-
Total	\$ 24,930,845	\$ -	\$ 2,637,395	\$ 5,728,144	\$ 21,840,096	\$ 2,040,721
Total primary government	\$ 154,795,647	\$ 25,223,917	\$ 25,964,109	\$ 49,420,558	\$ 156,563,115	\$ 11,713,226
Component Unit School Board:						
Long-term obligations payable from component unit School Board activities:						
Energy performance contract	\$ 2,025,000	\$ -	\$ -	\$ 272,000	\$ 1,753,000	\$ 278,000
Lease liabilities	-	304,373	65,392	77,815	291,950	88,121
Compensated absences	1,128,183	-	795,511	586,655	1,337,039	695,260
Net pension liability	40,665,858	-	6,884,998	26,379,337	21,171,519	-
Net OPEB liability	12,063,327	-	1,584,219	2,935,611	10,711,935	-
Total component unit School Board	\$ 55,882,368	\$ 304,373	\$ 9,330,120	\$ 30,251,418	\$ 35,265,443	\$ 1,061,381

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

Note 10—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2022:

Year Ending June 30,	Governmental Activities							
	Direct Borrowings and Direct Placements				Lease			
	General Obligation Bonds		Revenue Bonds		General Obligation Bonds		Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,531,232	\$ 1,526,980	\$ 260,000	\$ 20,756	\$ 1,588,347	\$ 1,302,112	\$ 1,044,924	\$ 375,992
2024	3,707,925	1,358,022	275,000	7,047	1,675,041	1,222,635	891,697	361,727
2025	3,878,571	1,180,563	-	-	1,757,604	1,138,984	700,607	349,393
2026	4,065,277	998,862	-	-	1,845,011	1,051,141	711,757	338,243
2027	3,563,250	823,745	-	-	1,947,005	958,603	723,084	326,916
2028	3,732,850	652,098	-	-	2,034,559	868,420	734,592	315,408
2029	3,720,000	476,454	-	-	2,116,985	781,356	746,283	303,717
2030	3,904,997	295,592	-	-	2,169,701	689,402	758,160	291,840
2031	645,000	188,547	-	-	2,266,908	592,113	770,226	279,774
2032	670,000	159,100	-	-	2,369,096	489,888	782,484	267,516
2033	700,000	130,744	-	-	2,471,794	388,803	794,937	255,063
2034	730,000	103,525	-	-	2,544,548	308,373	807,589	242,411
2035	755,000	75,272	-	-	2,486,991	246,241	820,441	229,559
2036	785,000	45,959	-	-	2,450,750	183,550	833,499	216,501
2037	815,000	15,509	-	-	2,506,047	120,393	846,764	203,236
2038	-	-	-	-	2,576,634	55,379	860,240	189,760
2039	-	-	-	-	616,075	11,166	873,931	176,069
2040	-	-	-	-	-	-	887,839	162,161
2041	-	-	-	-	-	-	901,969	148,031
2042	-	-	-	-	-	-	916,324	133,676
2043	-	-	-	-	-	-	930,907	119,093
2044	-	-	-	-	-	-	945,722	104,278
2045	-	-	-	-	-	-	960,773	89,227
2046	-	-	-	-	-	-	976,064	73,936
2047	-	-	-	-	-	-	991,598	58,402
2048	-	-	-	-	-	-	1,007,379	42,621
2049	-	-	-	-	-	-	1,023,412	26,588
2050	-	-	-	-	-	-	1,039,701	10,299
	<u>\$ 35,204,102</u>	<u>\$ 8,030,972</u>	<u>\$ 535,000</u>	<u>\$ 27,803</u>	<u>\$ 35,423,096</u>	<u>\$ 10,408,559</u>	<u>\$ 24,282,903</u>	<u>\$ 4,547,056</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 10—Long-term Obligations: (Continued)

Year Ending June 30,	Business-type Activities			
	Direct Borrowings and Direct Placements		General Obligation Bonds	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 1,174,113	\$ 152,729	\$ 641,653	\$ 341,758
2024	1,199,546	126,489	659,959	321,698
2025	1,226,815	99,683	682,396	300,955
2026	1,252,592	72,217	704,989	279,431
2027	976,013	47,766	727,995	257,004
2028	997,320	26,360	750,441	233,790
2029	391,170	12,470	773,015	209,809
2030	398,044	6,289	800,299	187,495
2031	-	-	818,092	167,018
2032	-	-	835,904	145,923
2033	-	-	863,206	122,840
2034	-	-	890,452	97,760
2035	-	-	913,009	71,934
2036	-	-	324,250	45,328
2037	-	-	333,953	32,232
2038	-	-	348,366	19,299
2039	-	-	358,925	(9,399)
	<u>\$ 7,615,613</u>	<u>\$ 544,003</u>	<u>\$ 11,426,904</u>	<u>\$ 2,824,875</u>

Year Ending June 30,	Component Unit School Board			
	Lease Liabilities		Energy Performance Contract	
	Lease Liabilities		Energy Performance Contract	
	Principal	Interest	Principal	Interest
2023	\$ 88,121	\$ 1,693	\$ 278,000	\$ 35,235
2024	88,731	930	283,000	29,648
2025	58,226	384	289,000	23,959
2026	46,019	161	295,000	18,150
2027	10,853	30	301,000	12,221
2028	-	-	307,000	6,171
	<u>\$ 291,950</u>	<u>\$ 3,198</u>	<u>\$ 1,753,000</u>	<u>\$ 125,384</u>

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 10—Long-term Obligations: (Continued)

At June 30, 2022, the City's long-term obligations consisted of the following:

Details of Long-term Obligations:

	Issued	Due Date	Rate(s)	Amount Outstanding	Current Portion
Primary Government:					
General obligation bonds:					
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	\$ 22,310,000	\$ 2,325,000
2014A General Obligation Refunding Bonds	2015	2026	2.37%	2,880,000	695,000
2014B General Obligation Refunding Bonds	2015	2028	2.55%	4,490,000	700,000
2015A General Obligation Bonds	2015	2035	2.32%	8,020,000	535,000
2016A General Obligation Bonds	2016	2037	3.8-5.125%	10,120,000	625,000
2018A General Obligation Bonds	2018	2039	3.125%-5.0%	13,715,000	595,000
2020 General Obligation Refunding Bonds	2020	2038	2.0%-5.0%	25,115,000	1,100,000
2020B General Obligation Refunding Bonds	2021	2030	1.58%	3,019,715	360,345
Total general obligation bonds				\$ 89,669,715	\$ 6,935,345
Revenue bonds:					
Virginia Resources Authority Revenue Bonds	2016	2024	3.125-5.125%	\$ 535,000	\$ 260,000
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 234,216	\$ 52,602
2015D Virginia Resources Authority Revenue Bonds				17,794	13,283
2016A General Obligation Bonds				1,132,455	149,077
2018A General Obligation Bonds				726,470	85,739
2020 General Obligation Refunding Bonds				2,847,996	367,600
Total unamortized bond premium				\$ 4,958,931	\$ 668,301
Lease liabilities:					
Warehouse space - Industrial Park	2019	2024	2.00%	\$ 139,947	\$ 92,597
Office space - drug court	2020	2023	3.00%	25,463	25,463
Stadium lease	2021	2050	1.58%	23,808,537	772,624
Public works equipment	2021	2024	0.93%	308,956	154,240
Total lease liabilities				\$ 24,282,903	\$ 1,044,924
Other liabilities:					
Net pension liability				\$ 14,750,851	\$ -
Compensated absences				\$ 4,387,044	\$ 2,714,656
Net OPEB liability				\$ 16,496,510	\$ -
Landfill post-closure costs				\$ 1,482,161	\$ 90,000
Total primary government				\$ 156,563,115	\$ 11,713,226
Component Unit School Board:					
Lease liabilities:					
Copier leases	Various	2027	.32%-1.69%	\$ 291,950	\$ 88,121
Energy performance contract	2013	2028	2.0%	\$ 1,753,000	\$ 278,000
Compensated absences				\$ 1,337,039	\$ 695,260
Net pension liability				\$ 21,171,519	\$ -
Net OPEB liability				\$ 10,711,935	\$ -
Total component unit School Board				\$ 35,265,443	\$ 1,061,381

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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, 2022 totaled approximately \$110,317,412. 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, 2021	Increase	Decrease	Balance June 30, 2022	Current Portion
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 4,056,065	\$ 2,515,111	\$ 2,514,760	\$ 4,056,416	\$ 2,514,978
Business-type activities	356,014	197,262	222,648	330,628	199,678
Total primary government	\$ 4,412,079	\$ 2,712,373	\$ 2,737,408	\$ 4,387,044	\$ 2,714,656
Component Unit School Board	1,128,183	795,511	586,655	1,337,039	695,260
Total	\$ 5,540,262	\$ 3,507,884	\$ 3,324,063	\$ 5,724,083	\$ 3,409,916

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

Note 12—Pension Plan:

Plan Description

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

Benefit Structures

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

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

Note 12—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Contributions

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

The City's contractually required employer contribution rate for the year ended June 30, 2022 was 14.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,831,873 and \$3,351,421 for the years ended June 30, 2022 and June 30, 2021, respectively.

Note 12—Pension Plan: (Continued)

Net Pension Liability

At June 30, 2022, the City reported a liability of \$14,750,851 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 and 2020 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2021 and 2020, the City’s proportion was 97.81% and 97.73%, 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, 2020, 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, 2021.

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

Mortality rates:

- All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related
- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

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

Mortality rates:

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

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

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

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, 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, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the City Retirement Plan Net Pension Liability (Asset)	\$ 33,896,328	\$ 14,750,851	\$ (1,083,902)

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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, 2022, the City recognized pension expense of \$3,987,783. 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	\$ 39,881	\$ 789,183
Change in assumptions	3,885,801	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,784	170,129
Net difference between projected and actual earnings on pension plan investments	-	14,821,786
Employer contributions subsequent to the measurement date	3,831,873	-
Total	<u>\$ 7,956,339</u>	<u>\$ 15,781,098</u>

\$3,831,873 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, 2023. 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
2023	\$ (2,047,628)
2024	(1,710,707)
2025	(3,381,339)
2026	(4,516,958)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2021-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, 2022

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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	3
Non-vested inactive members	9
Inactive members active elsewhere in VRS	6
Total inactive members	18
Active members	37
Total covered employees	71

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2022 was 3.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$42,139 and \$38,961 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020	\$ 5,319,161	\$ 5,472,531	\$ (153,370)
Changes for the year:			
Service cost	\$ 135,157	\$ -	\$ 135,157
Interest	351,881	-	351,881
Change in assumptions	223,930	-	223,930
Differences between expected and actual experience	(50,728)	-	(50,728)
Contributions - employer	-	38,993	(38,993)
Contributions - employee	-	69,057	(69,057)
Net investment income	-	1,494,736	(1,494,736)
Benefit payments, including refunds of employee contributions	(212,231)	(212,231)	-
Administrative expenses	-	(3,722)	3,722
Other changes	-	141	(141)
Net changes	\$ 448,009	\$ 1,386,974	\$ (938,965)
Balances at June 30, 2021	\$ 5,767,170	\$ 6,859,505	\$ (1,092,335)

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

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

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

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (449,465)	\$ (1,092,335)	\$ (1,637,656)

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

For the year ended June 30, 2022, the Component Unit School Board (nonprofessional) recognized pension expense of (\$90,357). At June 30, 2022, 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	\$ 13,502	\$ 65,836
Change in assumptions	178,450	-
Net difference between projected and actual earnings on pension plan investments	-	743,987
Employer contributions subsequent to the measurement date	42,139	-
Total	\$ 234,091	\$ 809,823

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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)

\$42,139 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, 2023. 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>
2024	\$ (108,571)
2025	(125,727)
2026	(157,776)
2027	(225,797)

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, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$4,238,212 and \$3,858,174 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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, 2022, the school division reported a liability of \$21,171,519 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .2727% as compared to .2794% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of (\$57,592). 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, 2022, 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	\$ -	\$ 1,803,262
Change in assumptions	3,709,195	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,324,298
Net difference between projected and actual earnings on pension plan investments	-	13,341,725
Employer contributions subsequent to the measurement date	4,238,212	-
Total	\$ 7,947,407	\$ 16,469,285

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)

\$4,238,212 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, 2023. 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>
2023	\$ (3,067,136)
2024	(2,756,554)
2025	(2,991,305)
2026	(3,946,940)
2027	1,845

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, 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	\$ 53,381,141
Plan Fiduciary Net Position	45,617,878
Employers' Net Pension Liability (Asset)	<u>\$ 7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

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

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

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

	<u>Rate</u>		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 40,859,886	\$ 21,171,519	\$ 4,975,208

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 12—Pension Plan: (Continued)

Aggregate Pension Information

VRS Pension Plans:				
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
Primary Government	\$ 7,956,339	\$ 15,781,098	\$ 14,750,851	\$ 3,987,783
Totals	<u>\$ 7,956,339</u>	<u>\$ 15,781,098</u>	<u>\$ 14,750,851</u>	<u>\$ 3,987,783</u>
Component Unit School Board				
School Board Nonprofessional	\$ 234,091	\$ 809,823	\$ (1,092,335)	\$ (90,357)
School Board Professional	7,947,407	16,469,285	21,171,519	(57,592)
Totals	<u>\$ 8,181,498</u>	<u>\$ 17,279,108</u>	<u>\$ 20,079,184</u>	<u>\$ (147,949)</u>

Note 13—Deferred Compensation Plan:

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

Note 14—Commitments and Contingencies:

State and Federal Programs

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 14—Commitments and Contingencies: (Continued)

Environmental Matters

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

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

Construction Commitments

At June 30, 2022, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$985,525 at June 30, 2022.

Note 15—Litigation:

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

Note 16—Landfill Post-closure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to post-closure monitoring. The estimated post-closure care cost for the next five years has been recorded as a liability at June 30, 2022. The \$1,482,161 reported as landfill post-closure liability at June 30, 2022 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 2022 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, 2021	\$	1,416,981
Increase/(Decrease) in estimate		65,180
Balance at June 30, 2022	\$	<u>1,482,161</u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 17—Surety Bonds:

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

Note 18—Self Insurance/Risk Management:

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

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

Employee Health Insurance

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

Internal Service Fund: Liability for estimated claims incurred but not reported	\$ 483,000
City General Fund: Committed Fund Balance for estimated reserves	800,000
Total	<u>\$ 1,283,000</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
2020	\$ 457,093	\$ 5,856,538	\$ 5,827,994	\$ 485,637
2021	485,637	5,791,210	5,753,491	523,356
2022	523,356	5,401,998	5,442,354	483,000

Unemployment Insurance

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

Property and Casualty Insurance

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

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Primary Government were \$152,689 and \$140,284 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to School Professional Plan were \$143,592 and \$130,000 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the School Nonprofessional Plan were \$8,718 and \$8,159 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Primary Government, School Board (Professional) and School Board (Nonprofessional) reported liabilities of \$1,464,972, \$1,358,588, and \$85,225, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, School Board (Professional) and School Board (Nonprofessional)'s proportion were .11670% and .00740% respectively, as compared to .11850% and .00750% at June 30, 2020.

The City of Fredericksburg proportionate share was .12880% at June 30, 2021 compared to .12719% at June 30, 2020. 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 97.81% at June 30, 2021 compared to 97.73% at June 30, 2020.

For the year ended June 30, 2022, the Primary Government, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of \$61,309, \$39,065, and \$4,806, 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.

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

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

At June 30, 2022, 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	\$ 167,085	\$ 11,162	\$ 154,952	\$ 10,352	\$ 9,720	\$ 649
Net difference between projected and actual earnings on GLI OPEB program investments	-	349,658	-	324,266	-	20,341
Change in assumptions	80,762	200,439	74,899	185,884	4,698	11,661
Changes in proportionate share	32,247	13,774	2,934	69,792	7,946	2,268
Employer contributions subsequent to the measurement date	152,689	-	143,592	-	8,718	-
Total	<u>\$ 432,783</u>	<u>\$ 575,033</u>	<u>\$ 376,377</u>	<u>\$ 590,294</u>	<u>\$ 31,082</u>	<u>\$ 34,919</u>

\$152,689, \$143,592, and \$8,718 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	School Professional	School Nonprofessional
2023	\$ (70,879)	\$ (83,524)	\$ (2,884)
2024	(52,084)	(69,556)	(1,938)
2025	(51,875)	(67,264)	(1,896)
2026	(103,733)	(112,257)	(4,771)
2027	(16,368)	(24,908)	(1,066)
Thereafter	-	-	-

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
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Note 19—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Discount Rate: (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportionate share of the GLI Plan Net OPEB Liability:			
Primary Government	\$ 2,140,377	\$ 1,464,972	\$ 919,551
School Professional	1,984,947	1,358,588	852,775
School Nonprofessional	124,516	85,225	53,495

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

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

Contributions

The contribution requirements for active employees are governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$321,030 and \$291,308 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the school division reported a liability of \$3,494,132 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC was .27222% as compared to .27783% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$250,407. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FREDERICKSBURG, VIRGINIA

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

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

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 60,972
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	46,028
Change in assumptions	94,453	14,043
Change in proportionate share	-	153,078
Employer contributions subsequent to the measurement date	<u>321,030</u>	<u>-</u>
Total	<u>\$ 415,483</u>	<u>\$ 274,121</u>

\$321,030 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, 2023. 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>	
2023	\$ (38,437)
2024	(38,959)
2025	(36,557)
2026	(33,686)
2027	(18,302)
Thereafter	(13,727)

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

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality Rates - Teachers

- Pre-Retirement:
 - Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
 - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:
 - Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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As of June 30, 2022

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,477,874
Plan Fiduciary Net Position		194,305
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		13.15%

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, 2022

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Discount Rate: (Continued)

division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 3,933,424	\$ 3,494,132	\$ 3,122,386

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Benefits Provided

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

Plan Membership

At January 1, 2022 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	510
Total retirees and surviving spouses with coverage	<u>8</u>
Total	<u><u>518</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, 2022 was \$121,076.

Total OPEB Liability

The School Board’s total OPEB liability was measured as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 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 5.95% based on years of service and position
Discount Rate	3.54% for accounting and funding disclosures as of June 30, 2022
	2.16% for accounting and funding disclosures as of June 30, 2021

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Actuarial Assumptions: (Continued)

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

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

Discount Rate

The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates. The final equivalent single discount rate used for this year's valuation is 3.54% 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, 2021	\$	6,263,670
Changes for the year:		
Service cost		483,211
Interest		144,431
Difference between expected and actual experience		(11,377)
Changes in assumptions		(1,059,734)
Benefit payments		(121,076)
Net changes	\$	(564,545)
Balances at June 30, 2022	\$	5,699,125

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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

Rate		
1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
\$ 6,232,550	\$ 5,699,125	\$ 5,201,265

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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 (1.70% increasing to an ultimate rate of 2.90%) or one percentage point higher (3.70% increasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

Rates		
1% Decrease (1.70% increasing to 2.90%)	Healthcare Cost Trend (2.70% decreasing to 3.90%)	1% Increase (3.70% decreasing to 4.90%)
\$ 4,950,336	\$ 5,699,125	\$ 6,595,770

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

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of \$686,105. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 422,879
Changes in assumptions	1,007,090	977,307
Total	\$ 1,007,090	\$ 1,400,186

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	
2023	\$ 58,463
2024	21,941
2025	(63,279)
2026	(63,279)
2027	(63,279)
Thereafter	(283,663)

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, 2022

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, 2022 (valuation date), the following employees were covered by the benefit terms:

Active plan members	453
Retirees and surviving spouses	167
Spouses of current retirees	9
Total	<u>629</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Contributions

The City pre-funds benefits through contributions to the trust. The current funding policy is to contribute the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed period. For FY 2022, the City contributed \$1,336,544 towards health plans.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2022:

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

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return of the City's OPEB investments, net of investment expense was (9.88%). The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

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

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

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

Discount Rate

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Changes in Net OPEB Liability

Changes in Net OPEB Liability - Total City Plan			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	\$ 16,836,921	\$ 2,180,527	\$ 14,656,394
Changes for the year:			
Service cost	125,452	-	125,452
Interest	1,066,198	-	1,066,198
Assumption changes or inputs	(197,878)	-	(197,878)
Effect of plan changes	1,481,587	-	1,481,587
Effect of economic/demographic gains or losses	(966,995)	-	(966,995)
Contributions - employer	-	1,336,544	(1,336,544)
Net investment income	-	(221,250)	221,250
Administrative expenses	-	(2,846)	2,846
Benefit payments	(1,136,544)	(1,136,544)	-
Net changes	371,820	(24,096)	395,916
Balances at June 30, 2022	\$ 17,208,741	\$ 2,156,431	\$ 15,052,310

Note the Changes in Net OPEB Liability presented above is for the entire plan. The Primary Government's proportionate share at June 30, 2022 was 99.86% compared to 99.92% at June 30, 2021. The Primary Government's proportionate share of Net OPEB Liability at June 30, 2022 totaled \$15,031,538.

