



City of Fredericksburg, Virginia



Annual Comprehensive  
Financial Report  
For  
Fiscal Year Ended

**June 30, 2023**

**CITY OF FREDERICKSBURG, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2023**

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**Prepared By:**

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Department of Finance  
Robyn E. Shugart, Director of Finance

CITY OF FREDERICKSBURG, VIRGINIA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2023

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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 11, 2023

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, 2023. 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, 2023, 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, 2023. 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, 2022.

### 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 Convention Center, and a Wegmans 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.

## Economic Condition and Outlook(continued)

In addition to the major retail commercial development centers, the City is a hub for the provision of health care services to the Fredericksburg region. The center 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 3,000 undergraduate students. The university offers over 60 different majors and programs of study as well as several different master's degree programs. UMW is also making significant ongoing investments including a technology center, campus center, various renovations and a \$100-million-dollar-plus performing arts center.

The City's nationally recognized 40-block Historic District continues to be a significant component of the local economy. The "Old Town" District – with its historical attractions, antique shops, hotels, charming restaurants, specialty retail shops and beautifully restored homes – is an attractive tourist destination. Its walkability, charm and array of entertainment options are increasingly attractive to visitors and residents. A number of higher-density mixed-use projects in and around the downtown are under way, and many (including Liberty Place and a new garage) are now open. The Publisher Hotel is expected to open in this area in Spring 2024, and it is expected to be the highest-end product in the market.

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

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

## **Economic Condition and Outlook(continued)**

Outside of downtown, Fredericksburg's industrial park has experienced significant success in attracting a diverse group of businesses, and additional activity is likely in the year to come. A 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, and additional developments are slated along the City's few remaining greenfield sites. The City continues to aggressively pursue additional amenities that can facilitate more events and opportunities for local residents. More than half of the City is in the Federal Opportunity Zone program, which is likely to help incentivize capital investment. As the region's population grows, Fredericksburg's status as the center of commerce for the entire region will continue to pay dividends and generate tax revenue for the City.

### **Major Capital Initiatives**

During fiscal year 2023, 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 City Council approved an Interim Agreement with the firm of Ulliman Schutte for the design and construction of renovations to the City's Wastewater Treatment Plant. The Interim Agreement, valued at \$19,115,000, allows the City and the design-build team to advance the design of the improvements so that both parties can finalize a Comprehensive Agreement under the Public-Private Education Act of 2002. The design work has been ongoing throughout calendar year 2023, and the City anticipates working on a comprehensive agreement in the first quarter of CY 2024 for the project. The current budget for this project is \$161,430,000 but the project costs are subject to revision as design is finalized.

The City also during FY 2023 engaged an architect to design improvements to the first floor of the Executive Plaza building for renovations, which will include some exterior improvements as well as a new Visitor's Center. The design is now complete and the construction is planned to occur during CY 2024. In addition, a separate contract for the renovation of the 3rd floor for new offices for the City's Department of Economic Development and Tourism is also awarded and that construction should take place in the first few months of CY 2024 as well. Once this work is complete the City will be fully using all seven floors of the Executive Plaza building.

The City Council, in October 2022, approved the Comprehensive Agreement under the Public-Private Education Facilities and Infrastructure Act of 2002 between the Fredericksburg City Public Schools and First Choice, LLC for the construction of a new middle school at the intersection of Gateway Boulevard and Idlewild Boulevard. General Obligation bonds were issued in support of this project in FY 2023, and the total budget is currently \$75,780,000. At this stage of the project, design is complete and the construction of the school is underway. Construction in December 2023 is approximately 35% complete and the new school is on-track to be substantially complete in July 2025.

## 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 20.02% of the fiscal year 2022 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.

## **Key Financial Policies (continued)**

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

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

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

## **Pension and Other Post-Employment Benefits**

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

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. During fiscal year 2016, the City Council established an Other Post-Employment Benefits (OPEB) Trust (the Trust) and funded \$1 million towards the City's liability for OPEB. Through a combination of additional contributions to the Trust and overall gains in the Trust's investments, the market value of the Trust is \$2,475,104 as of June 30, 2023.

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, 2022. 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.

## Awards and Acknowledgements (continued)

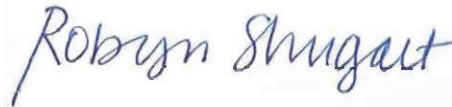
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