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	\$ 16,838,562	\$ 15,031,538	\$ 13,489,344

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50% decreasing to an ultimate rate of 2.90% for pre-65 benefits, 3.30% decreasing to an ultimate rate of 2.90% for post-65 benefits) or one percentage point higher (6.50% decreasing to an ultimate rate of 4.90%, 5.30% decreasing to an ultimate rate of 4.90% or post-65 benefits) than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government Porportionate Share of Net OPEB Liability	\$ 13,504,452	\$ 15,031,538	\$ 16,822,063

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

For the year ended June 30, 2022, the City recognized OPEB expense in the amount of \$2,229,769. At June 30, 2022, 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	\$ 724,338	\$ 1,017,322
Changes in assumptions	148,641	911,269
Net difference between projected and actual earnings on OPEB plan investments	83,323	-
Total	\$ 956,302	\$ 1,928,591

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	
2023	\$ (267,405)
2024	(203,291)
2025	(213,689)
2026	(127,453)
2027	(160,451)
Thereafter	-

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

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>9</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>10</u>
Active members	<u>37</u>
Total covered employees	<u><u>47</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Fredericksburg City School Board's contractually required employer contribution rate for the year ended June 30, 2022 was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Fredericksburg City School Board to the HIC Plan were \$7,508 and \$7,101 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Contributions: (Continued)

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The Fredericksburg City School Board's net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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

Pre-Retirement:

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

Post-Retirement:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Actuarial Assumptions: (Continued)

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 73,419.00	\$ -	\$ -
Changes for the year:			
Service cost	\$ 1,573	\$ -	\$ 1,573
Interest	4,956	-	4,956
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	3,025	-	3,025
Contributions - employer	-	7,101	(7,101)
Net investment income	-	1,039	(1,039)
Benefit payments	-	-	-
Administrative expenses	-	(32)	32
Other changes	-	-	-
Net changes	\$ 9,554	\$ 8,108.00	\$ 1,446
Balances at June 30, 2021	\$ 82,973	\$ 8,108.00	\$ 74,865

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board's			
Net HIC OPEB Liability	\$ 83,270	\$ 74,865	\$ 67,627

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

For the year ended June 30, 2022, the Fredericksburg City School Board recognized HIC Plan OPEB expense of \$6,767. At June 30, 2022, the Fredericksburg City School Board reported deferred outflows of resources and deferred inflows of resources related to the Fredericksburg City School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 640
Change in assumptions	2420	-
Employer contributions subsequent to the measurement date	7,588	-
Total	\$ 10,008	\$ 640

\$7,588 reported as deferred outflows of resources related to the HIC OPEB resulting from the Fredericksburg City School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

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

Year Ended June 30		
2023	\$	445
2024		445
2025		445
2026		445
2027		-
Thereafter		-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

	City OPEB Plans			
	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Primary Government				
City OPEB Plan (Note 22)	\$ 15,031,538	\$ 956,302	\$ 1,928,591	\$ 2,229,769
Group Life - City (Note 19)	1,464,972	432,783	575,033	61,309
Total	<u>\$ 16,496,510</u>	<u>\$ 1,389,085</u>	<u>\$ 2,503,624</u>	<u>\$ 2,291,078</u>
Component Unit School Board				
School Board Pay-as-you-go (Note 21)	\$ 5,699,125	\$ 1,007,090	\$ 1,400,186	\$ 686,105
Nonprofessional HIC Program (Note 23)	74,865	10,008	640	6,767
Teacher HIC Program (Note 20)	3,494,132	415,483	274,121	250,407
Group Life - School Professional (Note 19)	1,358,588	376,377	590,294	39,065
Group Life - School Nonprofessional (Note 19)	85,225	31,082	34,919	4,806
Total	<u>\$ 10,711,935</u>	<u>\$ 1,840,040</u>	<u>\$ 2,300,160</u>	<u>\$ 987,150</u>

Note 25—Contributions-In-Aid of Construction:

During fiscal year 2017, the City and Stafford County, co-owners of the Rappahannock Regional Solid Waste Management Board (R-Board), each advanced \$1,175,535 to the R-Board for the purpose of closing three landfill cells and to finance the purchase of equipment. The R-Board has pledged to reimburse the City and County for the capital contributions with interest over a period of seven years. Although the intent of the R-Board is to reimburse these contributions, this amount is not shown as an asset of the City since repayment is not guaranteed. The outstanding balance of the City's advance as of June 30, 2022 is \$351,176.

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

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

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, 2022

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

For the fiscal year ended June 30, 2022, the City's tax incentives totaled \$29,417 under the technology zone program, including the following tax incentive agreements that exceeded a threshold of \$10,000:

Business/Zone/ Incentive Term/Opening Date	Performance Measures	Incentive/Cap Amount	2022 Incentive
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 \$ 24,806.80

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, 2022

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

Tourism Zones: (Continued)

For the fiscal year ended June 30, 2022, the City's tax incentives totaled \$104,629 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	2022 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	\$ 26,825
			Total	\$ 26,825
New business locates to City Downtown Tourism Zone 6/10/19 - 6/10/29 (10 Years) Opening Date: TBD Delayed	Executed lease for at least 9,000 Sq Ft \$500,000 Capital Investment Obtain Certificate of Occupancy by 12/31/2020 Hold regular community-oriented events First annual report submitted 12 mos after Certificate of Occupancy issued	Years 1 - 5: 100% Reimbursement of 1% Local Sales Tax Years 6-10: 50% Reimbursement of 1% Local Sales Tax	Sales Tax	\$ 36,810
			Total	\$ 36,810
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	\$ 35,542
			Total	\$ 35,542

Arts and Cultural District

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

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

Note 27—New Accounting Standards:

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

Note 27—New Accounting Standards: (Continued)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 28—Lease Receivable:

The City leases property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2022:

Governmental Activities				
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2022	Deferred Inflow of Resources June 30, 2022
Office Space	2.00%	2028	\$ 598,959	\$ 592,347
Rights of Way	Various	Various	218,939	218,939
Total			\$ 817,898	\$ 811,286

Business-type Activities				
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2022	Deferred Inflow of Resources June 30, 2022
Cell Tower	3.00%	2026	\$ 116,770	\$ 117,762
Cell Tower	3.00%	2024	43,605	54,275
Parking Lease	2.75% - 6.00%	2029	360,800	345,103
Total			\$ 521,175	\$ 517,140

Lease revenue totaled \$49,300 and \$99,283 for the Governmental and Business-type Activities respectively for the year ended June 30, 2022. Lease interest revenue totaled \$17,025 and \$2,714 for the Governmental and Business-type Activities respectively for the year ended June 30, 2022.

Note 29—COVID-19:

ARPA Funding

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

In June 2021, the City received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$5,232,978 from the initial allocation are reported as unearned revenue as of June 30.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 29—COVID-19: (Continued)

ESF Funding

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

Note 30—Subsequent Events:

On November 16th, the City sold \$74,930,000 of General Obligation Public Improvement Bonds. Closing for this sale was December 7th. This debt has a 25-year life with a call option in year 9.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 35,870,000	\$ 35,870,000	\$ 36,906,866	\$ 1,036,866
Public service corporations	970,000	970,000	915,349	(54,651)
Personal property	9,600,000	9,600,000	11,026,880	1,426,880
Machinery and tools	131,000	131,000	139,502	8,502
Penalties	300,000	300,000	466,716	166,716
Interest	160,000	160,000	183,872	23,872
Total general property taxes	\$ 47,031,000	\$ 47,031,000	\$ 49,639,185	\$ 2,608,185
Other local taxes:				
Local sales and use taxes	\$ 13,150,000	\$ 14,150,000	\$ 15,569,291	\$ 1,419,291
Utility taxes	1,725,000	1,725,000	1,946,425	221,425
Business licenses and rental tax	6,715,000	6,715,000	7,810,020	1,095,020
Motor vehicle licenses	500,000	500,000	137,252	(362,748)
Bank stock taxes	850,000	850,000	1,112,472	262,472
Recordation taxes	650,000	650,000	1,087,879	437,879
Tobacco tax	550,000	550,000	532,959	(17,041)
Amusement tax	300,000	300,000	459,244	159,244
Hotel/lodging taxes	1,200,000	1,200,000	1,661,182	461,182
Meals taxes	10,200,000	11,000,000	13,849,223	2,849,223
Gasoline taxes	-	-	21,430	21,430
Other	90,000	90,000	63,189	(26,811)
Total other local taxes	\$ 35,930,000	\$ 37,730,000	\$ 44,250,566	\$ 6,520,566
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 1,045,800	\$ 1,045,800	\$ 887,220	\$ (158,580)
Animal licenses	10,000	10,000	6,751	(3,249)
Total permits, privilege fees and licenses	\$ 1,055,800	\$ 1,055,800	\$ 893,971	\$ (161,829)
Fines and forfeitures	\$ 356,500	\$ 356,500	\$ 405,155	\$ 48,655
Revenue from use of money and property:				
Revenue from use of money	\$ 270,000	\$ 270,000	\$ (92,577)	\$ (362,577)
Revenue from use of property	1,000	1,000	20,397	19,397
Total revenue from use of money and property	\$ 271,000	\$ 271,000	\$ (72,180)	\$ (343,180)
Charges for services:				
Court costs	\$ 116,800	\$ 116,800	\$ 77,100	\$ (39,700)
Commonwealth's Attorney	14,000	14,000	6,676	(7,324)
Sanitation and waste removal	1,285,000	1,285,000	1,315,717	30,717
Parks and recreation	245,500	245,500	444,954	199,454
Fire and rescue services	960,000	960,000	960,757	757
Administrative charges	155,000	155,000	126,795	(28,205)
Total charges for services	\$ 2,776,300	\$ 2,776,300	\$ 2,931,999	\$ 155,699

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Payments in-lieu of taxes	\$ 31,000	\$ 31,000	\$ 39,921	\$ 8,921
Souvenir sales	15,000	15,000	26,643	11,643
Donations - parks and recreation	50,000	69,401	63,816	(5,585)
Other	27,000	73,527	53,494	(20,033)
Total miscellaneous	\$ 123,000	\$ 188,928	\$ 183,874	\$ (5,054)
Recovered costs:				
Health department	\$ 115,000	\$ 115,000	\$ 124,260	\$ 9,260
Social services	125,000	125,000	110,190	(14,810)
Transit	-	-	85,000	85,000
Other	114,500	114,500	155,451	40,951
Total recovered costs	\$ 354,500	\$ 354,500	\$ 474,901	\$ 120,401
Total revenue from local sources	\$ 87,898,100	\$ 89,764,028	\$ 98,707,471	\$ 8,943,443
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Grantors tax	\$ 155,000	\$ 155,000	\$ -	\$ (155,000)
Motor vehicle rental tax	150,000	150,000	191,743	41,743
Communication sales tax	1,400,000	1,400,000	1,269,699	(130,301)
Personal property relief	1,728,800	1,728,800	1,728,833	33
Other	15,000	15,000	15,929	929
Total noncategorical aid	\$ 3,448,800	\$ 3,448,800	\$ 3,206,204	\$ (242,596)
Categorical aid - shared expenses:				
Commonwealth's Attorney	\$ 698,600	\$ 698,600	\$ 641,833	\$ (56,767)
Sheriff	605,300	644,054	639,232	(4,822)
Commissioner of Revenue	151,400	151,400	151,414	14
Treasurer	117,500	117,500	130,235	12,735
Registrar	91,248	91,248	72,016	(19,232)
Clerk of the Circuit Court	399,600	399,600	394,701	(4,899)
Total categorical aid - shared expenses	\$ 2,063,648	\$ 2,102,402	\$ 2,029,431	\$ (72,971)
Categorical aid - other:				
Street and highway maintenance	\$ 3,160,000	\$ 3,160,000	\$ 3,232,949	\$ 72,949
Law enforcement assistance	865,000	865,000	865,929	929
Wireless E-911 grants	126,000	126,000	171,355	45,355
Total categorical aid - other	\$ 4,151,000	\$ 4,151,000	\$ 4,270,233	\$ 119,233
Total revenue from the Commonwealth	\$ 9,663,448	\$ 9,702,202	\$ 9,505,868	\$ (196,334)

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Intergovernmental: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public safety grants	\$ -	\$ -	\$ 6,161	\$ 6,161
Public assistance - cost allocation	90,000	90,000	130,846	40,846
Total revenue from the Federal Government	\$ 90,000	\$ 90,000	\$ 137,007	\$ 47,007
Total revenues	\$ 97,651,548	\$ 99,556,230	\$ 108,350,346	\$ 8,794,116
Expenditures				
General government administration:				
Legislative:				
City Council	\$ 220,843	\$ 226,993	\$ 226,873	\$ 120
Clerk of Council	141,241	141,241	123,918	17,323
Total legislative	\$ 362,084	\$ 368,234	\$ 350,791	\$ 17,443
General and financial administration:				
City manager	\$ 1,134,457	\$ 968,742	\$ 947,260	\$ 21,482
Insurance program	961,000	926,000	854,850	71,150
Risk management	120,843	121,015	95,766	25,249
Human resources	670,301	712,355	631,849	80,506
Independent auditor	96,100	99,940	99,940	-
Commissioner of the revenue	1,172,509	1,048,163	1,014,742	33,421
Treasurer	973,052	949,604	912,804	36,800
Finance	837,373	858,846	852,523	6,323
Information technology	2,540,336	2,348,776	2,099,007	249,769
Public information	97,058	102,230	101,992	238
Copying and postage	8,000	10,952	10,489	463
Legal services	443,333	463,678	459,872	3,806
Total general and financial administration	\$ 9,054,362	\$ 8,610,301	\$ 8,081,094	\$ 529,207
Board of elections:				
Registrar and electoral board	\$ 576,118	\$ 482,153	\$ 329,728	\$ 152,425
Total general government administration	\$ 9,992,564	\$ 9,460,688	\$ 8,761,613	\$ 699,075
Judicial administration:				
Courts:				
Circuit Court	\$ 117,713	\$ 117,713	\$ 107,748	\$ 9,965
General District Court	26,300	26,300	14,516	11,784
Special magistrate	3,000	3,000	-	3,000
Juvenile and Domestic Relations District Court	20,760	20,760	12,985	7,775
Clerk of the Circuit Court	868,044	852,044	778,952	73,092
Sheriff	2,686,320	2,901,481	2,782,235	119,246
JDR services	118,274	118,274	118,274	-
Juries	30,000	46,000	42,208	3,792
Court appointed attorney	10,000	10,000	-	10,000
Total courts	\$ 3,880,411	\$ 4,095,572	\$ 3,856,918	\$ 238,654

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth Attorney:				
Commonwealth Attorney	\$ 1,542,970	\$ 1,485,556	\$ 1,439,366	\$ 46,190
Total judicial administration	\$ 5,423,381	\$ 5,581,128	\$ 5,296,284	\$ 284,844
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 9,326,979	\$ 9,723,428	\$ 9,332,443	\$ 390,985
Fire and rescue:				
Fire department	\$ 6,460,176	\$ 6,621,730	\$ 6,456,710	\$ 165,020
Rescue services	207,283	232,283	179,266	53,017
Emergency medical services	2,224,737	2,172,326	2,093,336	78,990
Hazardous materials	102,325	73,111	48,210	24,901
E-911 communications	1,631,219	1,716,219	1,715,140	1,079
Total fire and rescue	\$ 10,625,740	\$ 10,815,669	\$ 10,492,662	\$ 323,007
Correction and detention:				
Juvenile Detention Center	\$ 367,981	\$ 367,981	\$ 306,677	\$ 61,304
Rappahannock Security Center	4,890,828	4,890,828	4,890,828	-
Total correction and detention	\$ 5,258,809	\$ 5,258,809	\$ 5,197,505	\$ 61,304
Inspections:				
Building and development services	\$ 828,819	\$ 844,448	\$ 844,221	\$ 227
Other protection:				
Animal control	\$ 130,327	\$ 130,327	\$ 128,372	\$ 1,955
Public safety radio system	578,418	608,012	567,136	40,876
Medical Examiner	1,000	1,000	620	380
Total other protection	\$ 709,745	\$ 739,339	\$ 696,128	\$ 43,211
Total public safety	\$ 26,750,092	\$ 27,381,693	\$ 26,562,959	\$ 818,734
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 1,117,781	\$ 1,159,854	\$ 1,114,068	\$ 45,786
Street maintenance	1,399,928	1,353,052	1,138,016	215,036
Street lights	417,500	417,500	393,451	24,049
Snow removal	129,530	173,530	172,724	806
Industrial park rail spur	15,500	15,500	-	15,500
Traffic engineering	983,330	939,030	676,308	262,722
Shop and garage	1,205,012	1,298,924	1,298,419	505
Total maintenance of streets, highways, bridges and sidewalks	\$ 5,268,581	\$ 5,357,390	\$ 4,792,986	\$ 564,404

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 978,449	\$ 1,020,529	\$ 975,792	\$ 44,737
Urban forestry program	105,000	131,829	90,118	41,711
Refuse collection	628,535	561,735	467,742	93,993
Refuse disposal	396,000	396,000	333,238	62,762
Recycling collection	201,722	201,722	178,651	23,071
Total sanitation and waste removal	\$ 2,309,706	\$ 2,311,815	\$ 2,045,541	\$ 266,274
Maintenance of buildings and grounds:				
Public facilities	\$ 1,985,259	\$ 2,025,284	\$ 1,994,584	\$ 30,700
Courthouse maintenance	337,734	427,206	427,181	25
Commuter rail	115,100	67,709	36,092	31,617
Total maintenance of buildings and grounds	\$ 2,438,093	\$ 2,520,199	\$ 2,457,857	\$ 62,342
Total public works	\$ 10,016,380	\$ 10,189,404	\$ 9,296,384	\$ 893,020
Health and welfare:				
Health:				
Supplement to local health department	\$ 439,277	\$ 439,277	\$ 439,277	\$ -
Mental health and mental retardation:				
Rappahannock Area Community Services Board	\$ 286,306	\$ 286,306	\$ 286,306	\$ -
Social services:				
Other contributions	\$ 390,133	\$ 390,133	\$ 388,708	\$ 1,425
Total health and welfare	\$ 1,115,716	\$ 1,115,716	\$ 1,114,291	\$ 1,425
Education:				
Community colleges	\$ 34,291	\$ 34,291	\$ 34,291	\$ -
Appropriations to public school system	31,466,266	31,466,266	31,466,266	-
Total education	\$ 31,500,557	\$ 31,500,557	\$ 31,500,557	\$ -
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 641,809	\$ 655,503	\$ 655,295	\$ 208
Supervision	654,370	648,787	638,073	10,714
Maintenance	1,387,246	1,478,111	1,472,380	5,731
Motts Run	117,788	117,688	106,376	11,312
Dixon Park swimming pool	173,930	227,606	205,333	22,273
Total parks and recreation	\$ 2,975,143	\$ 3,127,695	\$ 3,077,457	\$ 50,238
Library:				
Regional library	\$ 1,364,006	\$ 1,364,006	\$ 1,364,006	\$ -
Downtown library	207,250	230,539	225,200	5,339
Total library	\$ 1,571,256	\$ 1,594,545	\$ 1,589,206	\$ 5,339
Cultural:				
Museums	\$ 85,000	\$ 135,000	\$ 135,000	\$ -
Total parks, recreation and cultural	\$ 4,631,399	\$ 4,857,240	\$ 4,801,663	\$ 55,577

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Community development:				
Planning and community development:				
Planning	\$ 687,811	\$ 752,673	\$ 748,100	\$ 4,573
Zoning Appeals Board	1,100	1,100	160	940
Transportation division	21,750	21,750	9,540	12,210
Community development	149,266	159,266	159,266	-
Historic resources	163,336	131,733	129,731	2,002
Clean and Green Commission	9,900	9,900	8,292	1,608
Economic development and tourism	1,320,454	1,461,176	1,368,882	92,294
Total planning and community development	\$ 2,353,617	\$ 2,537,598	\$ 2,423,971	\$ 113,627
Environmental management:				
Soil and water conservation district	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total community development	\$ 2,355,617	\$ 2,539,598	\$ 2,425,971	\$ 113,627
Nondepartmental:				
OPEB trust contribution	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Debt service:				
Principal payments	\$ 117,841	\$ 117,841	\$ 117,841	\$ -
Interest and fiscal charges	4,629	4,779	4,779	-
Total debt service	\$ 122,470	\$ 122,620	\$ 122,620	\$ -
Total expenditures	\$ 92,108,176	\$ 92,948,644	\$ 90,082,342	\$ 2,866,302
Excess (deficiency) of revenues over expenditures	\$ 5,543,372	\$ 6,607,586	\$ 18,268,004	\$ 11,660,418
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	\$ 45,000	\$ 45,000	\$ 17,344	\$ (27,656)
Transfers in	1,888,993	1,888,993	1,068,993	(820,000)
Transfers out	(11,296,858)	(15,103,478)	(14,891,247)	212,231
Total other financing sources (uses)	\$ (9,362,865)	\$ (13,169,485)	\$ (13,804,910)	\$ (635,425)
Net change in fund balance	\$ (3,819,493)	\$ (6,561,899)	\$ 4,463,094	\$ 11,024,993
Fund balance, beginning of year	3,819,493	6,561,899	34,931,323	28,369,424
Fund balance, end of year	\$ -	\$ -	\$ 39,394,417	\$ 39,394,417

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

Budgetary Comparison Schedule
COVID-19 Relief Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the Federal Government:				
Categorical aid:				
Sheriffs office supplemental emergency funding	\$ -	\$ 48,670	\$ -	\$ (48,670)
American Rescue Plan Act	-	5,200,000	197,149	(5,002,851)
DOJ supplemental emergency funding	-	38,544	12,680	(25,864)
Community development block grants	-	189,228	115,746	(73,482)
Total revenue from the Federal Government	\$ -	\$ 5,476,442	\$ 325,575	\$ (5,150,867)
Total revenues	\$ -	\$ 5,476,442	\$ 325,575	\$ (5,150,867)
Expenditures				
General government administration:				
ARPA city manager	\$ -	\$ 64,000	\$ -	\$ 64,000
ARPA finance	-	50,000	3,436	46,564
ARPA information technology	-	250,000	-	250,000
Risk management CARES	-	9,419	9,418	1
Total general government administration	\$ -	\$ 373,419	\$ 12,854	\$ 360,565
Public safety:				
ARPA sheriff	\$ -	\$ 111,000	\$ 139,705	\$ (28,705)
ARPA police	-	250,000	6,795	243,205
Sheriffs office supplemental emergency funding	-	48,670	-	48,670
ARPA fire department	-	50,000	-	50,000
DOJ supplemental emergency funding	-	38,544	12,680	25,864
Total public safety	\$ -	\$ 498,214	\$ 159,180	\$ 339,034
Public works:				
ARPA facilities	\$ -	\$ 200,000	\$ 2,773	\$ 197,227
Total public works	\$ -	\$ 200,000	\$ 2,773	\$ 197,227
Parks, recreation and cultural:				
ARPA parks maintenance	\$ -	\$ 75,000	\$ -	\$ 75,000
Total parks, recreation, and cultural	\$ -	\$ 75,000	\$ -	\$ 75,000
Community development:				
ARPA economic development	\$ -	\$ 150,000	\$ 41,650	\$ 108,350
ARPA homeless initiatives	-	2,000,000	2,789	1,997,211
CDBG	-	189,228	115,746	73,482
Total community development	\$ -	\$ 2,339,228	\$ 160,185	\$ 2,179,043
Total expenditures	\$ -	\$ 3,485,861	\$ 334,992	\$ 3,150,869
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 1,990,581	\$ (9,417)	\$ (1,999,998)
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ (2,000,000)	\$ -	\$ 2,000,000
Total other financing sources (uses)	\$ -	\$ (2,000,000)	\$ -	\$ 2,000,000
Net change in fund balance	\$ -	\$ (9,419)	\$ (9,417)	\$ 2
Fund balance, beginning of year	-	9,419	9,417	(2)
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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

Schedule of Employer's Proportionate Share of the Net Pension Liability
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2021

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
2021	97.81% \$	14,750,851 \$	25,927,730	56.89%	90.26%
2020	97.73%	30,510,469	25,561,127	119.36%	78.41%
2019	97.81%	26,169,703	24,262,627	107.86%	81.10%
2018	97.62%	20,408,343	24,252,928	84.15%	84.19%
2017	97.82%	19,534,142	23,232,269	84.08%	84.23%
2016	97.29%	26,367,292	22,977,066	114.75%	78.31%
2015	96.83%	20,719,184	22,635,550	91.53%	82.01%
2014	96.57%	22,917,333	21,420,920	106.99%	79.85%
Component Unit School Board (professional)					
2021	0.2727% \$	21,171,519 \$	24,075,035	87.94%	85.46%
2020	0.2794%	40,665,858	24,356,562	166.96%	71.47%
2019	0.2832%	37,274,678	23,815,635	156.51%	73.51%
2018	0.2877%	33,837,000	23,210,637	145.78%	74.81%
2017	0.2887%	35,499,000	22,743,104	156.09%	72.92%
2016	0.2894%	40,555,000	22,065,166	183.80%	68.28%
2015	0.2883%	36,284,000	21,447,563	169.18%	70.68%
2014	0.2730%	32,995,000	19,966,621	165.25%	70.88%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 135,157	\$ 131,151	\$ 120,840	\$ 124,345	\$ 133,150	\$ 125,309	\$ 130,660	\$ 132,328
Interest	351,881	339,026	319,835	309,215	303,206	283,678	273,318	255,208
Changes of assumptions	223,930	-	128,935	-	(96,351)	-	-	-
Differences between expected and actual experience	(50,728)	(75,974)	77,789	(51,746)	(62,000)	(17,054)	(143,981)	-
Benefit payments	(212,231)	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Net change in total pension liability	\$ 448,009	\$ 198,894	\$ 454,984	\$ 114,040	\$ 161,439	\$ 282,587	\$ 145,346	\$ 244,549
Total pension liability - beginning	5,319,161	5,120,267	4,665,283	4,551,243	4,389,804	4,107,217	3,961,871	3,717,322
Total pension liability - ending (a)	\$ 5,767,170	\$ 5,319,161	\$ 5,120,267	\$ 4,665,283	\$ 4,551,243	\$ 4,389,804	\$ 4,107,217	\$ 3,961,871
Plan fiduciary net position								
Contributions - employer	\$ 38,993	\$ 31,753	\$ 29,680	\$ 48,893	\$ 50,600	\$ 85,248	\$ 84,468	\$ 76,354
Contributions - employee	69,057	70,262	61,523	60,950	62,163	60,997	60,507	59,538
Net investment income	1,494,736	104,257	346,765	364,338	549,409	79,053	191,424	567,330
Benefit payments	(212,231)	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Administrator charges	(3,722)	(3,563)	(3,455)	(3,213)	(3,117)	(2,671)	(2,558)	(3,030)
Other	141	(123)	(218)	(324)	(491)	(33)	(41)	30
Net change in plan fiduciary net position	\$ 1,386,974	\$ 7,277	\$ 241,880	\$ 202,870	\$ 541,998	\$ 113,248	\$ 219,149	\$ 557,235
Plan fiduciary net position - beginning	5,472,531	5,465,254	5,223,374	5,020,504	4,478,506	4,365,258	4,146,109	3,588,874
Plan fiduciary net position - ending (b)	\$ 6,859,505	\$ 5,472,531	\$ 5,465,254	\$ 5,223,374	\$ 5,020,504	\$ 4,478,506	\$ 4,365,258	\$ 4,146,109
School Division's net pension liability(asset) - ending (a) - (b)	\$ (1,092,335)	\$ (153,370)	\$ (344,987)	\$ (558,091)	\$ (469,261)	\$ (88,702)	\$ (258,041)	\$ (184,238)
Plan fiduciary net position as a percentage of the total pension liability	118.94%	102.88%	106.74%	111.96%	110.31%	102.02%	106.28%	104.65%
Covered payroll	\$ 1,510,953	\$ 1,527,529	\$ 1,309,930	\$ 1,285,885	\$ 1,284,705	\$ 1,249,950	\$ 1,235,088	\$ 1,191,588
School Division's net pension liability as a percentage of covered payroll	72.29%	10.04%	26.34%	43.40%	36.53%	7.10%	20.89%	15.46%

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

Schedule of Employer Contributions - Pension

Pension Plans

Years Ended June 30, 2013 through June 30, 2022

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					
2022	\$ 3,831,873	\$ 3,831,873	\$ -	\$ 28,260,614	13.56%
2021	3,351,421	3,351,421	-	25,927,730	12.93%
2020	3,045,310	3,045,310	-	25,561,127	11.91%
2019	2,921,413	2,921,413	-	24,262,627	12.04%
2018	2,983,944	2,983,944	-	24,252,928	12.30%
2017	2,915,650	2,915,650	-	23,232,269	12.55%
2016	3,662,544	3,662,544	-	22,977,066	15.94%
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%
Component Unit School Board (nonprofessional)					
2022	\$ 42,139	\$ 42,139	\$ -	\$ 1,614,535	2.61%
2021	38,961	38,961	-	1,510,953	2.58%
2020	31,801	31,801	-	1,527,529	2.08%
2019	30,068	30,068	-	1,309,930	2.30%
2018	49,268	49,268	-	1,285,885	3.83%
2017	53,315	53,315	-	1,284,705	4.15%
2016	86,747	86,747	-	1,249,950	6.94%
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%
Component Unit School Board (professional)					
2022	\$ 4,238,212	\$ 4,238,212	\$ -	\$ 26,531,395	15.97%
2021	3,858,174	3,858,174	-	24,075,035	16.03%
2020	3,713,243	3,713,243	-	24,356,562	15.25%
2019	3,628,291	3,628,291	-	23,815,635	15.23%
2018	3,717,961	3,717,961	-	23,210,637	16.02%
2017	3,334,139	3,334,139	-	22,743,104	14.66%
2016	3,100,340	3,100,340	-	22,065,166	14.05%
2015	3,526,396	3,526,396	-	21,447,563	16.44%

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

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

Notes to Required Supplementary Information - Pension
Pension Plans
Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Component Unit School Board - Professional Employees:

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

Schedule of City of Fredericksburg, Virginia's Share of Net OPEB Liability
 Group Life Insurance Program (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

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					
2021	0.12880% \$	1,464,972 \$	26,242,152	5.58%	67.45%
2020	0.12719%	2,076,108	25,602,618	8.11%	52.64%
2019	0.12684%	2,014,936	24,262,627	8.30%	52.00%
2018	0.12771%	1,896,690	24,284,801	7.81%	51.22%
2017	0.12611%	1,856,586	23,262,335	7.98%	48.86%
Component Unit School Board (nonprofessional)					
2021	0.00740% \$	85,225 \$	1,510,953	5.64%	67.45%
2020	0.00745%	124,328	1,533,662	8.11%	52.64%
2019	0.00668%	108,701	1,309,930	8.30%	52.00%
2018	0.00676%	102,000	1,285,885	7.93%	51.22%
2017	0.00697%	105,000	1,284,705	8.17%	48.86%
Component Unit School Board (professional)					
2021	0.11670% \$	1,358,588 \$	24,092,530	5.64%	67.45%
2020	0.11850%	1,977,571	24,387,548	8.11%	52.64%
2019	0.12149%	1,976,966	23,815,635	8.30%	52.00%
2018	0.12232%	1,857,000	23,258,958	7.98%	51.22%
2017	0.12382%	1,863,000	22,839,725	8.16%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program (GLI) Plan
 Years Ended June 30, 2013 through June 30, 2022

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					
2022	\$ 152,689	\$ 152,689	\$ -	\$ 28,275,639	0.54%
2021	140,284	140,284	-	26,242,152	0.54%
2020	133,135	133,135	-	25,602,618	0.52%
2019	125,933	125,933	-	24,262,627	0.52%
2018	126,281	126,281	-	24,284,801	0.52%
2017	120,964	120,964	-	23,262,335	0.52%
2016	110,329	110,329	-	22,985,223	0.48%
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%
Component Unit School Board (nonprofessional)					
2022	\$ 8,718	\$ 8,718	\$ -	\$ 1,614,535	0.54%
2021	8,159	8,159	-	1,510,953	0.54%
2020	7,975	7,975	-	1,533,662	0.52%
2019	6,812	6,812	-	1,309,930	0.52%
2018	6,687	6,687	-	1,285,885	0.52%
2017	6,680	6,680	-	1,284,705	0.52%
2016	6,011	6,011	-	1,252,322	0.48%
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%
Component Unit School Board (professional)					
2022	\$ 143,592	\$ 143,592	\$ -	\$ 26,591,039	0.54%
2021	130,100	130,100	-	24,092,530	0.54%
2020	126,815	126,815	-	24,387,548	0.52%
2019	123,841	123,841	-	23,815,635	0.52%
2018	120,947	120,947	-	23,258,958	0.52%
2017	118,767	118,767	-	22,839,725	0.52%
2016	106,165	106,165	-	22,117,662	0.48%
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%

Notes to Required Supplementary Information
Group Life Insurance Program (GLI) Plan
Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Fredericksburg School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2021	0.27222% \$	3,494,132 \$	24,075,035	14.51%	13.15%
2020	0.27783%	3,624,339	24,356,562	14.88%	9.95%
2019	0.28217%	3,693,880	23,667,736	15.61%	8.97%
2018	0.28700%	3,644,000	23,210,637	15.70%	8.08%
2017	0.28813%	3,655,000	22,738,901	16.07%	7.04%

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

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
Years Ended June 30, 2013 through June 30, 2022

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2022	\$ 321,030	\$ 321,030	\$ -	\$ 26,531,395	1.21%
2021	291,308	291,308	-	24,075,035	1.21%
2020	292,279	292,279	-	24,356,562	1.20%
2019	284,013	284,013	-	23,667,736	1.20%
2018	285,491	285,491	-	23,210,637	1.23%
2017	252,402	252,402	-	22,738,901	1.11%
2016	233,891	233,891	-	22,065,166	1.06%
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%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 Years Ended June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 483,211	\$ 332,750	\$ 270,826	\$ 245,838	\$ 254,662
Interest	144,431	126,653	168,418	167,749	148,443
Changes in assumptions	(1,059,734)	1,033,472	544,980	174,653	(166,508)
Differences between expected and actual experience	(11,377)	(562,964)		-	-
Benefit payments	(121,076)	(128,076)	(125,897)	(145,591)	(123,551)
Net change in total OPEB liability	\$ (564,545)	\$ 801,835	\$ 858,327	\$ 442,649	\$ 113,046
Total OPEB liability - beginning	6,263,670	5,461,835	4,603,508	4,160,859	4,047,813
Total OPEB liability - ending	\$ 5,699,125	\$ 6,263,670	\$ 5,461,835	\$ 4,603,508	\$ 4,160,859
 Covered-employee payroll	 \$ 27,583,676	 \$ 25,675,085	 \$ 27,400,642	 \$ 27,400,642	 \$ 27,400,642
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 20.66%	 24.40%	 19.93%	 16.80%	 15.19%

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

Notes to Required Supplementary Information - Component Unit School Board Pay-As-You-Go OPEB Plan
Year Ended June 30, 2022

Valuation Date: 1/1/2022
Measurement Date: 6/30/2022

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	3.54% as of June 30, 2022 and 2.16% as of June 30, 2021
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 2.70% and gradually increases to 3.90% by the year 2073
Salary Increase Rates	3.50% to 5.95% based on years of service and position
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Schedule of Changes in the City's Net OPEB Liability and Related Ratios
Years Ended June 30, 2017 through June 30, 2022

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 125,452	\$ 140,044	\$ 148,383	\$ 135,927	\$ 127,035	\$ 199,978
Interest	1,066,198	1,065,545	1,159,458	1,088,555	1,081,522	1,163,246
Effect of Economic/Demographic Gains or Losses	(966,995)	-	1,475,690	-	(1,432,111)	-
Effect of plan changes	1,481,587	-	-	-	-	-
Changes in assumptions	(197,878)	-	(1,523,352)	744,226	-	-
Benefit payments	(1,136,544)	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Net change in total OPEB liability	\$ 371,820	\$ (18,387)	\$ 42,136	\$ 846,890	\$ (1,335,861)	\$ 421,336
Total OPEB liability - beginning	16,836,921	16,855,308	16,813,172	15,966,282	17,302,143	16,880,807
Total OPEB liability - ending (a)	\$ 17,208,741	\$ 16,836,921	\$ 16,855,308	\$ 16,813,172	\$ 15,966,282	\$ 17,302,143
Plan fiduciary net position						
Contributions - employer	\$ 1,336,544	\$ 1,223,976	\$ 1,218,043	\$ 1,328,208	\$ 1,112,307	\$ 1,053,888
Net investment income	(221,250)	504,449	49,851	74,635	118,262	128,315
Benefit payments	(1,136,544)	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Administrative expense	(2,846)	(2,401)	(2,313)	(2,009)	(1,857)	(1,347)
Net change in plan fiduciary net position	\$ (24,096)	\$ 502,048	\$ 47,538	\$ 279,016	\$ 116,405	\$ 238,968
Plan fiduciary net position - beginning	2,180,527	1,678,479	1,630,941	1,351,925	1,235,520	996,552
Plan fiduciary net position - ending (b)	\$ 2,156,431	\$ 2,180,527	\$ 1,678,479	\$ 1,630,941	\$ 1,351,925	\$ 1,235,520
City's net OPEB liability - ending (a) - (b)	\$ 15,052,310	\$ 14,656,394	\$ 15,176,829	\$ 15,182,231	\$ 14,614,357	\$ 16,066,623
Plan fiduciary net position as a percentage of the total OPEB liability	12.53%	12.95%	9.96%	9.70%	8.47%	7.14%
Covered payroll	\$ 28,104,978	\$ 24,140,303	\$ 24,140,303	\$ 23,337,048	\$ 23,337,048	\$ 22,344,600
City's net OPEB liability as a percentage of covered payroll	53.56%	60.71%	62.87%	65.06%	62.62%	71.90%