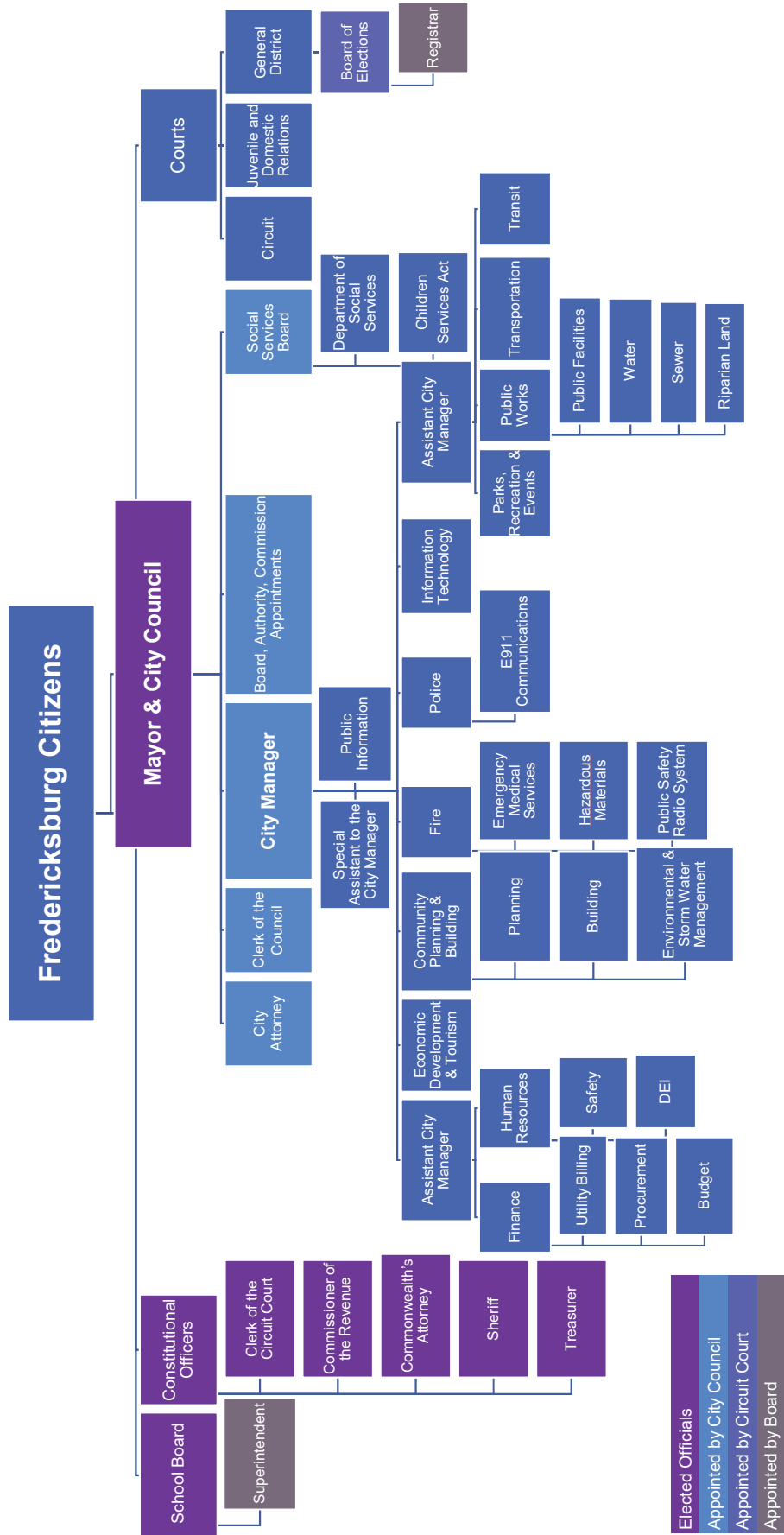
Sincerely,

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

Timothy J. Baroody  
City Manager

A handwritten signature in blue ink that reads "Robyn E. Shugart". The signature is written in a cursive style with a light blue background behind it.

Robyn E. Shugart  
Director of Finance



**Elected Officials**

Appointed by City Council

Appointed by Circuit Court

Appointed by Board

**CITY OF FREDERICKSBURG, VIRGINIA**  
**PRINCIPAL OFFICIALS**  
**JUNE 30, 2023**

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**CITY COUNCIL**

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

**CONSTITUTIONAL OFFICERS**

Jeff Small ..... Clerk of the Circuit Court  
Lois B. Jacob ..... Commissioner of the Revenue  
LaBravia J. Jenkins ..... Commonwealth Attorney  
Scott Foster..... 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  
David T. Brown ..... Interim Director, Public Works  
Christen C. Gallik ..... Director, Social Services  
Jessica B. Atkinson ..... General Registrar  
Jamie T. Jackson ..... Director, Transit

**SCHOOL BOARD**

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

**SCHOOL BOARD ADMINISTRATIVE OFFICER**

Dr. Marceline R. Catlett ..... Superintendent





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Fredericksburg  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrell*

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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**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, 2023, 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, 2023, 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.

## ***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 11, 2023, 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 11, 2023

## 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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 7-14 of this report.

### Financial Highlights

- Total net position for governmental activities was \$145,837,513 at the end of fiscal year 2023. This figure is based on assets and deferred outflows of resources totaling \$379,359,250 and liabilities and deferred inflows of resources of \$233,521,737.
- Total net position for business-type activities was \$89,651,542 at the end of fiscal year 2023. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at \$28,870,782; \$32,210,144; and \$23,229,571, respectively.
- Total net position for the primary government was \$235,489,055 at the end of fiscal year 2023. Current assets were \$224,064,744 as compared to total current and other liabilities of \$ 39,274,414. The resulting net working capital of \$184,790,330 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 2023 unassigned General Fund balance was 20.02% of the fiscal year 2022 General Fund revenue total of \$108,350,346.
- General Fund revenues increased \$6,457,437, or 5.96%, as compared to the preceding fiscal year.
- General Fund expenditures increased \$2,728,980 or 3.03% as compared to fiscal year 2022.

### 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 37-39 of this report.

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

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

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

The City maintains 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 41-44 of this report.



## Overview of the Financial Statements: (Continued)

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

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

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

The proprietary funds' financial statements can be found on pages 45-47 of this report.

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

The basic fiduciary fund financial statements can be found on pages 48 and 49 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-142 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 \$235,489,055 at the close of fiscal year 2023.

A large portion of the City's net position, \$156,040,149, or 66.26%, 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 \$77,251,301 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, 2023  
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22
<b>Assets:</b>								
Current and other assets	\$ 172.48	\$ 86.29	\$ 51.58	\$ 42.12	\$ 224.06	\$ 128.41	\$ 14.75	\$ 20.69
Capital assets	199.14	198.36	7.30	68.33	206.44	266.69	36.45	32.89
<b>Total assets</b>	<b>\$ 371.62</b>	<b>\$ 284.65</b>	<b>\$ 58.88</b>	<b>\$ 110.45</b>	<b>\$ 430.50</b>	<b>\$ 395.10</b>	<b>\$ 51.20</b>	<b>\$ 53.58</b>
<b>Deferred Outflow of Resources:</b>								
Pension related items	\$ 6.34	\$ 7.00	\$ 0.86	\$ 0.96	\$ 7.20	\$ 7.96	\$ 8.52	\$ 8.18
OPEB related items	1.32	1.31	0.08	0.08	1.40	1.39	1.91	1.84
Deferred charge on refunding	0.08	0.11	0.20	0.25	0.28	0.36	-	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 7.74</b>	<b>\$ 8.42</b>	<b>\$ 1.14</b>	<b>\$ 1.29</b>	<b>\$ 8.88</b>	<b>\$ 9.71</b>	<b>\$ 10.43</b>	<b>\$ 10.02</b>
<b>Liabilities:</b>								
Current and other liabilities	\$ 18.46	\$ 15.08	\$ 5.96	\$ 4.28	\$ 24.42	\$ 19.36	\$ 4.81	\$ 6.48
Long-term liabilities	208.25	134.74	28.47	21.84	236.72	156.58	42.88	35.26
<b>Total Liabilities</b>	<b>\$ 226.71</b>	<b>\$ 149.82</b>	<b>\$ 34.43</b>	<b>\$ 26.12</b>	<b>\$ 261.14</b>	<b>\$ 175.94</b>	<b>\$ 47.69</b>	<b>\$ 41.74</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable revenue - property taxes	\$ 0.58	\$ 0.74	\$ -	\$ -	\$ 0.58	\$ 0.74	\$ -	\$ -
Deferred gain on refunding	0.22	0.24	-	-	0.22	0.24	-	-
Pension related items	3.86	14.19	0.46	1.59	4.32	15.78	6.60	17.28
Lease related items	0.67	0.81	0.40	0.52	1.07	1.33	0.16	-
OPEB related items	1.49	2.37	0.09	0.14	1.58	2.51	1.83	2.30
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6.82</b>	<b>\$ 18.35</b>	<b>\$ 0.95</b>	<b>\$ 2.25</b>	<b>\$ 7.77</b>	<b>\$ 20.60</b>	<b>\$ 8.59</b>	<b>\$ 19.58</b>
<b>Net position:</b>								
Net invested in capital assets	\$ 101.45	\$ 102.00	\$ 54.59	\$ 48.92	\$ 156.04	\$ 150.92	\$ 34.06	\$ 30.72
Restricted	2.20	0.60	-	-	2.20	0.60	0.68	1.09
Unrestricted	42.19	22.80	35.06	34.46	77.25	57.26	(29.34)	(29.53)
<b>Total net position</b>	<b>\$ 145.84</b>	<b>\$ 125.40</b>	<b>\$ 89.65</b>	<b>\$ 83.38</b>	<b>\$ 235.49</b>	<b>\$ 208.78</b>	<b>\$ 5.40</b>	<b>\$ 2.28</b>

(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 \$20,435,715. Governmental activities revenues were impacted by robust organic growth stemming from development within the City as well as continued growth in consumption based revenues and a more positive interest market for City investments, including interest earnings from 2022(A) G.O. Issuance. 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 2023. Revenues from general property taxes rose \$1,814,493 in response to growth in the City's tax base and continued high collection rates.

## **Government-wide Financial Analysis: (Continued)**

Total governmental activities expenses experienced an increase of \$1,840,951 to a total expense amount of \$115,492,314. Of this amount, \$26,190,236, or 22.68%, was offset with program revenues consisting of \$5,043,536 in charges for services and \$21,146,700 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 27.83% of the total expenses for governmental activities in fiscal year 2023. The amount transferred from the City for School Board operations and capital improvements, to include joint tenancy asset transfers, totaled \$28,535,589.

### **Business-type Activities**

The positive growth in net position in the Sewer Fund of \$4,952,951 and Transit Fund of \$1,504,975 represent the most notable changes to the City's enterprise operations.

The revenues from availability and connection fees were \$455,200 in the Water Fund and \$732,440 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 2023 budget included an eight percent increase in water and ten percent increase in 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 \$2,912,764 for fiscal year 2023. 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 2023 the City's asset transfer to the School Board was \$2,765,000.

The overall surplus net position of \$3,737,240 is related to the School Board's net pension liability increasing to \$27,161,316 and net OPEB liability increasing to \$11,496,073 while the deferred inflow of resources related to pension related items decreased to \$6,559,200.

The net position of the Economic Development Authority increased \$204,495 as economic development grants and other expenses outpaced interest revenue, bond issuance fees, and transfers from the City.

## Component Units: (Continued)

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

**TABLE 2**  
**Changes in Net Position**  
**For the Fiscal Year ended June 30, 2023**  
**(in millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units (1)</u>	
	<u>FY 23</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 22</u>
<b>Revenues:</b>								
Program Revenues:								
Charges for services	\$ 5.05	\$ 4.51	\$ 12.57	\$ 11.32	\$ 17.62	\$ 15.83	\$ 0.30	\$ 0.24
Operating grants and contributions	18.84	13.73	5.94	6.87	24.78	20.60	37.58	32.69
Capital grants and contributions	2.32	0.55	1.79	0.37	4.11	0.92	-	-
General Revenues:								
Property taxes	54.39	50.55	-	-	54.39	50.55	-	-
Other local taxes	46.60	44.95	0.43	0.52	47.03	45.47	-	-
Grants and contributions not restricted	3.40	3.42	-	-	3.40	3.42	29.28	33.41
Use of property	0.14	-	-	-	0.14	-	-	-
Investment earnings	4.60	(0.69)	0.14	(0.18)	4.74	(0.87)	0.06	0.03
Gain(Loss) on Disposal of Capital Asset	1.24	-	-	-	1.24	-	-	-
Miscellaneous	0.76	1.27	0.43	0.45	1.19	1.72	1.38	0.72
<b>Total Revenues</b>	<b>\$ 137.34</b>	<b>\$ 118.29</b>	<b>\$ 21.30</b>	<b>\$ 19.35</b>	<b>\$ 158.64</b>	<b>\$ 137.64</b>	<b>\$ 68.60</b>	<b>\$ 67.09</b>
<b>Expenses:</b>								
General government	\$ 10.35	\$ 9.53	\$ -	\$ -	\$ 10.35	\$ 9.53	\$ -	\$ -
Judicial administration	6.91	6.61	-	-	6.91	6.61	-	-
Public safety	29.67	28.78	-	-	29.67	28.78	-	-
Public works	13.85	13.26	-	-	13.85	13.26	-	-
Health and welfare	9.98	9.58	-	-	9.98	9.58	-	-
Education	29.37	34.03	-	-	29.37	34.03	64.65	56.47
Parks, recreation, and cultural	6.19	5.43	-	-	6.19	5.43	-	-
Community development	4.56	3.71	-	-	4.56	3.71	0.81	0.38
Interest	4.60	2.72	-	-	4.60	2.72	0.02	-
Water	-	-	5.28	3.75	5.28	3.75	-	-
Sewer	-	-	5.58	6.85	5.58	6.85	-	-
Transit	-	-	5.11	5.36	5.11	5.36	-	-
Parking	-	-	0.48	0.45	0.48	0.45	-	-
<b>Total Expenses</b>	<b>\$ 115.48</b>	<b>\$ 113.65</b>	<b>\$ 16.45</b>	<b>\$ 16.41</b>	<b>\$ 131.93</b>	<b>\$ 130.06</b>	<b>\$ 65.48</b>	<b>\$ 56.85</b>
<b>Excess (deficiency) of revenues over expenses before transfers</b>	<b>\$ 21.86</b>	<b>\$ 4.64</b>	<b>\$ 4.85</b>	<b>\$ 2.94</b>	<b>\$ 26.71</b>	<b>\$ 7.58</b>	<b>\$ 3.12</b>	<b>\$ 10.24</b>
<b>Transfers</b>	<b>(1.42)</b>	<b>1.07</b>	<b>1.42</b>	<b>(1.07)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>\$ 20.44</b>	<b>\$ 5.71</b>	<b>\$ 6.27</b>	<b>\$ 1.87</b>	<b>\$ 26.71</b>	<b>\$ 7.58</b>	<b>\$ 3.12</b>	<b>\$ 10.24</b>
<b>Net Position, beginning of year, as restated</b>	<b>125.40</b>	<b>119.69</b>	<b>83.38</b>	<b>81.51</b>	<b>208.78</b>	<b>201.20</b>	<b>2.28</b>	<b>(7.96)</b>
<b>Net Position, end of year</b>	<b>\$ 145.84</b>	<b>\$ 125.40</b>	<b>\$ 89.65</b>	<b>\$ 83.38</b>	<b>\$ 235.49</b>	<b>\$ 208.78</b>	<b>\$ 5.40</b>	<b>\$ 2.28</b>