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

Schedule of Employer Contributions - OPEB
 Years Ended June 30, 2016 through June 30, 2022

Date	Actuarially Determined Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2022	\$ 1,072,799	\$ 1,336,544	\$ (263,745)	\$ 28,104,978	4.76%
2021	1,056,781	1,223,976	(167,195)	24,140,303	5.07%
2020	1,115,988	1,218,043	(102,055)	24,140,303	5.05%
2019	1,074,816	1,328,208	(253,392)	23,337,048	5.69%
2018	1,035,412	1,112,307	(76,895)	23,337,048	4.77%
2017	1,195,200	1,053,900	141,300	22,344,600	4.72%
2016	1,148,800	1,888,000	(739,200)	22,344,600	8.45%

Notes to Schedule

Valuation date: January 1, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Amortization period	24 years
Asset valuation method	Market Value
Inflation	2.50%
Healthcare cost trend rates	5.50% gradually decreasing to an ultimate rate of 3.90% by 2073
Salary increases	Varies based on years of service
Investment rate of return	6.50%
Retirement age	Varies based on service
Mortality	RP-2014 mortality tables

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

Schedule of Investment Returns
 Years Ended June 30, 2016 through June 30, 2022

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-9.88%	30.08%	3.06%	5.14%	9.58%	12.78%

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

Schedule of Changes in the Fredericksburg City School Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Date of June 30, 2021

	2021	2020
Total HIC OPEB Liability		
Service cost	\$ 1,573	\$ -
Interest	4,956	-
Changes in benefit terms	-	73,419
Differences between expected and actual experience	-	-
Changes of assumptions	3,025	-
Benefit payments	-	-
Net change in total HIC OPEB liability	\$ 9,554	\$ 73,419
Total HIC OPEB Liability - beginning	73,419	-
Total HIC OPEB Liability - ending (a)	\$ 82,973	\$ 73,419
Plan fiduciary net position		
Contributions - employer	\$ 7,101	\$ -
Net investment income	1,039	-
Benefit payments	-	-
Administrator charges	(32)	-
Other	-	-
Net change in plan fiduciary net position	\$ 8,108	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ 8,108	\$ -
CCT/ABC's net HIC OPEB liability - ending (a) - (b)	\$ 74,865	\$ 73,419
Plan fiduciary net position as a percentage of the total HIC OPEB liability	9.77%	0.00%
Covered payroll	\$ 1,510,953	\$ 1,533,662
CCT/ABC's net HIC OPEB liability as a percentage of covered payroll	4.95%	4.79%

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

Schedule of Employer Contributions - Fredericksburg City School Board
 Health Insurance Credit (HIC) Plan
 Years Ended June 30, 2020 through June 30, 2022

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)
2022	\$ 7,588	\$ 7,588	\$ -	\$ 1,614,535	0.47%
2021	7,101	7,101	-	1,510,953	0.47%
2020	-	-	-	1,533,662	0.00%

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

Notes to Required Supplementary Information - Fredericksburg City School Board
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2022

	Special Revenue	Capital Projects	Debt Service	Total
Assets:				
Cash and cash equivalents	\$ 4,048,540	\$ 7,501,170	\$ 1,713,426	\$ 13,263,136
Receivables:				
Property taxes	13,825	-	-	13,825
Accrued revenue	16,127	76,227	-	92,354
Prepaid items	18,028	1,779,476	-	1,797,504
Due from other governments	1,099,041	-	-	1,099,041
Total assets	<u>\$ 5,195,561</u>	<u>\$ 9,356,873</u>	<u>\$ 1,713,426</u>	<u>\$ 16,265,860</u>
Liabilities:				
Accounts payable	\$ 455,917	\$ 258,349	\$ 700	\$ 714,966
Accrued liabilities	310,965	87,065	-	398,030
Unearned revenue	20,000	-	-	20,000
Total liabilities	<u>\$ 786,882</u>	<u>\$ 345,414</u>	<u>\$ 700</u>	<u>\$ 1,132,996</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	<u>\$ 7,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,930</u>
Fund Balances:				
Nonspendable	\$ 18,028	\$ 1,779,476	\$ -	\$ 1,797,504
Restricted	95,250	-	-	95,250
Committed	4,287,471	1,682,969	1,712,726	7,683,166
Assigned	-	5,549,014	-	5,549,014
Total fund balances	<u>\$ 4,400,749</u>	<u>\$ 9,011,459</u>	<u>\$ 1,712,726</u>	<u>\$ 15,124,934</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,195,561</u>	<u>\$ 9,356,873</u>	<u>\$ 1,713,426</u>	<u>\$ 16,265,860</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue	Capital Projects	Debt Service	Total
Revenues				
General property taxes	\$ 1,098,792	\$ -	\$ -	\$ 1,098,792
Other local taxes	545,381	-	-	545,381
Permits, privilege fees and regulatory licenses	24,807	-	-	24,807
Use of money and property	100,643	(310,034)	-	(209,391)
Charges for services	23,665	24,373	-	48,038
Miscellaneous	119,859	-	278,697	398,556
Recovered costs	241,977	-	-	241,977
Intergovernmental:				
Revenue from the Commonwealth	3,572,957	80,842	212,232	3,866,031
Revenue from the Federal Government	3,660,929	-	-	3,660,929
Total revenues	\$ 9,389,010	\$ (204,819)	\$ 490,929	\$ 9,675,120
Expenditures				
Current:				
Judicial administration	\$ 245,165	\$ -	\$ -	\$ 245,165
Public safety	348,694	-	-	348,694
Public works	557,576	-	-	557,576
Health and welfare	8,584,776	-	-	8,584,776
Parks, recreation and cultural	63,917	-	-	63,917
Community development	372,333	-	-	372,333
Capital projects	-	2,976,158	-	2,976,158
Debt service:				
Principal payments	670,836	-	4,239,848	4,910,684
Interest and fiscal charges	379,164	-	3,079,415	3,458,579
Total expenditures	\$ 11,222,461	\$ 2,976,158	\$ 7,319,263	\$ 21,517,882
Excess (deficiency) of revenues over (under) expenditures	\$ (1,833,451)	\$ (3,180,977)	\$ (6,828,334)	\$ (11,842,762)
Other financing sources (uses)				
Proceeds from the sale of capital assets	\$ 2,480	\$ -	\$ -	\$ 2,480
Transfers in	2,279,225	3,425,719	6,678,613	12,383,557
Transfers out	(100,000)	-	-	(100,000)
Total other financing sources (uses)	\$ 2,181,705	\$ 3,425,719	\$ 6,678,613	\$ 12,286,037
Net change in fund balance	\$ 348,254	\$ 244,742	\$ (149,721)	\$ 443,275
Fund balances, beginning of year	4,052,495	8,766,717	1,862,447	14,681,659
Fund balances, end of year	\$ 4,400,749	\$ 9,011,459	\$ 1,712,726	\$ 15,124,934

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2022

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Children's Services Act Fund	Central Park Special Tax District Fund	Stormwater Management Fund	Forfeited Asset Sharing Program Fund	Fredericksburg Opportunity Fund	Multi Purpose Stadium Fund	Blight Abatement Fund	Total
Assets:										
Cash and cash equivalents	\$ 191,627	\$ 1,147,065	\$ 868,031	\$ 35,611	\$ 807,027	\$ 211,125	\$ 464,252	\$ 87,500	\$ 236,302	\$ 4,048,540
Receivables:										
Property taxes	-	-	-	-	13,825	-	-	-	-	13,825
Accrued revenue	10,632	4,063	-	-	1,432	-	-	-	-	16,127
Prepaid items	13,124	3,937	-	-	967	-	-	-	-	18,028
Due from other governments	613,161	116,469	369,411	-	-	-	-	-	-	1,099,041
Total assets	\$ 828,544	\$ 1,271,534	\$ 1,237,442	\$ 35,611	\$ 823,251	\$ 211,125	\$ 464,252	\$ 87,500	\$ 236,302	\$ 5,195,561
Liabilities:										
Accounts payable	\$ 18,187	\$ 29,773	\$ 265,313	\$ -	\$ 52,856	\$ 2,288	\$ -	\$ 87,500	\$ -	\$ 455,917
Accrued liabilities	171,069	18,143	4,307	-	28,147	89,299	-	-	-	310,965
Unearned revenue	-	20,000	-	-	-	-	-	-	-	20,000
Total liabilities	\$ 189,256	\$ 67,916	\$ 269,620	\$ -	\$ 81,003	\$ 91,587	\$ -	\$ 87,500	\$ -	\$ 786,882
Deferred Inflows of Resources:										
Unavailable revenue - property taxes	\$ -	\$ -	\$ -	\$ -	\$ 7,930	\$ -	\$ -	\$ -	\$ -	\$ 7,930
Fund Balances:										
Nonspendable	\$ 13,124	\$ 3,937	\$ -	\$ -	\$ 967	\$ -	\$ -	\$ -	\$ -	\$ 18,028
Restricted	-	95,250	-	-	-	-	-	-	-	95,250
Committed	626,164	1,104,431	967,822	35,611	733,351	119,538	464,252	-	236,302	4,287,471
Total fund balances	\$ 639,288	\$ 1,203,618	\$ 967,822	\$ 35,611	\$ 734,318	\$ 119,538	\$ 464,252	\$ -	\$ 236,302	\$ 4,400,749
Total liabilities, deferred inflows of resources and fund balances	\$ 828,544	\$ 1,271,534	\$ 1,237,442	\$ 35,611	\$ 823,251	\$ 211,125	\$ 464,252	\$ 87,500	\$ 236,302	\$ 5,195,561

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2022

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Children's Services Act Fund	Central Park Special Tax District Fund	Stormwater Management Fund	Forfeited Asset Sharing Program Fund	Fredericksburg Opportunity Fund	Multi Purpose Stadium Fund	Blight Abatement Fund	Total
Revenues										
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 918,133	\$ -	\$ -	\$ 180,659	\$ -	\$ 1,098,792
Other local taxes	-	37,642	-	-	-	-	-	507,739	-	545,381
Permits, privilege fees and regulatory licenses	-	18,657	-	-	6,150	-	-	-	-	24,807
Use of money and property	-	223	-	-	-	420	-	100,000	-	100,643
Charges for services	-	23,665	-	-	-	-	-	-	-	23,665
Miscellaneous	-	87,864	-	-	31,995	-	-	-	-	119,859
Recovered costs	35,224	24,132	-	-	24,456	-	25,000	105,000	28,165	241,977
Intergovernmental:										
Revenue from the Commonwealth	1,991,847	217,910	1,336,956	-	-	26,244	-	-	-	3,572,957
Revenue from the Federal Government	3,119,519	429,908	111,502	-	-	-	-	-	-	3,660,929
Total revenues	\$ 5,146,590	\$ 840,001	\$ 1,448,458	\$ -	\$ 980,734	\$ 26,664	\$ 25,000	\$ 893,398	\$ 28,165	\$ 9,389,010
Expenditures										
Judicial administration	\$ -	\$ 234,585	\$ -	\$ -	\$ -	\$ 10,580	\$ -	\$ -	\$ -	\$ 245,165
Public safety	-	334,403	-	-	-	14,291	-	-	-	348,694
Public works	-	-	-	-	548,211	-	-	-	9,365	557,576
Health and welfare	6,118,780	-	2,465,996	-	-	-	-	-	-	8,584,776
Parks, recreation and cultural	-	63,917	-	-	-	-	-	-	-	63,917
Community development	-	367,333	-	-	-	-	-	5,000	-	372,333
Debt service:										
Principal payments	-	-	-	-	-	-	-	670,836	-	670,836
Interest and fiscal charges	-	-	-	-	-	-	-	379,164	-	379,164
Total expenditures	\$ 6,118,780	\$ 1,000,238	\$ 2,465,996	\$ -	\$ 548,211	\$ 24,871	\$ -	\$ 1,055,000	\$ 9,365	\$ 11,222,461
Excess (deficiency) of revenues over (under) expenditures	\$ (972,190)	\$ (160,237)	\$ (1,017,538)	\$ -	\$ 432,523	\$ 1,793	\$ 25,000	\$ (161,602)	\$ 18,800	\$ (1,833,451)
Other financing sources (uses)										
Transfers in	\$ 880,000	\$ 241,201	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 158,024	\$ -	\$ 2,279,225
Transfers out	-	-	-	-	(100,000)	-	-	-	-	(100,000)
Proceeds from the sale of capital assets	2,480	-	-	-	-	-	-	-	-	2,480
Total other financing sources (uses)	\$ 882,480	\$ 241,201	\$ 1,000,000	\$ -	\$ (100,000)	\$ -	\$ -	\$ 158,024	\$ -	\$ 2,181,705
Net change in fund balance	\$ (89,710)	\$ 80,964	\$ (17,538)	\$ -	\$ 332,523	\$ 1,793	\$ 25,000	\$ (3,578)	\$ 18,800	\$ 348,254
Fund balances, beginning of year	728,998	1,122,654	985,360	35,611	401,795	117,745	439,252	3,578	217,502	4,052,495
Fund balances, end of year	\$ 639,288	\$ 1,203,618	\$ 967,822	\$ 35,611	\$ 734,318	\$ 119,538	\$ 464,252	\$ -	\$ 236,302	\$ 4,400,749

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2022

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Assets:				
Cash and cash equivalents	\$ 5,030,990	\$ 1,383,966	\$ 1,086,214	\$ 7,501,170
Accrued revenue	42,723	33,504	-	76,227
Prepaid items	-	1,779,476	-	1,779,476
Total assets	<u>\$ 5,073,713</u>	<u>\$ 3,196,946</u>	<u>\$ 1,086,214</u>	<u>\$ 9,356,873</u>
Liabilities:				
Accounts payable	\$ 166,126	\$ 92,223	\$ -	\$ 258,349
Accrued liabilities	87,065	-	-	87,065
Total liabilities	<u>\$ 253,191</u>	<u>\$ 92,223</u>	<u>\$ -</u>	<u>\$ 345,414</u>
Fund Balances:				
Fund Balance:				
Nonspendable	\$ -	\$ 1,779,476	\$ -	\$ 1,779,476
Committed	1,385,591	284,772	12,606	1,682,969
Assigned	3,434,931	1,040,475	1,073,608	5,549,014
Total fund balances	<u>\$ 4,820,522</u>	<u>\$ 3,104,723</u>	<u>\$ 1,086,214</u>	<u>\$ 9,011,459</u>
Total liabilities and fund balances	<u>\$ 5,073,713</u>	<u>\$ 3,196,946</u>	<u>\$ 1,086,214</u>	<u>\$ 9,356,873</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2022

	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
Revenues				
Use of money and property	\$ (108,217)	\$ (201,817)	\$ -	\$ (310,034)
Charges for services	-	-	24,373	24,373
Intergovernmental:				
Revenue from the Commonwealth	48,272	32,570		80,842
Total revenues	\$ (59,945)	\$ (169,247)	\$ 24,373	\$ (204,819)
Expenditures				
Capital projects	\$ 2,505,671	\$ 470,487	\$ -	\$ 2,976,158
Excess (deficiency) of revenues over (under) expenditures	\$ (2,565,616)	\$ (639,734)	\$ 24,373	\$ (3,180,977)
Other financing sources (uses)				
Transfers in	\$ 825,437	\$ 2,600,282	\$ -	\$ 3,425,719
Total other financing sources (uses)	\$ 825,437	\$ 2,600,282	\$ -	\$ 3,425,719
Net change in fund balance	\$ (1,740,179)	\$ 1,960,548	\$ 24,373	\$ 244,742
Fund balances, beginning of year	6,560,701	1,144,175	1,061,841	8,766,717
Fund balances, end of year	\$ 4,820,522	\$ 3,104,723	\$ 1,086,214	\$ 9,011,459

Combining Balance Sheet
 Nonmajor Debt Service Funds
 At June 30, 2022

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Assets:			
Cash and cash equivalents	\$ <u>463,453</u>	\$ <u>1,249,973</u>	\$ <u>1,713,426</u>
Liabilities:			
Accounts payable	\$ <u>700</u>	\$ <u>-</u>	\$ <u>700</u>
Total liabilities	\$ <u>700</u>	\$ <u>-</u>	\$ <u>700</u>
Fund Balances:			
Committed	\$ <u>462,753</u>	\$ <u>1,249,973</u>	\$ <u>1,712,726</u>
Total fund balances	\$ <u>462,753</u>	\$ <u>1,249,973</u>	\$ <u>1,712,726</u>
Total liabilities and fund balances	\$ <u>463,453</u>	\$ <u>1,249,973</u>	\$ <u>1,713,426</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2022

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Revenues			
Miscellaneous	\$ 278,697	\$ -	\$ 278,697
Intergovernmental: Revenue from the Commonwealth	-	212,232	212,232
Total revenues	\$ 278,697	\$ 212,232	\$ 490,929
Expenditures			
Debt service:			
Principal	\$ 1,609,848	\$ 2,630,000	\$ 4,239,848
Interest and fiscal charges	1,510,310	1,569,105	3,079,415
Total expenditures	\$ 3,120,158	\$ 4,199,105	\$ 7,319,263
Excess (deficiency) of revenues over (under) expenditures	\$ (2,841,461)	\$ (3,986,873)	\$ (6,828,334)
Other financing sources (uses)			
Transfers in	\$ 2,845,625	\$ 3,832,988	\$ 6,678,613
Net change in fund balance	\$ 4,164	\$ (153,885)	\$ (149,721)
Fund balances, beginning of year	458,589	1,403,858	1,862,447
Fund balances, end of year	\$ 462,753	\$ 1,249,973	\$ 1,712,726

Combining Statement of Fiduciary Net Position
Custodial Funds
At June 30, 2022

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Assets:							
Cash and cash equivalents	\$ 402,703	\$ 19,482	\$ 164,860	\$ 409,219	\$ 20,451	\$ 718,619	\$ 1,735,334
Accounts receivable	1,520	1,212	21,379	204,166	-	-	228,277
Prepaid items	38,307	-	65	9,042	-	-	47,414
Pension asset	-	-	-	404,082	-	-	404,082
Capital assets net of accumulated depreciation	1,838,309	-	-	620,734	-	-	2,459,043
Total assets	\$ 2,280,839	\$ 20,694	\$ 186,304	\$ 1,647,243	\$ 20,451	\$ 718,619	\$ 4,874,150
Deferred Outflows of Resources:							
Pension related items	\$ 140,357	\$ -	\$ 13,525	\$ 23,762	\$ -	\$ -	\$ 177,644
OPEB related items	8,037	-	781	7,659	-	-	16,477
Total deferred outflows of resources	\$ 148,394	\$ -	\$ 14,306	\$ 31,421	\$ -	\$ -	\$ 194,121
Liabilities:							
Accounts payable	\$ 12,851	\$ -	\$ 5,082	\$ 21,766	\$ -	\$ -	\$ 39,699
Accrued liabilities	126,588	-	17,646	88,388	-	-	232,622
Notes payable	429,256	-	-	-	-	-	429,256
Lease liabilities	-	-	-	210,362	-	-	210,362
Net OPEB liability	27,582	-	2,698	27,827	-	-	58,107
Net pension liability	266,936	-	25,638	-	-	-	292,574
Amounts held for others	-	-	-	-	-	718,619	718,619
Total liabilities	\$ 863,213	\$ -	\$ 51,064	\$ 348,343	\$ -	\$ 718,619	\$ 1,981,239
Deferred Inflows of Resources:							
Pension related items	\$ 309,039	\$ -	\$ 29,803	\$ 147,495	\$ -	\$ -	\$ 486,337
OPEB related items	10,826	-	1,059	15,636	-	-	27,521
Total deferred inflows of resources	\$ 319,865	\$ -	\$ 30,862	\$ 163,131	\$ -	\$ -	\$ 513,858
Net Position:							
Net position restricted for individuals and organizations	\$ 1,246,155	\$ 20,694	\$ 118,684	\$ 1,167,190	\$ 20,451	\$ -	\$ 2,573,174

Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2022

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Additions:							
Contributions:							
Contributions	\$ -	\$ -	\$ 182,680	\$ 1,303,332	\$ -	\$ -	\$ 1,486,012
Miscellaneous	<u>1,202,816</u>	<u>20,149</u>	<u>-</u>	<u>60,674</u>	<u>-</u>	<u>2,545,522</u>	<u>3,829,161</u>
Total additions	<u>\$ 1,202,816</u>	<u>\$ 20,149</u>	<u>\$ 182,680</u>	<u>\$ 1,364,006</u>	<u>\$ -</u>	<u>\$ 2,545,522</u>	<u>\$ 5,315,173</u>
Deductions:							
Other charges	<u>\$ 1,241,615</u>	<u>\$ 23,063</u>	<u>\$ 193,983</u>	<u>\$ 1,254,849</u>	<u>\$ -</u>	<u>\$ 2,545,522</u>	<u>\$ 5,259,032</u>
Total deductions	<u>\$ 1,241,615</u>	<u>\$ 23,063</u>	<u>\$ 193,983</u>	<u>\$ 1,254,849</u>	<u>\$ -</u>	<u>\$ 2,545,522</u>	<u>\$ 5,259,032</u>
Net increase (decrease) in plan assets	\$ (38,799)	\$ (2,914)	\$ (11,303)	\$ 109,157	\$ -	\$ -	\$ 56,141
Net position:							
Balance, beginning of year, as restated	<u>1,284,954</u>	<u>23,608</u>	<u>129,987</u>	<u>1,058,033</u>	<u>20,451</u>	<u>-</u>	<u>2,517,033</u>
Balance, end of year	<u><u>\$ 1,246,155</u></u>	<u><u>\$ 20,694</u></u>	<u><u>\$ 118,684</u></u>	<u><u>\$ 1,167,190</u></u>	<u><u>\$ 20,451</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,573,174</u></u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Recovered costs	\$ 64,179	\$ 64,179	\$ 35,224	\$ (28,955)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 2,319,436	\$ 2,319,436	\$ 1,991,847	\$ (327,589)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 3,445,852	\$ 3,445,852	\$ 3,119,519	\$ (326,333)
Total revenues	\$ 5,829,467	\$ 5,829,467	\$ 5,146,590	\$ (682,877)
Expenditures				
Health and welfare	\$ 7,104,796	\$ 7,104,796	\$ 6,118,780	\$ 986,016
State, Federal and Local Grants Fund				
Revenues				
Other local taxes:				
Plastic bag tax	\$ -	\$ 8,478	\$ 37,642	\$ 29,164
Permits and other licenses	\$ 11,500	\$ 11,500	\$ 18,657	\$ 7,157
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 223	\$ 223
Miscellaneous	\$ 112,000	\$ 94,001	\$ 87,864	\$ (6,137)
Charges for services:				
Court costs	\$ 20,000	\$ 20,000	\$ 22,130	\$ 2,130
Parks and recreation fees	-	13,000	1,535	(11,465)
Total charges for services	\$ 20,000	\$ 33,000	\$ 23,665	\$ (9,335)
Recovered costs:				
Other	\$ 15,000	\$ 19,999	\$ 24,132	\$ 4,133
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Hazardous materials grant	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Fire services program	92,523	92,523	98,297	5,774
VA domestic violence victim fund	45,000	45,000	23,321	(21,679)
Victim-witness program	33,500	33,500	38,278	4,778
Other	50,180	63,880	28,014	(35,866)
Total revenue from the Commonwealth	\$ 251,203	\$ 264,903	\$ 217,910	\$ (46,993)
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 141,500	\$ 510,718	\$ 276,748	\$ (233,970)
Community development block grants	333,845	333,845	153,160	(180,685)
Total revenue from the Federal Government	\$ 475,345	\$ 844,563	\$ 429,908	\$ (414,655)
Total revenues	\$ 885,048	\$ 1,276,444	\$ 840,001	\$ (436,443)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	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	\$ 181,875	\$ 181,875	\$ 153,276	\$ 28,599
Domestic violence victim fund grant	82,292	82,292	65,378	16,914
Records preservation program	28,000	28,000	15,931	12,069
Total judicial administration	\$ 292,167	\$ 292,167	\$ 234,585	\$ 57,582
Public safety:				
Hazardous materials response program	\$ 30,822	\$ 73,533	\$ 30,225	\$ 43,308
Fire services program	91,001	200,397	71,605	128,792
Fire department donations	-	1,265	-	1,265
OEMS grant	-	27,400	-	27,400
VRSA risk management grant	-	4,999	4,999	-
PD golf tournament	-	25,708	23,893	1,815
Carbon and smoke detectors	-	2,500	2,500	-
JAG grants	18,500	97,123	7,846	89,277
Marcus alert program	-	100,000	4,329	95,671
LEMPG	10,680	10,877	10,487	390
ICAC grant	7,000	7,000	6,762	238
Community projects	-	12,757	5,747	7,010
Crime prevention	2,000	3,037	-	3,037
Radiological emergency preparedness	700	700	-	700
E-summons	20,000	56,965	2,266	54,699
Prisoner extradition	15,000	34,538	21,979	12,559
DCJS recruitment and retention	-	43,034	22,168	20,866
State homeland security grant	-	270,799	99,308	171,491
DMV grants	23,000	28,700	20,289	8,411
Total public safety	\$ 218,703	\$ 1,001,332	\$ 334,403	\$ 666,929
Public works:				
Emerald ash program	\$ -	\$ 490	\$ -	\$ 490
Urban forestry restitution	-	5,500	-	5,500
Total public works	\$ -	\$ 5,990	\$ -	\$ 5,990
Parks, recreation and cultural:				
Farmers' market	\$ 31,500	\$ 39,255	\$ 25,529	\$ 13,726
Midnight madness	10,500	30,354	1,838	28,516
Fredericksburg Arts Commission	29,500	70,136	32,278	37,858
Other	15,265	144,093	4,272	139,821
Total parks, recreation and cultural	\$ 86,765	\$ 283,838	\$ 63,917	\$ 219,921
Community development:				
Community development block grant	\$ 364,021	\$ 443,829	\$ 200,597	\$ 243,232
Regional consumer marketing	-	143,618	82,278	61,340
Regional group tourism	-	48,308	47,654	654
United Way special events	30,000	42,771	22,257	20,514
Other	50,000	291,929	14,547	277,382
Total community development	\$ 444,021	\$ 970,455	\$ 367,333	\$ 603,122
Total expenditures	\$ 1,041,656	\$ 2,553,782	\$ 1,000,238	\$ 1,553,544

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
Children's Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act grants	\$ 2,445,157	\$ 2,445,157	\$ 1,336,956	\$ (1,108,201)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 34,650	\$ 34,650	\$ 111,502	\$ 76,852
Total revenues	<u>\$ 2,479,807</u>	<u>\$ 2,479,807</u>	<u>\$ 1,448,458</u>	<u>\$ (1,031,349)</u>
Expenditures				
Health and Welfare:				
Children's Services Act program	<u>\$ 3,897,930</u>	<u>\$ 3,897,930</u>	<u>\$ 2,465,996</u>	<u>\$ 1,431,934</u>
Stormwater Management Fund				
Revenues				
General property taxes	\$ 875,000	\$ 875,000	\$ 918,133	\$ 43,133
Permits and other licenses	\$ 20,000	\$ 20,000	\$ 6,150	\$ (13,850)
Miscellaneous	\$ -	\$ -	\$ 31,995	\$ 31,995
Recovered costs	\$ -	\$ -	\$ 24,456	\$ 24,456
Total revenues	<u>\$ 895,000</u>	<u>\$ 895,000</u>	<u>\$ 980,734</u>	<u>\$ 53,739</u>
Expenditures				
Public works:				
Drainage	\$ 518,703	\$ 518,703	\$ 347,877	\$ 170,826
VSMP administration	<u>276,297</u>	<u>287,343</u>	<u>200,334</u>	<u>87,009</u>
Total expenditures	<u>\$ 795,000</u>	<u>\$ 806,046</u>	<u>\$ 548,211</u>	<u>\$ 257,835</u>
Blight Abatement Fund				
Revenues				
Recovered costs	\$ 20,000	\$ 20,000	\$ 28,165	\$ 8,165
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 28,165</u>	<u>\$ 8,165</u>
Expenditures				
Public works:				
Blight abatement	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 9,365</u>	<u>\$ 85,635</u>
Forfeited Asset Sharing Program Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 420	\$ 420
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited asset sharing program	\$ -	\$ 13,441	\$ 26,244	\$ 12,803
Total revenues	<u>\$ -</u>	<u>\$ 13,441</u>	<u>\$ 26,664</u>	<u>\$ 13,223</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Forfeited Asset Sharing Program Fund: (Continued)				
Expenditures				
Judicial administration:				
Forfeited asset sharing program	\$ -	\$ 93,116	\$ 10,580	\$ 82,536
Public safety:				
Forfeited asset sharing program	\$ -	\$ 38,073	\$ 14,291	\$ 23,782
Total expenditures	\$ -	\$ 131,189	\$ 24,871	\$ 106,318
Fredericksburg Opportunity Fund				
Revenues				
Recovered costs	\$ -	\$ -	\$ 25,000	\$ 25,000
Multi Purpose Stadium Fund				
Revenues				
General property taxes	\$ 300,000	\$ 181,000	\$ 180,659	\$ (341)
Other local taxes:				
Local sales and use taxes	\$ 50,000	\$ 24,000	\$ 23,059	\$ (941)
Business licenses and rental tax	50,000	36,976	23,949	(13,027)
Amusement tax	200,000	200,000	197,824	(2,176)
Meals taxes	250,000	250,000	262,907	12,907
Total other local taxes	\$ 550,000	\$ 510,976	\$ 507,739	\$ (3,237)
Revenue from use of money and property:				
Use of property	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Recovered costs	\$ 100,000	\$ 100,000	\$ 105,000	\$ 5,000
Charges for services	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total revenues	\$ 1,055,000	\$ 896,976	\$ 893,398	\$ (3,578)
Expenditures				
Community development	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Principal and interest	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ -
Total expenditures	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ -
Capital Projects Funds				
Public Works Capital Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 810,000	\$ 810,000	\$ 156,621	\$ (653,379)
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Revenue from use of money and property:				
Use of money	\$ 38,000	\$ 38,000	\$ (201,577)	\$ (239,577)
Miscellaneous	\$ -	\$ -	\$ 55,000	\$ 55,000
Recovered costs	\$ 178,800	\$ 178,800	\$ 256,071	\$ 77,271
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grants	\$ 2,275,000	\$ 2,848,930	\$ 201,022	\$ (2,647,908)
Stormwater management grant	1,175,000	1,175,000	-	(1,175,000)
Total revenue from the Commonwealth	\$ 3,450,000	\$ 4,023,930	\$ 201,022	\$ (3,822,908)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (Continued)				
Public Works Capital Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
VDOT grants	\$ 50,000	\$ 545,000	\$ -	\$ (545,000)
Total revenues	\$ 4,528,800	\$ 5,597,730	\$ 467,137	\$ (5,130,593)
Expenditures				
Capital projects:				
Annual pavement rehabilitation	\$ 950,000	\$ 1,243,000	\$ 348,889	\$ 894,111
Downtown streetscape renovation	2,550,000	2,550,000	-	2,550,000
Historic district improvements	1,800,000	1,900,000	52,965	1,847,035
Culvert repair	218,800	218,800	-	218,800
Rolling stock	204,000	204,000	203,984	16
Historic assets	36,000	96,000	12,000	84,000
Riverfront Park	-	367,199	507,518	(140,319)
Rappahannock Canal repairs	50,000	50,000	550	49,450
Stormwater management plan	-	462	-	462
Learning Lane storm sewer	-	2,005,000	128,511	1,876,489
Neighborhood enhancements	50,000	50,000	-	50,000
Fall Hill Avenue sidewalks	-	171,928	19,280	152,648
Route 3 signal optimization	-	417,000	-	417,000
Pond D retrofit	2,350,000	2,550,000	123,475	2,426,525
Idlewild pathway improvements	-	30,000	-	30,000
William Street stormwater	-	1,204,348	1,176,908	27,440
Rte 3 Altoona safety improvements	-	100,000	100,000	-
Pedestrian bridges rehab	1,000,000	1,256,000	72,679	1,183,321
Traffic signal conversion	-	495,000	181,750	313,250
VCR Trail bridge	305,000	305,000	-	305,000
Salt storage facility	-	65,454	-	65,454
Total capital projects expenditures	\$ 9,513,800	\$ 15,279,191	\$ 2,928,509	\$ 12,350,682
Public Facilities Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ (191,844)	\$ (191,844)
Use of property	-	-	83,627	83,627
Total revenue from use of money and property	\$ -	\$ -	\$ (108,217)	\$ (108,217)
Intergovernmental:				
Revenue from the Commonwealth:				
VITA NG911 implementation	\$ -	\$ 1,135,853	\$ 48,272	\$ (1,087,581)
Other	15,000	160,000	-	(160,000)
Total revenue from the Commonwealth	\$ 15,000	\$ 1,295,853	\$ 48,272	\$ (1,247,581)
Total revenues	\$ 15,000	\$ 1,295,853	\$ (59,945)	\$ (1,355,798)
Expenditures				
Capital projects:				
NG911 implementation	\$ -	\$ 1,212,855	\$ 5,011	\$ 1,207,844
Parks alum springs ADA ramp	-	97,019	31,414	65,605
Computer equipment replacement	231,592	485,597	181,047	304,550
Executive Plaza building	125,000	3,336,949	2,020,049	1,316,900
Energy retrofits	200,000	200,000	-	200,000
IT cybersecurity	91,000	91,000	63,688	27,312
Fiberoptic network expansion	47,500	107,448	17,362	90,086
Parks ADA accessibility	-	84,400	-	84,400
Bankside trail	-	165,000	20,000	145,000

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Facilities Capital Fund: (Continued)				
Old town hall museum	-	20,046	-	20,046
ERP implementation	63,250	439,626	57,420	382,206
Parks plan development	-	-	1,464	(1,464)
Area plan updates	150,000	160,000	8,281	151,719
Parks general maintenance	-	85,000	-	85,000
Library parking lot	-	14,000	14,000	-
Dowman house	50,000	50,000	32,250	17,750
IT resilience	67,095	71,157	53,685	17,472
Total capital projects expenditures	\$ 1,025,437	\$ 6,620,097	\$ 2,505,671	\$ 4,114,426
Public Safety Capital Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ (201,817)	\$ (201,817)
Intergovernmental:				
Revenue from the Commonwealth:				
Public safety grants	\$ 130,589	\$ 130,589	\$ 32,570	\$ (98,019)
Total revenues	\$ 130,589	\$ 130,589	\$ (169,247)	\$ (299,836)
Expenditures				
Capital projects:				
Fire equipment	\$ -	\$ 4,885	\$ 4,885	\$ -
Animal shelter	95,000	95,000	92,223	2,777
OEMS RSAF	130,589	130,589	-	130,589
Emergency medical vehicles	325,000	2,125,000	5,969	2,119,031
New fire station	675,000	675,000	-	675,000
Police department radio system	137,329	274,559	274,458	101
Fire station one rehab	150,000	150,000	-	150,000
Police camera system	92,953	92,953	92,952	1
Total capital projects expenditures	\$ 1,605,871	\$ 3,547,986	\$ 470,487	\$ 3,077,499
New Court Capital Fund				
Revenues				
Charges for services:				
Courthouse construction fees	\$ -	\$ -	\$ 24,373	\$ 24,373
Expenditures				
Capital projects:				
Courthouse construction	\$ 34,000	\$ 34,000	\$ -	\$ 34,000
Total capital projects expenditures	\$ 34,000	\$ 34,000	\$ -	\$ 34,000
Debt Service Funds				
General Obligation Bond Debt Service Fund				
Revenues				
Miscellaneous	\$ 278,697	\$ 278,697	\$ 278,697	\$ -
Expenditures				
Principal and interest	\$ 3,118,218	\$ 3,118,218	\$ 3,120,158	\$ (1,940)
Education Debt Service Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
VPSA interest credit	\$ -	\$ -	\$ 212,232	\$ 212,232
Expenditures				
Principal and interest	\$ 4,199,103	\$ 4,199,103	\$ 4,199,105	\$ (2)

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, 2022

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 7,616,842	\$ -	\$ 2,349,470	\$ 452,559	\$ 10,418,871
Accrued revenue	57,660	53,126	-	8,560	119,346
Due from other governments	924,942	5,785,979	-	-	6,710,921
Prepaid items	342,248	1,191,511	-	-	1,533,759
Total assets	<u>\$ 8,941,692</u>	<u>\$ 7,030,616</u>	<u>\$ 2,349,470</u>	<u>\$ 461,119</u>	<u>\$ 18,782,897</u>
Liabilities:					
Reconciled overdraft	\$ -	\$ 682,168	\$ -	\$ -	\$ 682,168
Accounts payable	776,853	2,313,215	127,449	674	3,218,191
Accrued liabilities	2,279,179	241,079	-	-	2,520,258
Unearned revenue	-	698,691	-	-	698,691
Total liabilities	<u>\$ 3,056,032</u>	<u>\$ 3,935,153</u>	<u>\$ 127,449</u>	<u>\$ 674</u>	<u>\$ 7,119,308</u>
Fund Balances:					
Nonspendable:					
Prepaid items	\$ 342,248	\$ 1,191,511	\$ -	\$ -	\$ 1,533,759
Restricted:					
School activities	-	-	-	460,445	460,445
Committed:					
Grant related expenditures	-	1,903,952	-	-	1,903,952
Capital projects	-	-	67,951	-	67,951
Subsequent year's expenditures	250,000	-	-	-	250,000
Assigned:					
Capital projects	-	-	2,154,070	-	2,154,070
Debt service	300,000	-	-	-	300,000
Unassigned	4,993,412	-	-	-	4,993,412
Total fund balances	<u>\$ 5,885,660</u>	<u>\$ 3,095,463</u>	<u>\$ 2,222,021</u>	<u>\$ 460,445</u>	<u>\$ 11,663,589</u>
Total liabilities and fund balances	<u>\$ 8,941,692</u>	<u>\$ 7,030,616</u>	<u>\$ 2,349,470</u>	<u>\$ 461,119</u>	<u>\$ 18,782,897</u>

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2022

Total fund balances for governmental funds (Exhibit 44) \$ 11,663,589

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	3,080,292	
Land improvements, net of accumulated depreciation	744,988	
Buildings and improvements, net of accumulated depreciation	25,360,680	
Lease equipment, net of accumulated depreciation	291,604	
Machinery, equipment, and vehicles, net of accumulated depreciation	<u>2,941,482</u>	32,891,725

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

Net pension asset		1,092,335
-------------------	--	-----------

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

Pension related items	\$ 8,181,498	
OPEB related items	<u>1,840,040</u>	10,021,538

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

Energy performance contract	\$ (1,753,000)	
Lease liabilities	(291,950)	
Net OPEB liability	(10,711,935)	
Net pension liability	(21,171,519)	
Compensated absences	<u>(1,337,039)</u>	(35,265,443)

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

Pension related items	\$ (17,279,108)	
OPEB related items	<u>(2,300,160)</u>	(19,579,268)

Total net position of governmental activities (Exhibits 1 and 12)	\$	<u><u>824,476</u></u>
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Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
Revenues					
Use of money and property	\$ 26,150	\$ -	\$ -	\$ 138	\$ 26,288
Charges for services	52,366	49,597	-	-	101,963
Miscellaneous	175,660	110,837	-	431,183	717,680
Recovered costs	67,735	331,015	100,000	-	498,750
Intergovernmental:					
Appropriation from primary government	30,049,266	-	1,417,000	-	31,466,266
Revenue from the Commonwealth	19,129,048	1,029,508	-	-	20,158,556
Revenue from the Federal Government	-	12,340,485	-	-	12,340,485
Total revenues	\$ 49,500,225	\$ 13,861,442	\$ 1,517,000	\$ 431,321	\$ 65,309,988
Expenditures					
Current:					
Education:					
Instruction	\$ 34,935,162	\$ 8,969,483	\$ -	\$ 401,322	\$ 44,305,967
Administration, attendance and health	3,937,439	-	-	-	3,937,439
Transportation	2,452,059	-	-	-	2,452,059
Facilities operations	4,311,559	-	-	-	4,311,559
Technology	2,490,172	443,505	-	-	2,933,677
School food service operations	123,614	2,480,953	-	-	2,604,567
Capital projects	-	-	1,646,502	-	1,646,502
Debt service:					
Principal	349,815	-	-	-	349,815
Interest	42,753	-	-	-	42,753
Total expenditures	\$ 48,642,573	\$ 11,893,941	\$ 1,646,502	\$ 401,322	\$ 62,584,338
Excess (deficiency) of revenues over (under) expenditures	\$ 857,652	\$ 1,967,501	\$ (129,502)	\$ 29,999	\$ 2,725,650
Other financing sources (uses)					
Issuance of lease	\$ 65,392	\$ -	\$ -	\$ -	\$ 65,392
Total other financing sources (uses)	\$ 65,392	\$ -	\$ -	\$ -	\$ 65,392
Net change in fund balance	\$ 923,044	\$ 1,967,501	\$ (129,502)	\$ 29,999	\$ 2,791,042
Fund balances, beginning of year	4,962,616	1,127,962	2,351,523	430,446	8,872,547
Fund balances, end of year	\$ 5,885,660	\$ 3,095,463	\$ 2,222,021	\$ 460,445	\$ 11,663,589

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, 2022

Net change in fund balances - total governmental funds (Exhibit 46) \$ 2,791,042

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,425,671

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board 1,664,430

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

Debt issued:

Lease liabilities (65,392)

Repayments of long-term debt:

Energy performance contract 272,000

Lease liabilities 77,815

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 4,432,240

OPEB expense (384,330)

Compensated absences (208,856)

Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in governmental funds. 167,298

Change in net position of governmental activities (Exhibit 12) \$ 10,171,918

Component Unit School Board
School Operating Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2022

	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	\$ 26,150	\$ 26,150	\$ -
Charges for services:				
Charges for education	\$ 174,448	\$ 174,448	\$ 52,366	\$ (122,082)
Miscellaneous	\$ 79,800	\$ 208,351	\$ 175,660	\$ (32,691)
Recovered costs:				
Education	\$ 134,000	\$ 442,091	\$ 67,735	\$ (374,356)
Intergovernmental:				
Appropriation from primary government	\$ 30,049,266	\$ 30,049,266	\$ 30,049,266	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 4,373,437	\$ 5,812,175	\$ 5,812,175	\$ -
Basic aid	7,666,677	7,650,653	7,010,691	(639,962)
Other	7,039,305	6,960,495	6,306,182	(654,313)
Total revenue from the Commonwealth	\$ 19,079,419	\$ 20,423,323	\$ 19,129,048	\$ (1,294,275)
Total revenues	\$ 49,518,133	\$ 51,323,629	\$ 49,500,225	\$ (1,823,404)
Expenditures				
Current:				
Education:				
Instruction	\$ 36,795,613	\$ 36,937,384	\$ 34,935,162	\$ 2,002,222
Administration, attendance and health	4,030,138	4,726,136	3,937,439	788,697
Transportation	2,107,416	2,510,264	2,452,059	58,205
School food service operations	100,000	141,753	123,614	18,139
Facilities operations	4,602,448	4,354,125	4,311,559	42,566
Technology	2,490,653	2,520,503	2,490,172	30,331
Debt service:				
Principal	349,815	349,815	349,815	-
Interest and fiscal charges	42,050	42,753	42,753	-
Total expenditures	\$ 50,518,133	\$ 51,582,733	\$ 48,642,573	\$ 2,940,160
Excess (deficiency) of revenues over (under) expenditures	\$ (1,000,000)	\$ (259,104)	\$ 857,652	\$ 1,116,756
Other financing sources (uses)				
Issuance of lease	\$ -	\$ -	\$ 65,392	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ 65,392	\$ -
Net change in fund balance	\$ (1,000,000)	\$ (259,104)	\$ 923,044	\$ 1,116,756
Fund balance, beginning of year	1,000,000	259,104	4,962,616	4,703,512
Fund balance, end of year	\$ -	\$ -	\$ 5,885,660	\$ 5,820,268

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, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special School Fund				
Revenues				
Charges for services:				
Cafeteria sales	\$ 208,000	\$ 208,000	\$ 49,597	\$ (158,403)
Miscellaneous	\$ 220,000	\$ 305,925	\$ 110,837	\$ (195,088)
Recovered costs:				
Education	\$ 27,000	\$ 356,015	\$ 331,015	\$ (25,000)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 45,000	\$ 91,087	\$ 72,540	\$ (18,547)
Preschool initiative grant	174,444	174,444	135,342	(39,102)
Special educational regional	-	145,425	145,425	-
School security system grant	-	442,448	442,448	-
VPSA technology grant	154,000	154,000	84,002	(69,998)
Other	26,000	149,751	149,751	-
Total revenue from the Commonwealth	\$ 399,444	\$ 1,157,155	\$ 1,029,508	\$ (127,647)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 1,125,532	\$ 1,439,935	\$ 1,073,971	\$ (365,964)
School food	1,573,189	3,120,792	2,992,169	(128,623)
Head Start	1,151,335	1,591,668	1,319,149	(272,519)
CARES grants	-	9,208,941	4,077,527	(5,131,414)
American Rescue Plan	-	1,200,060	1,200,060	-
Special education IDEA	684,330	798,620	973,225	174,605
Other	356,286	824,778	704,384	(120,394)
Total revenue from the Federal Government	\$ 4,890,672	\$ 18,184,794	\$ 12,340,485	\$ (5,844,309)
Total revenues	\$ 5,745,116	\$ 20,211,889	\$ 13,861,442	\$ (6,350,447)
Expenditures				
Current:				
Education:				
Instruction	\$ 3,766,037	\$ 16,751,128	\$ 8,969,483	\$ 7,781,645
Technology	154,000	504,504	443,505	60,999
School food service operations	1,825,079	2,956,257	2,480,953	475,304
Total expenditures	\$ 5,745,116	\$ 20,211,889	\$ 11,893,941	\$ 8,317,948
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,967,501	\$ 1,967,501
Net change in fund balance	\$ -	\$ -	\$ 1,967,501	\$ 1,967,501
Fund balance, beginning of year	-	-	1,127,962	1,127,962
Fund balance, end of year	\$ -	\$ -	\$ 3,095,463	\$ 3,095,463

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, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Capital Projects Fund				
Revenues				
Recovered costs:				
Education	\$ 300,000	\$ 300,000	\$ 100,000	\$ (200,000)
Intergovernmental:				
Appropriation from primary government	\$ 417,000	\$ 417,000	\$ 1,417,000	\$ 1,000,000
Total revenues	\$ 717,000	\$ 717,000	\$ 1,517,000	\$ 800,000
Expenditures				
Capital projects:				
School buses	\$ 320,000	\$ 277,101	\$ 277,101	\$ -
School computer technology	400,000	389,749	389,748	1
Hugh Mercer improvements	6,000	42,000	42,000	-
School maintenance equipment	100,000	-	-	-
School construction	-	868,047	868,046	1
Other	461,000	77,300	69,607	7,693
Total expenditures	\$ 1,287,000	\$ 1,654,197	\$ 1,646,502	\$ 7,695
Excess (deficiency) of revenues over (under) expenditures	\$ (570,000)	\$ (937,197)	\$ (129,502)	\$ 807,695
Net change in fund balance	\$ (570,000)	\$ (937,197)	\$ (129,502)	\$ 807,695
Fund balance, beginning of year	570,000	937,197	2,351,523	1,414,326
Fund balance, end of year	\$ -	\$ -	\$ 2,222,021	\$ 2,222,021

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

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.

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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.

10 - 14

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

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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 annual comprehensive financial reports for the relevant year.

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Invested in capital assets, net of related debt	\$ 81,353,678	\$ 84,961,559	\$ 88,179,245	\$ 85,329,030	\$ 88,860,358	\$ 86,992,126	\$ 108,060,205	\$ 105,893,642	\$ 102,350,630	\$ 102,002,263
Restricted	-	-	-	-	-	-	-	-	-	613,429
Unrestricted	31,143,089	30,874,128	6,205,397	9,448,661	8,241,949	(301,359)	9,020,303	8,683,354	17,339,394	22,786,106
Total governmental activities net position	<u>\$ 112,496,767</u>	<u>\$ 115,835,687</u>	<u>\$ 94,384,642</u>	<u>\$ 94,777,691</u>	<u>\$ 97,102,307</u>	<u>\$ 86,690,767</u>	<u>\$ 117,080,508</u>	<u>\$ 114,576,996</u>	<u>\$ 119,690,024</u>	<u>\$ 125,401,798</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 44,809,475	\$ 47,687,656	\$ 47,153,509	\$ 44,280,931	\$ 44,971,811	\$ 45,749,607	\$ 49,954,998	\$ 50,390,865	\$ 51,050,119	\$ 48,921,377
Unrestricted	16,705,512	17,779,917	17,046,024	21,962,726	23,631,467	23,572,937	26,567,206	29,472,402	30,462,752	34,463,084
Total business-type activities net position	<u>\$ 61,514,987</u>	<u>\$ 65,467,573</u>	<u>\$ 64,199,533</u>	<u>\$ 66,243,657</u>	<u>\$ 68,603,278</u>	<u>\$ 69,322,544</u>	<u>\$ 76,522,204</u>	<u>\$ 79,863,267</u>	<u>\$ 81,512,871</u>	<u>\$ 83,384,461</u>
Primary government:										
Net investment in capital assets	\$ 126,163,153	\$ 132,649,215	\$ 132,649,215	\$ 135,332,754	\$ 133,832,169	\$ 132,741,733	\$ 158,015,203	\$ 156,284,507	\$ 153,400,749	\$ 150,923,640
Restricted	-	-	-	-	-	-	-	-	-	613,429
Unrestricted	47,848,601	48,654,045	48,654,045	23,251,421	31,873,416	23,271,578	35,587,509	38,155,756	47,802,146	57,249,190
Total primary government net position	<u>\$ 174,011,754</u>	<u>\$ 181,303,260</u>	<u>\$ 181,303,260</u>	<u>\$ 158,584,175</u>	<u>\$ 165,705,585</u>	<u>\$ 156,013,311</u>	<u>\$ 193,602,712</u>	<u>\$ 194,440,263</u>	<u>\$ 201,202,895</u>	<u>\$ 208,786,259</u>

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

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 6,889,501	\$ 6,397,126	\$ 6,285,041	\$ 6,866,241	\$ 7,065,308	\$ 7,073,403	\$ 7,341,468	\$ 8,931,608	\$ 9,733,301	\$ 9,525,905
Judicial administration	4,341,611	4,392,902	4,478,163	5,566,392	5,700,242	5,566,589	5,560,113	6,366,793	6,393,909	6,608,300
Public safety	19,579,277	20,623,797	20,645,685	21,630,457	22,472,125	22,748,234	21,708,879	25,420,296	25,683,080	28,780,621
Public works	11,584,108	12,681,384	13,162,173	12,836,598	12,324,625	11,144,393	11,909,503	13,503,278	13,359,399	13,258,188
Health and welfare	6,426,311	6,594,938	7,279,605	7,014,254	7,951,696	8,303,383	9,174,372	9,676,059	9,749,342	9,580,103
Education	28,633,110	28,797,870	28,803,904	29,862,457	30,433,939	33,548,965	32,906,022	33,033,824	31,472,243	34,033,404
Parks, recreation and cultural	4,554,212	4,765,119	4,790,452	4,748,604	5,025,061	5,020,617	5,096,742	5,275,559	5,044,351	5,431,122
Community development	2,165,794	2,186,948	2,694,020	2,882,580	2,652,990	2,705,777	3,050,238	3,467,750	4,708,131	3,714,170
Interest on long-term debt	3,485,231	3,343,630	3,150,988	3,419,833	3,357,340	3,129,894	3,351,555	3,051,668	2,629,385	2,719,550
Total governmental activities expenses	\$ 87,659,155	\$ 89,783,714	\$ 91,290,031	\$ 94,827,416	\$ 96,983,326	\$ 99,241,255	\$ 100,098,892	\$ 108,726,835	\$ 108,773,141	\$ 113,651,363
Business-type activities:										
Water	\$ 2,999,771	\$ 2,751,523	\$ 2,933,514	\$ 2,972,130	\$ 3,125,748	\$ 3,212,402	\$ 3,548,890	\$ 3,709,466	\$ 4,007,845	\$ 3,746,584
Sewer	4,875,587	4,874,582	4,795,857	5,092,925	5,485,742	5,299,352	5,355,770	5,086,417	4,889,931	6,850,708
Transit	4,157,157	4,437,179	4,275,370	4,410,391	4,671,545	4,797,484	5,152,302	5,198,831	4,832,837	5,361,406
Parking	456,999	470,905	448,933	443,485	493,395	465,613	463,019	426,365	404,398	449,702
Total business-type activities expenses	\$ 12,489,514	\$ 12,534,189	\$ 12,453,674	\$ 12,918,931	\$ 13,776,430	\$ 13,774,851	\$ 14,519,981	\$ 14,421,079	\$ 14,135,011	\$ 16,408,400
Total primary government expenses	\$ 100,148,669	\$ 102,317,903	\$ 103,743,705	\$ 107,746,347	\$ 110,759,756	\$ 113,016,106	\$ 114,618,873	\$ 123,147,914	\$ 122,908,152	\$ 130,059,763

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 94,773	\$ 109,152	\$ 152,025	\$ 157,793	\$ 149,415	\$ 144,698	\$ 151,722	\$ 134,345	\$ 111,040	\$ 126,795
Judicial administration	209,917	204,046	220,427	195,804	191,999	222,654	236,010	186,784	114,866	130,279
Public safety	2,042,868	1,862,973	2,087,775	1,891,374	1,872,937	2,169,937	2,687,383	2,461,257	1,850,688	2,123,106
Public works	757,997	828,049	967,752	985,924	998,126	1,017,049	921,651	1,135,057	1,189,612	1,409,844
Health and welfare									-	20,397
Education									-	-
Parks, recreation and cultural	440,392	471,289	497,253	455,603	473,643	507,083	539,224	196,581	282,911	446,489
Community development	274	1,169	263	57	28	9	28	72	159,011	251,084
Operating grants and contributions	9,685,095	9,985,588	10,896,754	10,645,954	11,601,213	12,294,048	13,095,478	13,278,115	17,877,117	13,727,226
Capital grants and contributions	2,967,105	4,595,323	2,011,484	1,460,003	3,192,416	2,643,606	25,072,392	499,364	810,642	550,770
Total governmental activities program revenues	\$ 16,198,421	\$ 18,057,589	\$ 16,833,733	\$ 15,792,512	\$ 18,479,777	\$ 18,999,084	\$ 42,703,888	\$ 17,891,575	\$ 22,395,887	\$ 18,785,990
Business-type activities:										
Charges for services:										
Water	\$ 2,689,470	\$ 2,829,872	\$ 3,035,359	\$ 3,285,584	\$ 3,322,933	\$ 3,363,456	\$ 3,325,758	\$ 3,577,271	\$ 3,548,785	\$ 4,130,803
Sewer	4,526,072	4,857,512	5,144,191	5,408,049	5,426,986	5,611,484	5,522,266	6,008,124	6,051,806	6,873,481
Transit	344,624	423,081	403,921	470,343	307,579	333,462	304,830	241,356	136,666	91,898
Parking	304,003	328,385	353,532	283,741	247,274	276,452	282,249	210,485	120,401	221,094
Operating grants and contributions	3,521,961	4,784,398	3,514,732	4,336,969	3,979,565	4,463,470	5,734,213	5,305,105	5,257,435	6,867,528
Capital grants and contributions	4,397,886	2,307,225	145,599	410,573	1,682,639	-	5,526,154	1,333,615	177,875	373,459
Total business-type activities program revenues	\$ 15,784,016	\$ 15,530,473	\$ 12,597,334	\$ 14,195,259	\$ 14,966,976	\$ 14,048,324	\$ 20,695,470	\$ 16,675,956	\$ 15,292,968	\$ 18,558,263
Total primary government program revenues	\$ 31,982,437	\$ 33,588,062	\$ 29,431,067	\$ 29,987,771	\$ 33,446,753	\$ 33,047,408	\$ 63,399,358	\$ 34,567,531	\$ 37,688,855	\$ 37,344,253
Net (expense)/revenue										
Governmental activities	\$ (71,460,734)	\$ (71,726,125)	\$ (74,456,298)	\$ (79,034,904)	\$ (78,503,549)	\$ (80,242,171)	\$ (57,395,004)	\$ (90,835,260)	\$ (86,377,254)	\$ (94,865,373)
Business-type activities	3,294,502	2,996,284	143,660	1,276,328	1,190,546	273,473	6,175,489	2,254,877	1,157,957	2,149,863
Total primary government net expense	\$ (68,166,232)	\$ (68,729,841)	\$ (74,312,638)	\$ (77,758,576)	\$ (77,313,003)	\$ (79,968,698)	\$ (51,219,515)	\$ (88,580,383)	\$ (85,219,297)	\$ (92,715,510)

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 34,601,092	\$ 35,247,134	\$ 37,567,214	\$ 38,983,743	\$ 40,022,650	\$ 42,657,551	\$ 43,504,349	\$ 44,462,917	\$ 46,412,095	\$ 50,549,139
Local sales and use taxes	10,840,598	10,663,183	10,780,677	11,176,401	11,376,302	11,580,437	11,925,147	11,986,572	13,842,064	15,569,291
Consumer utility taxes	1,795,046	1,844,379	1,856,992	1,810,911	1,808,256	1,834,078	1,850,089	1,810,370	1,663,159	1,946,425
Business license taxes	5,994,920	5,641,614	5,943,742	6,101,499	6,320,104	6,382,569	6,575,645	6,948,708	7,082,682	7,810,020
Hotel/Lodging taxes	1,204,855	1,149,906	1,329,542	1,432,190	1,524,371	1,565,938	1,547,989	1,181,901	1,183,455	1,661,182
Meals taxes	9,657,796	9,752,120	10,115,765	10,693,375	11,141,603	11,765,352	11,918,714	10,415,720	11,199,108	13,849,223
Other local taxes	2,914,744	3,837,495	4,391,651	3,911,733	3,158,608	3,151,831	3,338,504	3,080,010	3,694,943	4,116,427
Unrestricted grants and contributions	4,696,323	5,557,931	3,820,401	3,814,470	3,724,175	3,653,002	3,592,560	3,466,843	3,355,912	3,418,436
Revenues from use of money and property	348,295	462,109	405,457	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(687,172)
Miscellaneous	243,201	287,916	403,665	329,387	664,489	552,057	761,832	660,061	1,039,022	1,270,683
Transfers	620,436	604,393	603,480	619,545	619,355	605,665	606,172	635,157	630,000	1,068,993
Total governmental activities	\$ 72,917,306	\$ 75,048,180	\$ 77,218,586	\$ 79,427,953	\$ 80,828,165	\$ 84,293,806	\$ 87,784,745	\$ 86,720,504	\$ 90,487,769	\$ 100,572,647
Business-type activities:										
Taxes:										
Other local taxes	\$ 897,209	\$ 961,084	\$ 743,502	\$ 687,620	\$ 1,154,538	\$ 725,117	\$ 730,000	\$ 779,657	\$ 552,918	\$ 518,361
Revenues from use of money and property	31,694	70,392	65,812	111,862	62,519	47,630	335,748	359,852	29,292	(182,076)
Miscellaneous	443,029	529,219	655,766	587,859	571,373	545,583	564,595	581,834	539,437	454,435
Transfers	(620,436)	(604,393)	(603,480)	(619,545)	(619,355)	(605,665)	(606,172)	(635,157)	(630,000)	(1,068,993)
Total business-type activities	\$ 751,496	\$ 956,302	\$ 861,600	\$ 767,796	\$ 1,169,075	\$ 712,665	\$ 1,024,171	\$ 1,086,186	\$ 491,647	\$ (278,273)
Total primary government	\$ 73,668,802	\$ 76,004,482	\$ 78,080,186	\$ 80,195,749	\$ 81,997,240	\$ 85,006,471	\$ 88,808,916	\$ 87,806,690	\$ 90,979,416	\$ 100,294,374
Change in Net Position										
Governmental activities	\$ 1,456,572	\$ 3,322,056	\$ 2,762,288	\$ 393,049	\$ 2,324,616	\$ 4,051,635	\$ 30,389,741	\$ (4,114,756)	\$ 4,110,515	\$ 5,707,274
Business-type activities	4,045,998	3,952,586	1,005,260	2,044,124	2,359,621	986,138	7,199,660	3,341,063	1,649,604	1,871,590
Total primary government	\$ 5,502,570	\$ 7,274,642	\$ 3,767,548	\$ 2,437,173	\$ 4,684,237	\$ 5,037,773	\$ 37,589,401	\$ (773,693)	\$ 5,760,119	\$ 7,578,864

Note: During fiscal year 2019 the governmental activities net position increased \$24,446,899 and business-type activities increased \$4,811,653 related to assets contributed from the Virginia Department of Transportation for a major transportation project.