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

## Financial Analysis of the City's Governmental Funds

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

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

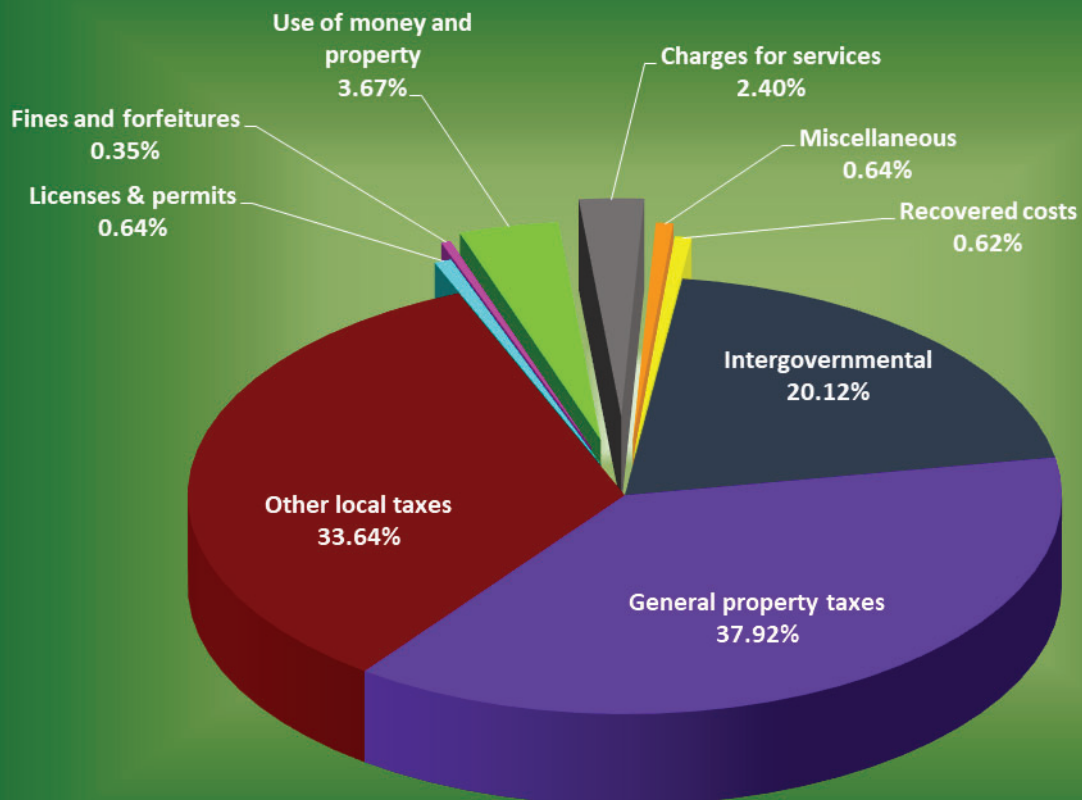
### Revenues:

A summary of the general revenue sources for the governmental funds for fiscal years 2023 and 2022 is presented below:

**TABLE 3**  
**Governmental Funds - Revenues**

	FY 2023	FY 2022	Percentage of Total Revenues FY 2023	Increase (Decrease) from FY 2022
General property taxes	\$ 52,552,470	\$ 50,737,977	37.92%	\$ 1,814,493
Other local taxes	46,625,338	44,952,568	33.64%	1,672,770
Licenses and permits	882,608	918,778	0.64%	(36,170)
Fines and forfeitures	487,441	405,155	0.35%	82,286
Use of money and property	5,090,454	(483,148)	3.67%	5,573,602
Charges for services	3,322,573	2,980,037	2.40%	342,536
Miscellaneous	892,800	637,430	0.64%	255,370
Recovered costs	857,625	972,949	0.62%	(115,324)
Intergovernmental	27,882,978	17,696,432	20.12%	10,186,546
<b>Totals</b>	<b>\$ 138,594,287</b>	<b>\$ 118,818,178</b>	<b>100.00%</b>	<b>\$ 19,776,109</b>

### FY2023 GOVERNMENTAL FUNDS - REVENUES



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

### Revenues: (Continued)

The City's total revenues in the governmental funds were \$138,594,287 in fiscal year 2023, an increase of \$19,779,109, or 16.6%, compared to fiscal year 2022. Much of the increase can be attributed to intergovernmental revenues, investment earnings, increased consumption based tax revenue, and property tax revenue. The City's real estate tax impacting the General Fund increased to \$38,554,004, which was \$1,647,138 more than the prior year total. Included within that total are real estate collections for prior tax years. Real estate tax revenue accounted for 33.6% of General Fund revenue for fiscal year 2023.

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 2023 rate was increased to \$0.86 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 \$918,255 during the fiscal year.

Revenue from other local taxes increased by \$1,033,569 during the fiscal year. Continued organic growth within the City returned to pre-pandemic levels which still allowed these tax sources to continue to outpace the prior fiscal year. Sales tax revenue saw a slight increase and the total for the fiscal year was \$15,781,634. Sales tax revenue accounted for 13.8% of total General Fund revenues for fiscal year 2023.

Meals tax revenue, which accounted for 13.1% of General Fund revenues for the current fiscal year, totaled \$15,081,582 along with business license and rental tax accounting for 7.2% of general fund revenues totaling \$8,283,896 for the fiscal year.

The following table reflects other local tax revenue for the General Fund for fiscal years 2023 and 2022:

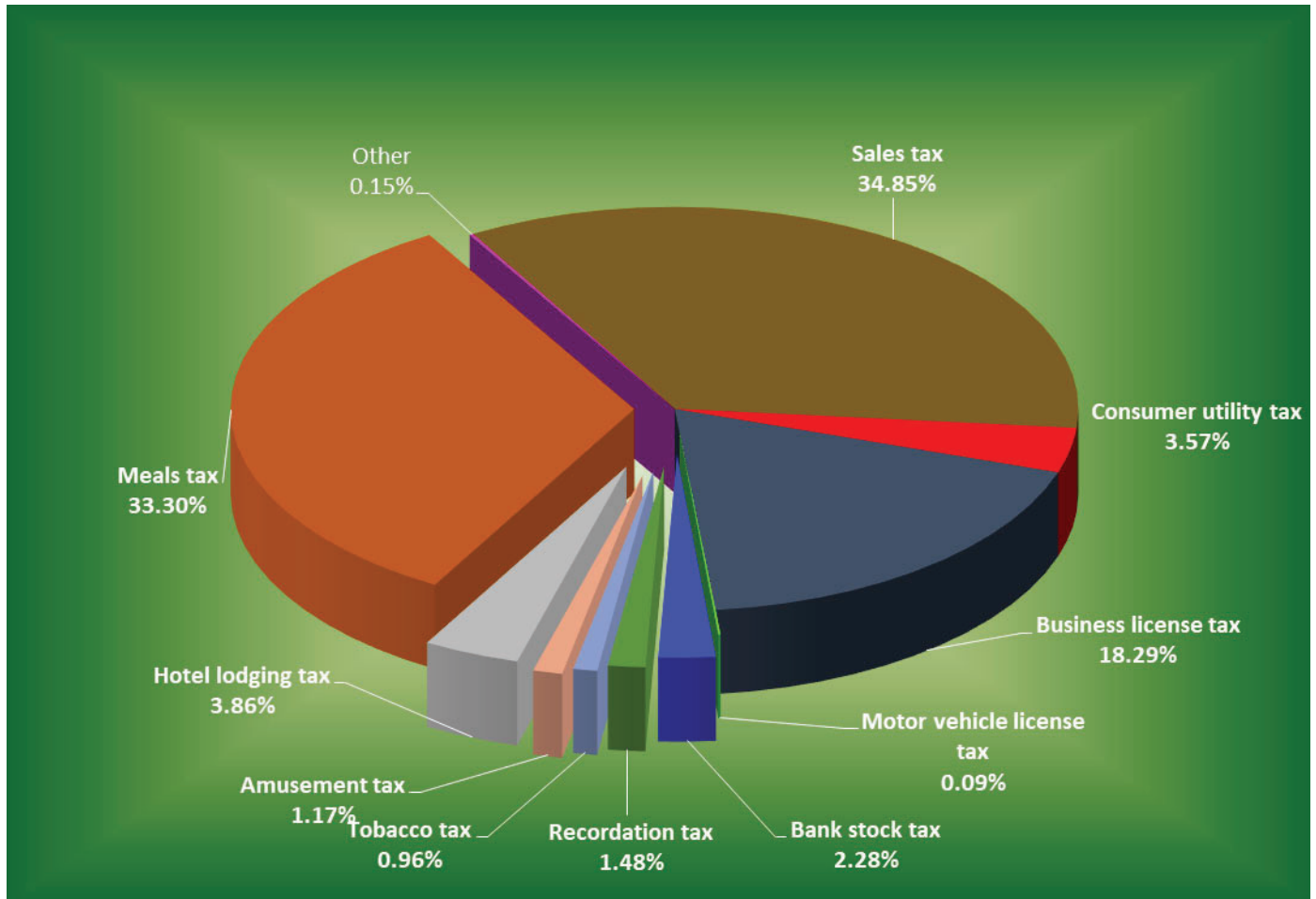
**TABLE 4**  
**Other Local Taxes - General Fund**