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nond spendable	\$ 359,240	\$ 480,656	\$ 370,237	\$ 387,695	\$ 427,347	\$ 349,361	\$ 461,923	\$ 120,928	\$ 173,478	\$ 447,475
Restricted	-	-	-	327,422	100,466	-	-	-	-	-
Committed	7,786,761	6,236,045	6,731,037	4,347,210	6,897,202	7,214,757	7,562,176	6,181,128	13,957,175	16,279,164
Assigned	858,372	769,149	47,997	1,306,350	996,272	1,326,619	1,896,004	3,896,004	3,691,004	2,646,004
Unassigned	18,571,037	19,799,255	20,988,745	19,335,778	15,854,106	16,944,452	18,246,141	17,638,343	17,109,666	20,021,774
Total general fund	<u>\$ 27,575,410</u>	<u>\$ 27,285,105</u>	<u>\$ 28,138,016</u>	<u>\$ 25,704,455</u>	<u>\$ 24,275,393</u>	<u>\$ 25,835,189</u>	<u>\$ 28,166,244</u>	<u>\$ 27,836,403</u>	<u>\$ 34,931,323</u>	<u>\$ 39,394,417</u>
All other governmental funds										
Nond spendable, reported in:										
Special revenue funds	\$ 1,190	\$ 4,569	\$ 4,876	\$ 581	\$ 9,710	\$ 1,767	\$ 9,576	\$ 653,952	\$ 4,662	\$ 18,028
Restricted, reported in:										
Special revenue funds	290,342	336,280	332,993	-	100,000	100,000	95,250	95,250	95,250	95,250
Committed, reported in:										
Special revenue funds	1,487,032	1,966,427	1,758,385	2,157,281	2,083,137	2,267,276	2,654,599	3,295,578	3,962,000	4,287,471
Capital projects funds	24,819,754	9,247,406	2,351,359	12,032,685	3,249,100	2,156,267	2,984,479	3,352,670	1,813,163	2,061,383
Debt service Funds	805,804	2,462,142	2,308,258	2,614,397	2,000,490	1,846,607	2,006,420	1,890,800	1,862,447	1,712,726
Assigned, reported in:										
Capital projects funds	9,501,088	5,784,081	8,251,305	7,939,214	6,680,441	4,852,951	15,386,142	11,336,028	13,092,254	11,455,618
Total all other governmental funds	<u>\$ 36,905,210</u>	<u>\$ 19,800,905</u>	<u>\$ 15,007,176</u>	<u>\$ 24,744,158</u>	<u>\$ 14,122,878</u>	<u>\$ 11,224,868</u>	<u>\$ 23,136,466</u>	<u>\$ 20,624,278</u>	<u>\$ 20,829,776</u>	<u>\$ 21,409,952</u>

Note: Details of the City's fund balances can be found in Note 1 (T) in the Notes to Basic Financial Statements section of the report .

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
General property taxes	\$ 34,698,020	\$ 35,293,983	\$ 37,516,803	\$ 39,027,174	\$ 40,074,290	\$ 42,480,519	\$ 43,669,156	\$ 44,111,793	\$ 46,389,239	\$ 50,737,977
Other local taxes	32,407,959	32,888,697	34,418,369	35,126,109	35,329,244	36,280,205	37,156,088	35,423,281	38,665,411	44,952,568
Permits, privilege fees and regulatory licenses	676,892	598,444	726,685	691,636	700,197	823,463	1,125,519	1,063,717	836,452	918,778
Fines and forfeitures	603,398	477,161	523,547	350,564	312,851	460,046	661,837	473,741	260,986	405,155
Revenue from use of money and property	348,295	462,109	405,457	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(483,148)
Charges for services	2,265,931	2,401,073	2,675,263	2,644,355	2,673,100	2,777,921	2,748,662	2,576,638	2,610,690	2,980,037
Miscellaneous	214,655	274,259	273,284	248,557	644,920	530,385	729,375	582,125	1,027,644	637,430
Recovered costs	1,087,070	959,739	1,143,810	1,038,569	1,119,710	1,393,098	1,337,404	1,379,306	1,341,410	972,949
Intergovernmental:										
Commonwealth	12,561,997	15,071,859	12,829,369	12,909,183	13,615,207	13,676,579	14,128,204	13,792,865	13,699,207	13,572,921
Federal	4,775,305	4,363,883	3,761,934	2,603,528	3,161,316	3,543,527	3,284,464	3,736,166	8,344,464	4,123,511
Total revenues	\$ 89,639,522	\$ 92,791,207	\$ 94,274,521	\$ 95,194,374	\$ 98,099,087	\$ 102,511,069	\$ 107,004,453	\$ 105,211,877	\$ 113,560,832	\$ 118,818,178
Expenditures										
General government administration	\$ 6,669,886	\$ 6,178,075	\$ 6,309,106	\$ 7,905,904	\$ 7,016,265	\$ 7,034,405	\$ 7,761,417	\$ 8,025,669	\$ 8,989,502	\$ 8,974,467
Judicial administration	3,872,721	4,058,896	4,426,162	4,757,907	4,842,421	4,825,345	4,916,591	5,088,552	5,186,289	5,541,449
Public safety	18,838,158	19,354,308	20,738,813	21,014,424	21,862,258	22,571,905	21,708,907	23,290,931	23,339,013	27,070,833
Public works	8,134,695	8,719,453	8,680,717	9,938,991	10,799,421	9,407,885	9,309,156	9,579,697	9,770,892	9,856,733
Health and welfare	6,692,144	6,878,616	7,776,388	7,343,391	8,193,779	8,750,439	9,711,324	9,720,362	9,732,153	9,699,067
Education	26,663,850	26,853,825	26,883,825	27,937,535	28,350,929	29,088,569	30,309,183	30,458,501	28,933,557	31,500,557
Parks, recreation and cultural	3,755,802	3,883,740	4,041,718	4,134,366	4,354,413	4,384,188	4,455,929	4,347,256	4,210,394	4,865,580
Community development	2,487,037	2,602,400	2,848,613	3,102,783	2,817,023	2,784,571	2,936,606	3,167,415	4,413,373	2,958,489
Capital projects	10,160,076	25,044,316	13,197,828	12,206,160	14,332,314	7,031,684	4,763,583	7,392,210	5,931,715	5,904,667
Debt service										
Principal	2,704,885	3,588,507	4,437,379	3,966,345	4,456,281	4,980,957	4,855,064	5,420,206	3,914,017	5,028,525
Interest and other fiscal charges	3,860,585	3,658,596	3,457,000	3,593,740	3,763,249	3,610,416	3,722,358	3,950,857	2,940,767	3,463,358
Total expenditures	\$ 93,839,839	\$ 110,820,732	\$ 102,797,549	\$ 105,901,546	\$ 110,788,353	\$ 104,470,364	\$ 104,450,118	\$ 110,441,656	\$ 107,361,672	\$ 114,863,725
Excess (deficiency) of revenues over expenditures	\$ (4,200,317)	\$ (18,029,525)	\$ (8,523,028)	\$ (10,707,172)	\$ (12,689,266)	\$ (1,959,295)	\$ 2,554,335	\$ (5,229,779)	\$ 6,199,160	\$ 3,954,453
Other financing sources (uses)										
Transfers in	\$ 10,600,181	\$ 10,924,477	\$ 12,138,388	\$ 12,726,061	\$ 12,614,866	\$ 13,448,403	\$ 14,534,669	\$ 15,092,237	\$ 13,971,752	\$ 16,060,240
Transfers out	(9,979,745)	(10,320,084)	(11,534,908)	(12,106,516)	(11,995,511)	(12,842,738)	(13,928,497)	(14,457,080)	(13,341,752)	(14,991,247)
Refunding bonds issued	-	-	5,714,176	-	-	-	-	(28,193,417)	-	-
Bonds issued	-	-	3,832,391	14,820,000	-	-	10,329,145	25,067,540	-	-
Premium on bonds issued	-	-	-	2,490,218	-	-	720,544	3,473,999	-	-
Payments to refunded bond escrow agent	-	-	(5,698,218)	-	-	-	-	-	-	-
Issuance of other debt	-	-	-	-	-	-	-	-	459,880	-
Sale of capital assets	28,546	13,658	130,381	80,830	19,569	15,416	32,457	77,936	11,378	19,824
Total other financing sources (uses)	\$ 648,982	\$ 618,051	\$ 4,582,210	\$ 18,010,593	\$ 638,924	\$ 621,081	\$ 11,688,318	\$ 1,061,215	\$ 1,101,258	\$ 1,088,817
Net change in fund balances	\$ (3,551,335)	\$ (17,411,474)	\$ (3,940,818)	\$ 7,303,421	\$ (12,050,342)	\$ (1,338,214)	\$ 14,242,653	\$ (4,168,564)	\$ 7,300,418	\$ 5,043,270
Debt service as a percentage of noncapital expenditures	7.86%	8.44%	8.84%	7.88%	8.52%	8.84%	8.57%	8.99%	6.76%	7.82%

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Business License Tax	Motor Vehicle License Tax	Bank Stock Tax	Recordation and Wills Tax	Tobacco Tax	Amusement Tax	Hotel Lodging Tax	Meals Tax	Total
2013	\$ 34,698,020	\$ 10,840,598	\$ 1,795,046	\$ 5,994,920	\$ 450,126	\$ 657,687	\$ 408,981	\$ 442,569	\$ 349,301	\$ 1,204,855	\$ 9,657,796	\$ 66,499,899
2014	35,293,983	10,663,183	1,844,379	5,641,614	455,246	700,378	567,244	543,916	367,554	1,149,906	9,752,120	66,979,523
2015	37,516,803	10,780,677	1,856,992	5,943,742	471,438	792,451	456,665	525,413	432,380	1,329,542	10,115,765	70,221,868
2016	39,027,174	11,176,401	1,810,911	6,101,499	472,014	755,230	711,445	513,669	387,529	1,432,190	10,693,375	73,081,437
2017	40,074,290	11,376,302	1,808,256	6,320,104	486,096	862,442	567,144	509,819	462,665	1,524,371	11,141,603	75,133,092
2018	42,480,519	11,580,437	1,834,078	6,382,569	473,299	861,080	435,488	498,154	500,907	1,565,938	11,765,352	78,377,821
2019	43,669,156	11,925,147	1,850,089	6,575,645	502,675	944,752	703,388	474,305	530,822	1,547,989	11,918,714	80,642,682
2020	43,191,438	11,986,572	1,810,370	6,948,708	283,765	723,129	585,624	818,215	423,547	1,181,901	10,415,720	78,368,989
2021	45,496,737	13,842,064	1,663,159	7,082,682	632,091	929,913	1,024,161	553,580	183,476	1,183,455	11,199,108	83,790,426
2022	50,737,977	15,569,291	1,946,425	7,810,020	137,252	1,112,472	1,087,879	532,959	459,244	1,661,182	13,849,223	94,903,924

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
2013	\$ 3,519,520,600	\$ 0.74	\$ 289,788,976	\$ 3.40	\$ 29,433,766	\$ 0.80	\$ 112,250,088	\$ 3,427,400	\$ 3,954,420,830	0.94	\$ 3,954,420,830	100.00%
2014	3,596,021,600	0.74	296,590,842	3.40	25,812,744	0.80	98,288,766	3,927,400	4,020,641,352	0.94	4,020,641,352	100.00%
2015	3,626,209,900	0.79	301,993,080	3.40	22,001,821	0.80	100,894,855	3,427,400	4,054,527,056	0.99	4,054,527,056	100.00%
2016	3,651,843,200	0.82	311,513,383	3.40	16,746,858	0.80	98,498,817	3,427,400	4,082,029,658	1.02	4,082,029,658	100.00%
2017	3,956,381,500	0.77	312,718,088	3.40	15,692,250	0.80	103,541,921	3,541,360	4,391,875,119	0.96	4,391,875,119	100.00%
2018	3,996,438,900	0.80	324,731,053	3.40	15,334,580	0.80	199,976,183	3,541,360	4,540,022,076	0.99	4,540,022,076	100.00%
2019	4,033,008,800	0.80	341,306,676	3.40	14,446,339	0.80	114,503,940	3,541,360	4,506,807,115	1.00	4,506,807,115	100.00%
2020	4,099,237,700	0.80	379,124,411	3.40	12,787,003	0.80	108,951,829	3,541,360	4,603,642,303	1.02	4,603,642,303	100.00%
2021	4,543,901,400	0.80	470,179,053	3.40	45,050,585	0.80	111,975,248	3,541,360	5,174,647,646	1.04	5,174,647,646	100.00%
2022	4,597,867,200	0.83	570,143,398	3.40	19,494,298	0.80	112,875,355	4,393,460	5,304,773,711	1.11	5,304,773,711	100.00%

Source: Commissioner of Revenue.

Property Tax Rates (1) (2)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Tax Rate
2013	\$ 0.74	\$ 3.40	\$ 0.74	\$ 0.80	\$ 0.94
2014	0.74	3.40	0.74	0.80	0.94
2015	0.79	3.40	0.79	0.80	0.99
2016	0.82	3.40	0.82	0.80	1.02
2017	0.77	3.40	0.77	0.80	0.96
2018	0.80	3.40	0.80	0.80	0.99
2019	0.80	3.40	0.80	0.80	1.00
2020	0.80	3.40	0.85	0.80	1.02
2021	0.80	3.40	0.85	0.80	1.04
2022	0.83	3.40(3)	0.83	0.80	1.11

(1) Source: Commissioner of Revenue.

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

(3) Personal Property Tax has two rates for FY 2022, per VA HB 1239, which provides local governments the ability to charge a different tax rate for vehicles than other forms of personal property.

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2022			Fiscal Year 2012		
		2021-2022 Assessed Valuation	Rank	% of Total Assessed Valuation (1)	2011-2012 Assessed Valuation	Rank	% of Total Assessed Valuation (1)
Collection at Celebrate Virginia	Apartment complex	\$ 72,151,100	1	1.57 %	\$ -	-	- %
Central Park Retail LLC	Retail	66,563,800	2	1.45	-	-	-
The Apartments at Cobblestone	New home sales	61,649,500	3	1.34	-	-	-
Virginia Electric & Power Co.	Public utility	52,905,900	4	1.15	58,309,740	2	1.56
Goldelm at Belmont LLC	Apartment complex	48,609,400	5	1.06	-	-	-
Mid-America Apartments LP	Apartment complex	48,304,400	6	1.05	-	-	-
Mid-America Apts. LP Seasons at Cel. VA.	Apartment complex	44,639,400	7	0.97	-	-	-
Jubilation At Celebrate Virginia South	Apartment complex	43,841,800	8	0.95	-	-	-
Medicorp Properties, Inc.	Hospitals, office buildings, surgical center	43,147,700	9	0.94	49,410,200	3	1.32
SREIT Riverside Fredericksburg LLC	Apartment complex	31,288,600	10	0.68	-	-	-
Central Park Marketplace Holdings LLC	Central Park property	-	-	-	38,349,300	4	1.03
Fredericksburg 35 LLC	Central Park property	-	-	-	105,476,300	1	2.83
Celebrate Virginia South	Office buildings, retail	-	-	-	29,834,100	7	0.80
Verizon Virginia	Public utility	-	-	-	36,016,137	5	0.97
2520 Belmont Terrace Holdings	Apartment complex	-	-	-	30,913,400	6	0.83
Wal-Mart Real Estate Business	Retail	-	-	-	25,048,100	9	0.67
Hylton Venture LLC	Land development	-	-	-	24,545,200	10	0.66
Carol D. Silver Holdings, Co.	Various commercial	-	-	-	27,391,400	8	0.73
Total		\$ 513,101,600		11.15 %	\$ 425,293,877		9.84 %

Source: Commissioner of Revenue.

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

(2) FY 2022 is the first year public service was not included in this calculation, per the request of the Commissioner of the Revenue

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Amount (1) (3)	Percentage of Levy (2)		Amount (1) (3)	Percentage of Levy (2)
2013	\$ 36,540,252	\$ 35,453,742	\$ 97.03%	\$ 989,195	\$ 36,442,937	99.73%
2014	37,507,994	35,982,391	95.93%	1,428,830	37,411,221	99.74%
2015	39,392,612	38,212,293	97.00%	1,052,249	39,264,542	99.67%
2016	40,976,073	39,725,807	96.95%	1,083,132	40,808,939	99.59%
2017	41,500,053	40,450,013	97.47%	911,167	41,361,180	99.67%
2018	43,566,222	42,562,250	97.70%	866,739	43,428,989	99.69%
2019	44,388,011	43,258,568	97.46%	1,070,353	44,328,921	99.87%
2020	47,636,098	44,988,894	94.44%	2,399,174	47,388,068	99.48%
2021	49,246,840	46,879,283	95.19%	1,938,905	48,818,187	99.13%
2022	53,741,100	50,808,057	94.54%	-	50,808,057	94.54%

(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.