	FY 2023	FY 2022	Percentage of Total Revenues FY 2023	Increase (Decrease) from FY 2022
Sales and use tax	\$ 15,781,634	\$ 15,569,291	34.85%	\$ 212,343
Consumer utility tax	1,616,977	1,946,425	3.57%	(329,448)
Business license tax	8,283,896	7,810,020	18.29%	473,876
Motor vehicle license tax	38,627	137,252	0.09%	(98,625)
Bank stock tax	1,030,273	1,112,472	2.28%	(82,199)
Recordation tax	672,380	1,087,879	1.48%	(415,499)
Tobacco tax	434,337	532,959	0.96%	(98,622)
Amusement tax	531,782	459,244	1.17%	72,538
Hotel lodging tax	1,746,141	1,661,182	3.86%	84,959
Meals tax	15,081,582	13,849,223	33.30%	1,232,359
Other	66,506	84,619	0.15%	(18,113)
<b>Totals</b>	<b>\$ 45,284,135</b>	<b>\$ 44,250,566</b>	<b>100.00%</b>	<b>\$ 1,033,569</b>

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

### Revenues: (Continued)

#### FY2023 OTHER LOCAL TAXES - GENERAL FUND



### Expenditures:

The expenditures of governmental funds in fiscal year 2023 totaled \$128,163,985 which is a 11.58% increase from the prior fiscal year. The most significant changes occurred in capital projects, public safety, and debt service. Public Safety expenditures increased by \$2,492,782 with the largest majority being related to personnel and operating capital costs. Debt Service saw an increase due to the 2022(A) issuance seeing its first payment in Spring 2023. Capital projects saw an increase due to multiple locally funded projects including the new middle school project.

Increases to governmental expenditures stem from personnel related costs as well as the impact of inflation on operational costs.

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

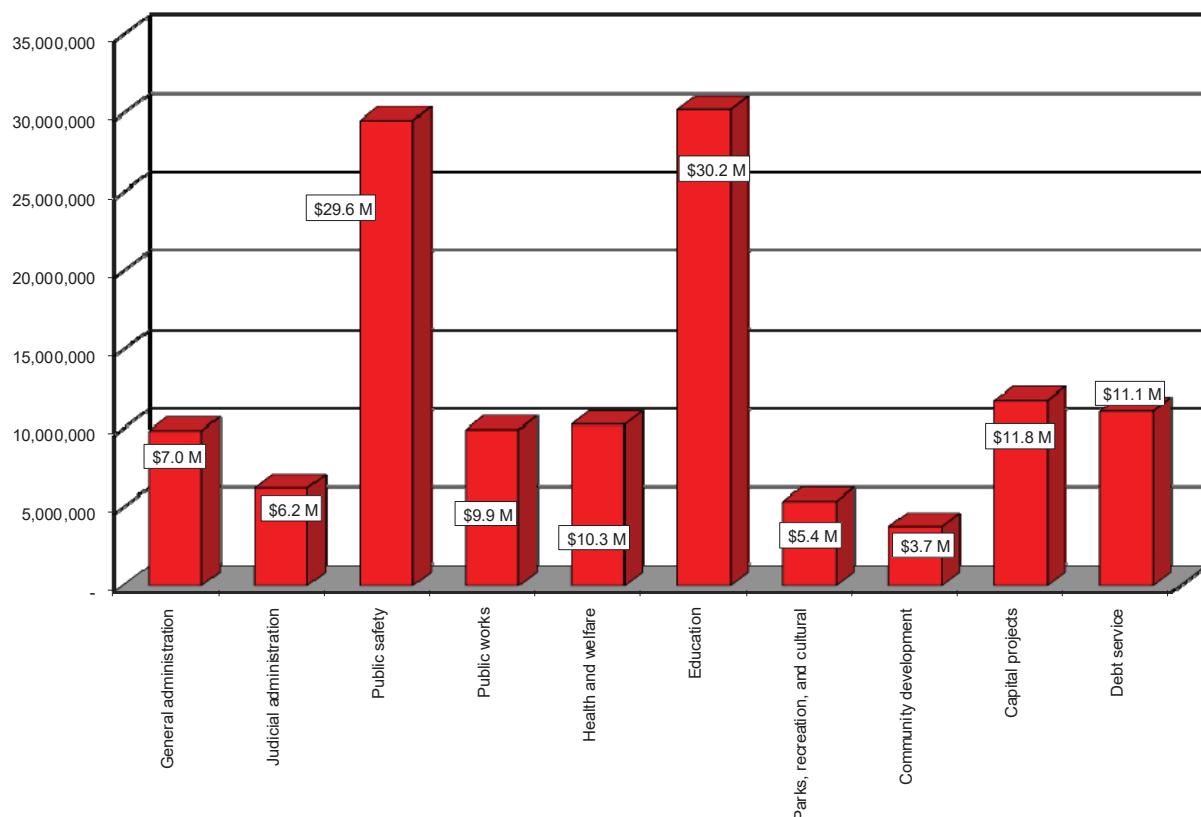
### Expenditures: (Continued)

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 slightly increased in comparison to the previous fiscal year. Expenditures to the Virginia Retirement System saw an increase during the year related to the increase to salaries City wide.

**TABLE 5**  
**Governmental Funds - Expenditures**

	FY 2023	FY 2022	Percentage of Total Expenditures FY 2023	Increase (Decrease) from 2022
General administration	\$ 9,854,433	\$ 8,774,467	7.69%	\$ 1,079,966
Judicial administration	6,195,286	5,541,449	4.83%	653,837
Public safety	29,563,615	27,070,833	23.07%	2,492,782
Public works	9,937,154	9,856,733	7.75%	80,421
Health and welfare	10,256,352	9,699,067	8.00%	557,285
Education	30,234,291	31,500,557	23.59%	(1,266,266)
Parks, recreation, and cultural	5,370,278	4,865,580	4.19%	504,698
Community development	3,721,318	2,958,489	2.90%	762,829
Nondepartmental	150,000	200,000	0.12%	(50,000)
Capital projects	11,779,131	5,904,667	9.19%	5,874,464
Debt service	11,102,127	8,491,883	8.66%	2,610,244
<b>Totals</b>	<b>\$ 128,163,985</b>	<b>\$ 114,863,725</b>	<b>100.00%</b>	<b>\$ 13,300,260</b>

**FY 2023 GOVERNMENTAL FUNDS - EXPENDITURES**





## General Fund Budgetary Highlights

Over the course of fiscal year 2023, 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 2023, total final General Fund budgeted expenditures and revenues increased by \$3,574,717 from the original adopted budget.

Actual General Fund expenditures were \$92,811,322 compared to the final budgeted expenditures totaling \$96,682,968. The City increased expenditures from the prior year in response increased inflation and rising personnel costs. This still resulted in a favorable budget variance of \$3,871,646. General Government Administration and Public Works experienced the most significant favorable variance of \$1,456,292 and \$1,307,023, respectively.

Actual General Fund revenues were \$114,807,783 compared to the final budgeted revenues totaling \$105,979,656. This resulted in a budget variance of \$8,828,127. The largest source of budget variance was local taxes. This is mainly due to the categories of meals tax and business licenses. This revenue source was largely impacted by continued commercial and residential development as well as continued organic growth.

The General Fund budget for fiscal year 2023 included a use of fund balance totaling \$10,697,667. During FY23, 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 June 30, 2022	Net Additions/ Deletions	Balance June 30, 2023
<b>Capital assets not being depreciated:</b>			
Land	\$ 26,373,125	\$ (11,600)	\$ 26,361,525
Construction in progress	3,271,681	7,157,063	10,428,744
<b>Other capital assets:</b>			
Land improvements	27,951,602	79,800	28,031,402
Buildings and building improvements	64,446,327	2,615,468	67,061,795
Lease buildings and building improvements	24,762,624	231,013	24,993,637
Joint tenancy assets	31,630,000	(2,765,000)	28,865,000
Machinery, equipment, and vehicles	31,616,239	1,760,686	33,376,925
Lease equipment	461,293	-	461,293
Infrastructure	107,923,957	-	107,923,957
Accumulated depreciation	(120,074,170)	(8,293,758)	(128,367,928)
<b>Totals</b>	<b>\$ 198,362,678</b>	<b>\$ 773,672</b>	<b>\$ 199,136,350</b>



## Capital Asset and Debt Administration: (Continued)

The net increase in capital assets during the fiscal year was \$773,672, mainly due to construction in progress. Other increases to capital assets include \$2,615,468 for building and building improvements, and \$1,760,686 for machinery, equipment and vehicles.

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 \$133,552,610 at the end of the fiscal year. This debt includes projects such as the construction of three new schools, building renovation, and construction and renovation of court facilities, and construction of new parks. Business-type activities general obligation debt total outstanding balance is \$24,110,872.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2023, the City's outstanding long-term indebtedness amount totaled \$157,938,482. After an adjustment to reflect the reserve of \$4,811,998 for future debt service payments and \$275,000 of revenue bonded debt, the remaining net debt applicable to the debt limit of \$165,250,762 is below the policy debt limit of \$299,413,717.

During fiscal year 2023, the City completed the issuance of Series 2022 A bonds. The City will begin to make regular principal payments in fiscal year 2024.

The table below reflects a summary of the City's long-term debt outstanding for fiscal years 2023 and 2022:

**TABLE 7**  
**Long-Term Debt**  
**As of June 30, 2023**

	Governmental Activities		Business-type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
General obligation bonds	\$ 48,777,610	\$ 38,997,198	\$ 24,110,872	\$ 19,042,517	\$ 72,888,482	\$ 58,039,715
General obligation school bonds	84,775,000	31,630,000	-	-	84,775,000	31,630,000
Revenue bonds	275,000	535,000	-	-	275,000	535,000
<b>Total long-term debt</b>	<b>\$ 133,827,610</b>	<b>\$ 71,162,198</b>	<b>\$ 24,110,872</b>	<b>\$ 19,042,517</b>	<b>\$ 157,938,482</b>	<b>\$ 90,204,715</b>

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

## **Economic Factors and Next Year's Budget**

The City government continues to maintain a stable financial condition as reflected by the financial statements and schedules in this report. Through fiscally responsible budget oversight, cost containment monitoring, and a stable economic base, the City continues to expand services to its citizens while maintaining appropriate General Fund reserves. The City's strategic location at the center of one of the fastest-growing regions in the Commonwealth, coupled with its established and expanding commercial centers, has provided the City stable economic traction moving forward.

The City is setting the standard in the region for innovative, upscale and mixed-use development. These developments produce significantly higher property values and support the vitality of the downtown business climate. Downtown Fredericksburg 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 2024 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 classification and compensation adjustment for City staff as well as an upgrade to our wastewater treatment facility. The wastewater treatment plant is a generational project that will allow the City to continue to grow in a sustainable manner.

The fiscal year 2024 adopted budget includes expenditures of \$121,434,445, a 5.6% increase over the fiscal year 2023 original adopted budget. The fiscal year 2024 budget is higher than the adopted fiscal year 2023 budget due to the continued positive economic outlook provided by the City's progressive plans for growth and development.

The revenue budget for fiscal year 2024 also reflect increases in revenue sources that have sustained growth throughout the pandemic and maintained post-pandemic. One of the largest sources being meals tax. This budget was projected to be significantly higher for fiscal year 2024, bringing the totals closer to their recent growth rates. 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 \$ 40,313,000 for current tax collections. Personal property tax revenue is budgeted at a slightly higher budget in the amount of \$12,223,218. 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](http://www.fredericksburgva.gov).