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 Obligation Bonds	Notes	Lease Liabilities	Revenue Bonds	General Obligation Bonds	Revenue Bonds			
2013	\$ 85,946,002	\$ 725,000	24,282,903	\$ -	\$ 16,964,140	\$ 545,659	\$ 128,463,704	11.50%	4,704
2014	82,110,710	725,000	-	-	15,939,460	-	98,775,170	8.12%	3,511
2015	82,357,412	-	-	-	27,611,336	-	109,968,748	9.15%	3,898
2016	93,367,519	-	-	2,103,232	25,658,010	-	121,128,761	9.64%	4,308
2017	88,724,301	-	-	1,853,884	23,662,010	-	114,240,195	8.70%	4,037
2018	83,569,255	-	-	1,599,850	21,608,219	-	106,777,324	7.97%	3,765
2019	89,595,891	-	-	1,342,703	25,008,035	-	115,946,629	8.15%	3,978
2020	84,068,448	-	-	1,082,771	22,839,561	-	107,990,780	7.45%	3,785
2021	79,840,127	-	-	819,359	21,076,296	-	101,735,782	6.48%	3,570
2022	75,336,298	-	-	552,794	19,274,554	-	95,163,646	5.80%	3,448

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.

Ratio of Net General Bonded Debt to Assessed
Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
2013	\$ 107,626,562	\$ -	\$ 107,626,562	2.72%	3,941
2014	103,635,142	-	103,635,142	2.58%	3,684
2015	98,775,170	-	98,775,170	2.44%	3,501
2016	109,968,748	-	109,968,748	2.69%	3,911
2017	112,386,311	-	112,386,311	2.56%	3,972
2018	105,177,474	-	105,177,474	2.32%	3,709
2019	114,603,926	-	114,603,926	2.54%	3,932
2020	106,908,009	-	106,908,009	2.32%	3,747
2021	100,916,423	-	100,916,423	1.95%	3,541
2022	94,610,852	-	94,610,852	1.78%	3,428

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

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

(3) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 15.

Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 212,771,995	\$ 215,659,654	\$ 218,129,465	\$ 219,586,863	\$ 252,766,739	\$ 259,318,338	\$ 257,665,735	\$ 260,578,221	\$ 291,946,078	\$ 294,698,647
Total net debt applicable to limit	103,635,142	98,775,170	109,968,748	119,025,529	112,386,311	105,177,474	114,603,926	106,908,009	100,916,423	94,610,852
Legal debt margin	\$ 109,136,853	\$ 116,884,484	\$ 108,160,717	\$ 100,561,334	\$ 140,380,428	\$ 154,140,864	\$ 143,061,809	\$ 153,670,212	\$ 191,029,654	\$ 200,087,795
Total net debt applicable to the limit as a percentage of debt limit	48.71%	45.80%	50.41%	54.20%	44.46%	40.56%	44.48%	41.03%	34.57%	32.10%

Legal Debt Margin Calculation for Fiscal Year 2022:

Assessed value	\$ 4,655,876,648
Add back: exempt real property	1,428,816,100
Total assessed value	\$ 6,084,692,748
Debt limit (4.8% of total assessed value)	\$ 292,065,252
Net debt applicable to limit	94,610,852
Legal debt margin	\$ 197,454,400

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Bonds					
	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ 8,241,838	\$ 7,211,193	\$ 1,030,645	\$ 1,902,540	\$ 664,165	0.40
2014	9,101,122	7,019,203	2,081,919	1,380,571	606,902	1.05
2015	9,342,915	7,097,478	2,245,437	835,936	631,893	1.53
2016	10,357,703	7,294,421	3,063,282	1,707,399	770,634	1.24
2017	10,027,275	7,889,958	2,137,317	1,752,554	721,532	0.87
2018	10,630,042	7,843,959	2,786,083	1,796,926	667,795	1.13
2019	11,686,088	8,081,142	3,604,946	1,668,889	650,465	1.55
2020	11,702,344	8,025,558	3,676,785	1,919,520	738,251	1.38
2021	11,506,724	8,190,917	3,315,808	1,422,651	615,480	1.63
2022	13,239,124	9,727,105	3,512,019	1,506,383	510,886	1.74

Direct and Overlapping Debt
As of June 30, 2022

	<u>Debt Outstanding</u>	<u>Percentage</u>	<u>Share of Direct and Overlapping Debt</u>
Direct Debt:			
Primary Government:			
General Obligation Bonds	\$ 75,336,299	100.00%	\$ 75,336,299
Lease Liabilities	24,282,903	100.00%	24,282,903
VRA Revenue Bonds	<u>552,794</u>	100.00%	<u>552,794</u>
Total Primary Government Direct Debt	<u>\$ 100,171,996</u>		<u>\$ 100,171,996</u>

The City has no overlapping debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2013	27,307	\$ 1,116,665,151	\$ 40,893	3,139	8.2%
2014	28,132	1,215,808,776	43,218	3,214	5.9%
2015	28,213	1,201,676,309	42,593	3,300	6.2%
2016	28,118	1,256,818,364	44,698	3,478	4.8%
2017	28,297	1,313,009,097	46,401	3,546	4.6%
2018	28,360	1,339,442,800	47,230	3,567	4.3%
2019	29,144	1,422,897,512	48,823	3,649	3.5%
2020	28,532	1,449,140,280	50,790	3,773	9.4%
2021	28,500	1,569,694,500	55,077	3,545	5.3%
2022	27,596	1,639,588,744	59,414	3,591	3.5%

(1) Source: Weldon Cooper Center for Public Service.

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

(3) Source: Fredericksburg School Board office.

(4) Source: Bureau of Labor Statistics.

Principal Employers
Current Year and the Period Nine Years Prior

Employer	Fiscal Year 2022			Fiscal Year 2013	
	Number of Employees (1)	Rank	Percentage of Total Employment	Number of Employees	Rank
Mary Washington Healthcare System	4,677	1	33.76%	4,335	1
University of Mary Washington	1,549	2	11.18%	840	2
City of Fredericksburg School Board	679	3	4.90%	675	3
City of Fredericksburg	662	4	4.78%	522	4
Wal-Mart	360	5	2.60%	521	5
Wegmans	276	6	1.99%	514	6
Rappahannock Area Community Services Board	253	7	1.83%	-	-
Favor Techconsulting, LLC	165	8	1.18%	-	-
Encompass Health	163	9	0.99%	-	-
OS Restaurant Services	137	10	0.00%	197	10
Free Lance Star Publishing, Inc.				402	7
Rappahannock Goodwill Industries				211	8
Cracker Barrel	-	-	-	198	9

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

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

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	43	44	51	52	51	50	55	54	58	60
Judicial administration	40	42	48	48	50	48	50	51	51	53
Public safety	162	156	165	159	161	164	165	170	158	164
Public works	73	78	72	73	80	82	81	76	73	70
Health and welfare	32	34	33	35	35	36	37	38	39	37
Parks and recreation	17	32	19	19	18	19	19	17	18	18
Community development	13	14	14	16	15	16	16	16	12	15
Water	9	6	11	12	12	12	13	12	12	13
Wastewater	17	12	20	21	18	18	18	15	16	14
Transit	14	15	15	14	15	17	21	20	22	29
Parking garage	1	1	1	1	1	1	1	1	1	1
Totals	421	434	449	450	456	463	476	470	460	474

Source: Department of Finance.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public safety:										
Police department:										
Physical arrests	3,722	3,660	3,974	3,522	3,435	5,336	4,914	4,157	3,955	2,398
Traffic violations	7,824	5,981	5,320	3,733	3,738	5,049	6,047	5,944	3,104	4,963
Parking violations	6,528	7,513	6,235	6,219	7,577	7,014	9,311	5,096	6,748	6,420
Sheriffs department:										
Civil papers	63,886	58,338	58,111	59,405	59,568	62,084	61,087	55,910	59,224	58,078
Fire and rescue:										
Number of calls answered	5,407	5,311	5,344	5,462	5,554	6,185	6,279	5,729	5,801	6,064
Inspections	1,650	1,673	2,072	2,015	1,762	1,699	2,011	2,045	2,095	1,874
Building inspections:										
Permits issued	1,554	1,618	1,640	1,703	1,580	1,558	1,685	1,647	1,502	1,695
Animal control:										
Number of calls answered	1,022	926	520	895	876	1,223	781	821	826	770
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	309	212	248	377	359	324	348	270	301	239
Waste removal:										
Refuse collected										
(thousands of pounds/day)	19.0	20.6	21.1	21.4	20.4	21.2	19.0	21.5	21.6	25.1
Recycling collected:										
Leaves (cubic yards)	5,421	5,336	5,027	4,218	4,820	4,155	6,022	4,535	5,245	2,200
General services:										
Buildings maintained										
(thousands of square feet)	462.3	551.2	551.9	604.2	550.8	550.8	550.8	550.8	553.7	553.7
Culture and recreation:										
Parks and recreation:										
Number of programs	495	414	397	377	394	402	424	198	214	356
Number of participants	19,525	14,177	13,966	8,421	12,576	13,656	13,817	3,317	3,792	18,278
Community development:										
Planning:										
Zoning permits issued (1)	338	309	367	365	364	293	383	358	345	298

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water:										
Number of connections	7,801	7,861	7,911	7,950	8,047	8,115	8,165	8,284	8,427	8,648
Average daily consumption (thousands of gallons)	2,649	2,537	2,650	2,544	2,561	2,485	2,413	2,444	2,386	2,669
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,493	2,833	3,290	3,350	2,720	2,770	3,180	2,260	2,580	2,570
Transit:										
Ridership per service area:										
City of Fredericksburg	279,363	259,790	238,024	214,439	193,786	160,249	151,219	122,207	81,211	107,931
UMW - Eagle Express	13,685	11,679	10,287	11,371	7,893	7,533	6,176	5,300	3,862	4,812
Spotsylvania County	117,633	114,162	114,417	94,740	79,935	69,560	62,710	47,641	22,957	27,532
South Stafford County	68,614	65,033	63,781	62,618	55,409	50,800	45,870	35,000	21,410	29,621
North Stafford County	39,446	33,751	38,495	34,036	32,622	29,422	24,778	20,115	12,600	9,978
Caroline County	10,425	11,094	12,168	10,192	7,397	7,216	5,879	-	-	-
King George County	-	-	-	-	-	-	-	-	-	-
Component Unit - School Board:										
Education:										
Number of students	3,139	3,214	3,300	3,356	3,546	3,567	3,649	3,773	3,545	3,591
Number of teachers	264	267	265	269	304	295	299	311	306	307
Cost per pupil	\$ 13,853	\$ 14,235	\$ 13,771	\$ 13,849	\$ 13,582	\$ 13,997	\$ 13,911	\$ 13,730	\$ 15,115	\$ 17,428

Source: Individual city departments.

(1) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	35	34	34	40	40	39	40	44	38	43
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	11	12	12	14	15	15	16	17	19	19
Sheriffs department:										
Patrol units	16	16	19	20	22	22	23	22	25	25
Building inspections:										
Vehicles	7	6	5	5	5	5	5	5	5	5
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	20	20	20	20	20	20	20	20	21	21
Streets (moving lane miles)	189	189	189	189	189	189	195	207	212	215
Traffic signals	61	60	61	61	56	55	56	55	54	54
Waste removal:										
Trucks/vehicles	7	7	7	7	6	6	6	9	9	13
Building maintenance:										
Trucks/vehicles	10	13	11	11	11	10	9	11	11	11
Health and welfare:										
Department of Social Services:										
Vehicles	6	6	6	6	6	6	6	7	7	6

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	14	13	15	15	15	15	16	16	16	17
Parks	18	19	19	19	19	19	19	19	20	20
Park acreage	1,055	1,085	1,085	1,085	1,085	1,090	1,173	1,173	1,181	1,181
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	131	131
Maximum daily capacity (millions of gallons)	5	5	5	5	5	5	5	5	5	5
Wastewater:										
Sanitary sewers (miles)	67	67	67	67	67	67	67	67	116	120
Storm sewers (miles)	55	55	55	55	55	55	55	55	90	90
Maximum daily treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Component Unit - School Board:										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	41	41	42	43	44	46	48	51	54	54

Source: Individual City departments.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Fredericksburg, Virginia's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fredericksburg, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fredericksburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 12, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fredericksburg, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Fredericksburg, Virginia's major federal programs for the year ended June 30, 2022. City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Fredericksburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Fredericksburg, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Fredericksburg, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance: (Continued)

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 12, 2022

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CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of the Treasury:				
Pass-through Payments:				
Virginia Department of Accounts:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	12110	\$ 423,621	\$ -
Virginia Department of Education:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	1,200,060	-
Total 21.019			\$ 1,623,681	\$ -
Total Department of the Treasury			\$ 1,623,681	\$ -
Department of Housing and Urban Development:				
Direct Payments:				
CDBG - Entitlement Grants Cluster:				
COVID-19 - Community Development Block Grant/Entitlement Grants	14.218	N/A	\$ 115,746	\$ 115,746
Community Development Block Grant/Entitlement Grants	14.218	N/A	153,160	13,918
Total CDBG - Entitlement Grants Cluster			\$ 268,906	\$ 129,664
Total Department of Housing and Urban Development			\$ 268,906	\$ 129,664
Department of Justice:				
Direct Payments:				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	\$ 12,680	\$ -
Bulletproof Vest Partnership Program	16.607	N/A	6,161	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10,146	-
Pass-through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	CJS86018/116418	89,315	-
Total Department of Justice			\$ 118,302	\$ -
Department of Transportation:				
Federal Transit Cluster:				
Direct Payments:				
Federal Transit - Formula Grants	20.507	N/A	\$ 218,979	\$ -
COVID-19 - Federal Transit - Formula Grants	20.507	N/A	2,547,345	-
Total 20.507			\$ 2,766,324	\$ -
Total Federal Transit Cluster			\$ 2,766,324	\$ -
Pass-through Payments:				
Virginia Department of Rail and Public Transportation:				
Formula Grants for Rural Areas	20.509	42122-37/ 42122-38	2,354	-
Virginia Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-2022-52141/ FSC-2021-51038	15,884	-
National Priority Safety Programs	20.616	FM60T-2021-50012/ FM60T-2022-52142/ FM60T-2021-51022	4,405	-
Total Highway Safety Cluster			\$ 20,289	\$ -
Total Department of Transportation			\$ 2,788,967	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2022 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Health and Human Services:				
Head Start Cluster:				
Direct Payments:				
Head Start	93.600	N/A	\$ 1,319,149	\$ -
Total Head Start Cluster			\$ 1,319,149	\$ -
Pass-through Payments:				
Department of Social Services:				
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760121/0760122	\$ 59,816	\$ -
Total CCDF Cluster			\$ 59,816	\$ -
Temporary Assistance for Needy Families	93.558	0400121/0400122	\$ 270,021	\$ -
Medicaid Cluster:				
Medical Assistance Program	93.778	1200121/1200122	\$ 461,783	\$ -
Total Medicaid Cluster			\$ 461,783	\$ -
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/9150121	\$ 4,504	-
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9152121	30,219	-
Total 93.674			\$ 34,723	-
Chafee Education and Training Vouchers Program	93.599	9160120/9160121	\$ 1,281	-
COVID-19 - Chafee Education and Training Vouchers Program	93.599	9162121	5,337	-
Total 93.599			\$ 6,618	-
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0960120/0960121/ 0950120/0950121	27,879	-
COVID-19 - Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0950221	6,428	-
Total 93.556			34,307	-
Guardianship Assistance	93.090	1110121/1110122	379	-
Title IV-E Prevention Program	93.472	1140122	7,077	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500122/500121	74,477	-
Low-Income Home Energy Assistance	93.568	0600421/0600422	46,057	-
Community-Based Child Abuse Prevention Grants	93.590	9560121	1,028	-
Adoption and Legal Guardianship Incentive Payments	93.603	1130119	3,535	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900121	593	-
Foster Care - Title IV-E	93.658	1100121/1100122	343,628	-
Adoption Assistance	93.659	1120121/1120122	1,015,028	-
Social Services Block Grant	93.667	1000121/1000122	311,447	-
COVID-19 - Elder Abuse Prevention Interventions Program	93.747	8000321/8000221	10,306	-
Children's Health Insurance Program	93.767	0540121/0540122	7,824	-
Total Department of Health and Human Services			\$ 4,007,796	\$ -
Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	116193	125,484	-
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	116792	47,832	-
(Presidentially Declared Disasters)				
Emergency Management Performance Grants	97.042	Not Available	10,640	-
Total Department of Homeland Security			\$ 183,956	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2022 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Agriculture:				
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 - Pandemic EBT Administrative Costs	10.649	2021215900941	\$ 3,063	\$ -
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010121/0040120/ 0040121/0040122	\$ 673,220	\$ -
Total SNAP Cluster			\$ 673,220	\$ -
Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution Service	10.555	202121N109941/ 202221N109941	\$ 188,814	\$ -
Virginia Department of Education:				
COVID-19 National School Lunch Program	10.555	202121H170341	109,301	-
National School Lunch Program	10.555	202121N109941/ 202221N109941	1,845,267	-
Total 10.555			\$ 2,143,382	\$ -
School Breakfast Program	10.553	202121N109941/ 202221N109941	626,764	-
Summer Food Service Program for Children	10.559	202121N119941	\$ 222,024	\$ -
Total 10.559			\$ 222,024	\$ -
Total Child Nutrition Cluster			\$ 2,992,170	\$ -
Total Department of Agriculture			\$ 3,668,453	\$ -
Department of Education:				
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 Education Stabilization Funds:				
Elementary and Secondary School Emergency Education Relief Fund	84.425D	S425D	\$ 2,789,510	\$ -
Governor's Emergency Education Relief	84.425C	S425C	2,105	-
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	S425U	1,276,385	-
Total COVID-19 Education Stabilization Funds			4,068,000	-
Title I Grants to Local Educational Agencies	84.010	S010A200046/ S010A190046	1,073,971	-
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A190107/ H027A200107	\$ 973,225	\$ -
Special Education - Preschool Grants	84.173	H173A190112/ H173A200112/	21,396	-
Total Special Education Cluster (IDEA)			\$ 994,621	\$ -
English Language Acquisition State Grants	84.365	S365A200046/ S365A190046	111,952	-
Career and Technical Education - Basic Grants to States	84.048	V048A200046/ V048A210046	117,910	-
COVID-19 Education for Homeless Children and Youth	84.196	110	9,526	-
Student Support and Academic Enrichment Program	84.424	S424A200048	92,752	-
Supporting Effective Instruction State Grants	84.367	S367A200044/ S367A210044	309,480	-
Total Department of Education			\$ 6,778,212	\$ -
Total Expenditures of Federal Awards - Reporting Entity			\$ 19,438,273	\$ 129,664

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, 2022

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, 2022. 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	\$	137,007
Special Revenue Funds:		
Virginia Public Assistance Fund		3,119,519
Children's Services Act Fund		111,502
State, Federal, and Local Grants Fund		429,908
COVID-19 Relief Fund		325,575
Proprietary Funds:		
Transit Fund		2,768,678
Water Fund		73,467
Wastewater Fund		142,651
Total Primary Government	\$	<u>7,108,307</u>

Component Unit School Board:

Special School Fund	\$	<u>12,340,485</u>
Total Component Unit School Board	\$	<u>12,340,485</u>

Less:

Build America Bonds Interest Subsidy	\$	<u>(10,519)</u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards

	\$	<u><u>19,438,273</u></u>
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CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	

CFDA #	Name of Federal Program or Cluster
20.507	Federal Transit Cluster
10.553/10.555/10.559	Child Nutrition Cluster
93.600	Headstart
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
84.027/84.173	Special Education Cluster
84.425D/84.425C/84.425U	COVID-19 Education Stabilization Funds

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

CITY OF FREDERICKSBURG, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

There were no prior year findings.