## **BASIC FINANCIAL STATEMENTS**

## **Government-wide Financial Statements**

Statement of Net Position  
At June 30, 2023

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 147,714,873	\$ 44,290,875	\$ 192,005,748	\$ 2,927,793	\$ 625,598
Receivables, net of allowance for uncollectibles	7,354,724	2,744,289	10,099,013	147,275	124,469
Due from other governments	5,333,966	3,141,058	8,475,024	8,561,981	-
Inventory, at cost	24,351	192,834	217,185	-	-
Prepaid items	2,343,508	54,274	2,397,782	1,187,720	-
Investment in joint venture	9,033,941	-	9,033,941	-	-
Loans receivable	-	-	-	-	390,202
Leases receivable	676,243	404,918	1,081,161	-	114,692
Net pension asset	-	-	-	675,450	-
Restricted:					
Cash and cash equivalents	-	754,890	754,890	-	-
Capital assets:					
Land, construction in progress and other	36,790,269	6,768,036	43,558,305	1,671,099	866,168
Other capital assets, net of accumulated depreciation	162,346,081	65,535,800	227,881,881	33,498,428	412,793
Capital assets, net	\$ 199,136,350	\$ 72,303,836	\$ 271,440,186	\$ 35,169,527	\$ 1,278,961
Total assets	\$ 371,617,956	\$ 123,886,974	\$ 495,504,930	\$ 48,669,746	\$ 2,533,922
<b>Deferred Outflows of Resources:</b>					
Pension related items	\$ 6,338,683	\$ 857,029	\$ 7,195,712	\$ 8,523,998	\$ -
OPEB related items	1,318,857	84,045	1,402,902	1,904,836	-
Deferred charge on refunding	83,754	198,563	282,317	-	-
Total deferred outflows of resources	\$ 7,741,294	\$ 1,139,637	\$ 8,880,931	\$ 10,428,834	\$ -
<b>Liabilities:</b>					
Accounts payable	\$ 3,426,702	\$ 2,252,678	\$ 5,679,380	\$ 1,701,843	\$ 110,742
Accrued liabilities	4,901,322	1,587,591	6,488,913	2,651,941	-
Unearned revenue	7,983,318	1,364,174	9,347,492	349,345	-
Claims payable	446,000	-	446,000	-	-
Amounts held for others	1,700,027	-	1,700,027	-	-
Liabilities payable from restricted assets	-	754,890	754,890	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	2,882,098	240,063	3,122,161	1,007,390	-
Revenue bonds	275,000	-	275,000	-	-
Note payable	-	-	-	-	4,723
General obligation bonds	7,930,755	2,389,262	10,320,017	-	-
Accrued landfill post-closure costs	90,000	-	90,000	-	-
Lease liabilities	1,050,534	-	1,050,534	88,731	-
Energy performance contract	-	-	-	283,000	-
Due in more than one year:					
Compensated absences	1,766,447	152,293	1,918,740	929,898	-
Net OPEB liability	16,111,459	818,945	16,930,404	11,496,073	-
Note payable	-	-	-	-	595,277
General obligation bonds	132,903,975	22,489,877	155,393,852	-	-
Lease liabilities	22,395,830	-	22,395,830	115,192	-
Energy performance contract	-	-	-	1,192,000	-
Net pension liability	21,343,901	2,383,669	23,727,570	27,161,316	-
Accrued landfill post-closure costs	1,497,395	-	1,497,395	-	-
Total liabilities	\$ 226,704,763	\$ 34,433,442	\$ 261,138,205	\$ 46,976,729	\$ 710,742
<b>Deferred Inflows of Resources:</b>					
Deferred revenue - property taxes	\$ 581,296	\$ -	\$ 581,296	\$ -	\$ -
Deferred gain on refunding	223,314	-	223,314	-	-
Pension related items	3,860,469	456,296	4,316,765	6,559,200	-
Leases related	665,246	399,638	1,064,884	-	163,634
OPEB related items	1,486,649	85,693	1,572,342	1,825,411	-
Total deferred inflows of resources	\$ 6,816,974	\$ 941,627	\$ 7,758,601	\$ 8,384,611	\$ 163,634
<b>Net Position:</b>					
Net investment in capital assets	\$ 101,452,771	\$ 54,587,378	\$ 156,040,149	\$ 33,383,720	\$ 678,961
Restricted:					
Net pension asset	-	-	-	675,450	-
Opioid settlement	640,621	-	640,621	-	-
Construction	1,556,984	-	1,556,984	-	-
Unrestricted	42,187,137	35,064,164	77,251,301	(30,321,930)	980,585
Total net position	\$ 145,837,513	\$ 89,651,542	\$ 235,489,055	\$ 3,737,240	\$ 1,659,546

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

Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government administration	\$ 10,352,064	\$ 141,914	\$ 416,812	\$ -
Judicial administration	6,913,642	166,528	1,250,072	-
Public safety	29,673,716	2,291,367	3,171,221	-
Public works	13,850,639	1,448,620	6,576,720	325,909
Health and welfare	9,979,460	166,183	7,189,302	-
Education	29,365,505	-	-	1,566,984
Parks, recreation and cultural	6,194,059	591,062	132,997	-
Community development	4,561,267	237,862	98,249	418,434
Interest on long-term debt	4,601,962	-	-	-
Total governmental activities	<u>\$ 115,492,314</u>	<u>\$ 5,043,536</u>	<u>\$ 18,835,373</u>	<u>\$ 2,311,327</u>
<b>Business-type activities</b>				
Water	\$ 5,274,959	\$ 4,509,099	\$ 455,933	\$ -
Sewer	5,578,259	7,664,481	733,704	50,220
Transit	5,113,353	40,313	4,748,962	1,736,528
Parking	481,893	353,063	-	-
Total business-type activities	<u>\$ 16,448,464</u>	<u>\$ 12,566,956</u>	<u>\$ 5,938,599</u>	<u>\$ 1,786,748</u>
<b>Total Primary Government</b>	<u>\$ 131,940,778</u>	<u>\$ 17,610,492</u>	<u>\$ 24,773,972</u>	<u>\$ 4,098,075</u>
<b>Component Units</b>				
Fredericksburg City Public Schools	\$ 65,922,032	\$ 137,804	\$ 38,729,542	\$ -
Fredericksburg Economic Development Authority	817,514	158,045	110,742	-
<b>Total Component Units</b>	<u>\$ 66,739,546</u>	<u>\$ 295,849</u>	<u>\$ 38,840,284</u>	<u>\$ -</u>

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

Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government administration	\$ (9,793,338)	\$ -	\$ (9,793,338)	\$ -
Judicial administration	(5,497,042)	-	(5,497,042)	-
Public safety	(24,211,128)	-	(24,211,128)	-
Public works	(5,499,390)	-	(5,499,390)	-
Health and welfare	(2,623,975)	-	(2,623,975)	-
Education	(27,798,521)	-	(27,798,521)	-
Parks, recreation and cultural	(5,470,000)	-	(5,470,000)	-
Community development	(3,806,722)	-	(3,806,722)	-
Interest on long-term debt	(4,601,962)	-	(4,601,962)	-
Total governmental activities	\$ (89,302,078)	\$ -	\$ (89,302,078)	\$ -
<b>Business-type activities</b>				
Water	\$ -	\$ (309,927)	\$ (309,927)	\$ -
Sewer	-	2,870,146	2,870,146	-
Transit	-	1,412,450	1,412,450	-
Parking	-	(128,830)	(128,830)	-
Total business-type activities	\$ -	\$ 3,843,839	\$ 3,843,839	\$ -
<b>Total Primary Government</b>	\$ (89,302,078)	\$ 3,843,839	\$ (85,458,239)	\$ -
<b>Component Units</b>				
Fredericksburg City Public Schools				\$ (27,054,686)
Fredericksburg Economic Development Authority				(548,727)
<b>Total Component Units</b>				\$ (27,603,413)
<b>General Revenues</b>				
Taxes:				
General property taxes, real and personal	\$ 54,388,578	\$ -	\$ 54,388,578	\$ -
Local sales and use taxes	15,781,634	-	15,781,634	-
Consumer utility taxes	1,616,977	-	1,616,977	-
Business license taxes	8,283,896	-	8,283,896	-
Hotel/lodging taxes	1,746,141	-	1,746,141	-
Meals taxes	15,081,582	-	15,081,582	-
Other local taxes	4,115,108	430,050	4,545,158	-
Payment from City of Fredericksburg:				
Education	-	-	-	29,280,453
Grants and contributions not restricted to specific programs	3,401,589	-	3,401,589	-
Use of property	141,488	-	141,488	-
Interest and investment earnings	4,598,052	136,344	4,734,396	64,100
Gain (loss) on disposal of capital assets	1,241,857	-	1,241,857	-
Miscellaneous	763,795	433,944	1,197,739	1,376,119
<b>Transfers</b>	(1,422,904)	1,422,904	-	-
Total general revenues and transfers	\$ 109,737,793	\$ 2,423,242	\$ 112,161,035	\$ 30,720,672
Change in net position	\$ 20,435,715	\$ 6,267,081	\$ 26,702,796	\$ 3,117,259
<b>Net position, beginning of year</b>	125,401,798	83,384,461	208,786,259	2,279,527
<b>Net position, end of year</b>	\$ 145,837,513	\$ 89,651,542	\$ 235,489,055	\$ 5,396,786

## **Fund Financial Statements**



Balance Sheet  
Governmental Funds  
At June 30, 2023

	General	School Bond Funded Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 38,763,939	\$ 62,639,115	\$ 7,193,702	\$ 38,257,932	\$ 146,854,688
Receivables (net of allowances for uncollectibles):					
Property taxes	3,741,150	-	-	31,879	3,773,029
Accounts	362,830	-	-	-	362,830
Accrued revenue	2,433,829	-	-	785,036	3,218,865
Leases receivable	676,243	-	-	-	676,243
Inventory, at cost	24,351	-	-	-	24,351
Prepaid items	400,838	-	4,000	1,938,670	2,343,508
Due from other governments	3,555,132	-	94,290	1,684,544	5,333,966
Total assets	<u>\$ 49,958,312</u>	<u>\$ 62,639,115</u>	<u>\$ 7,291,992</u>	<u>\$ 42,698,061</u>	<u>\$ 162,587,480</u>
<b>Liabilities:</b>					
Accounts payable	\$ 892,738	\$ 1,770,178	\$ 50,461	\$ 646,412	\$ 3,359,789
Accrued liabilities	2,475,979	215,520	-	372,101	3,063,600
Amounts held for others	1,700,027	-	-	-	1,700,027
Unearned revenue	82,633	-	7,241,531	659,154	7,983,318
Total liabilities	<u>\$ 5,151,377</u>	<u>\$ 1,985,698</u>	<u>\$ 7,291,992</u>	<u>\$ 1,677,667</u>	<u>\$ 16,106,734</u>
<b>Deferred Inflows of Resources:</b>					
Leases related	\$ 665,246	\$ -	\$ -	\$ -	\$ 665,246
Unavailable revenue - other	-	-	-	484,424	484,424
Unavailable revenue - property taxes	2,967,336	-	-	14,861	2,982,197
Total deferred inflows of resources	<u>\$ 3,632,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,285</u>	<u>\$ 4,131,867</u>
<b>Fund Balances:</b>					
Nonspendable	\$ 436,186	\$ -	\$ 4,000	\$ 1,938,670	\$ 2,378,856
Restricted	-	1,556,984	-	251,447	1,808,431
Committed	16,763,359	-	-	12,702,682	29,466,041
Assigned	2,281,009	59,096,433	-	25,628,310	87,005,752
Unassigned	21,693,799	-	(4,000)	-	21,689,799
Total fund balances	<u>\$ 41,174,353</u>	<u>\$ 60,653,417</u>	<u>\$ -</u>	<u>\$ 40,521,109</u>	<u>\$ 142,348,879</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,958,312</u>	<u>\$ 62,639,115</u>	<u>\$ 7,291,992</u>	<u>\$ 42,698,061</u>	<u>\$ 162,587,480</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, 2023

Total fund balances for governmental funds (Exhibit 3)	\$	142,348,879
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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	\$	26,361,525	
Construction in progress		10,428,744	
Land improvements, net of accumulated depreciation		20,289,322	
Buildings and improvements, net of accumulated depreciation		40,318,120	
Lease buildings and improvements, net of accumulated depreciation		23,000,534	
Joint tenancy assets, net of accumulated depreciation		21,888,917	
Infrastructure, net of accumulated depreciation		44,512,657	
Lease equipment, net of accumulated depreciation		125,808	
Machinery, vehicles, and equipment, net of accumulated depreciation		<u>12,210,723</u>	
Total capital assets			199,136,350

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.

347,272

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

Investment in joint venture		9,033,941
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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	\$	83,754	
Pension related items		6,338,683	
OPEB related items		<u>1,318,857</u>	7,741,294

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.

2,885,325

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	\$	(1,837,722)	
Bonds and notes payable		(133,827,619)	
Lease liabilities		(23,446,364)	
Premium on long-term debt, net of accumulated amortization		(7,282,111)	
Net pension liability		(21,343,901)	
Net OPEB liability		(16,111,459)	
Landfill post-closure costs		<u>(1,587,395)</u>	(205,436,571)
Compensated absences not reported as fund liabilities			(4,648,545)

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

Pension related items	\$	(3,860,469)	
Deferred gain on refunding		(223,314)	
OPEB related items		<u>(1,486,649)</u>	(5,570,432)

Total net position of governmental activities (Exhibits 1 and 2)	\$	<u>145,837,513</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2023

	General Fund	School Bond Funded Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 51,442,368	\$ -	\$ -	\$ 1,110,102	\$ 52,552,470
Other local taxes	45,284,135	-	-	1,341,203	46,625,338
Permits, privilege fees and regulatory licenses	833,795	-	-	48,813	882,608
Fines and forfeitures	487,441	-	-	-	487,441
Use of money and property	2,173,215	-	-	2,917,239	5,090,454
Charges for services	3,227,328	-	-	95,245	3,322,573
Miscellaneous	368,264	-	-	524,536	892,800
Recovered costs	431,659	-	-	425,966	857,625
Intergovernmental:					
Contribution from Component Unit School Board	-	3,400,376	-	-	3,400,376
Revenue from the Commonwealth	10,374,089	1,566,984	-	4,509,154	16,450,227
Revenue from the Federal Government	185,489	-	3,722,896	4,123,990	8,032,375
<b>Total revenues</b>	<b>\$ 114,807,783</b>	<b>\$ 4,967,360</b>	<b>\$ 3,722,896</b>	<b>\$ 15,096,248</b>	<b>\$ 138,594,287</b>
<b>Expenditures</b>					
Current:					
General government administration	\$ 9,807,435	\$ -	\$ 46,998	\$ -	\$ 9,854,433
Judicial administration	5,855,042	-	17,670	322,574	6,195,286
Public safety	28,331,212	-	641,981	590,422	29,563,615
Public works	9,250,260	-	133,771	553,123	9,937,154
Health and welfare	1,136,390	-	-	9,119,962	10,256,352
Education - local community college and other	34,291	-	-	-	34,291
Education - public school system	30,200,000	-	-	-	30,200,000
Parks, recreation and cultural	5,112,853	-	128,497	128,928	5,370,278
Community development	2,813,770	-	157,231	750,317	3,721,318
Capital projects	-	6,816,041	-	4,963,090	11,779,131
Nondepartmental	150,000	-	-	-	150,000
Debt service:					
Principal payments	117,981	-	-	6,329,150	6,447,131
Interest and fiscal charges	2,088	-	-	4,652,908	4,654,996
<b>Total expenditures</b>	<b>\$ 92,811,322</b>	<b>\$ 6,816,041</b>	<b>\$ 1,126,148</b>	<b>\$ 27,410,474</b>	<b>\$ 128,163,985</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 21,996,461</b>	<b>\$ (1,848,681)</b>	<b>\$ 2,596,748</b>	<b>\$ (12,314,226)</b>	<b>\$ 10,430,302</b>
<b>Other financing sources (uses)</b>					
Issuance of bonds	\$ -	\$ 55,523,098	\$ -	\$ 12,521,902	\$ 68,045,000
Bond premium	-	2,479,000	-	800,770	3,279,770
Lease proceeds	-	-	-	231,013	231,013
Proceeds from the sale of capital assets	19,453	-	-	1,261,876	1,281,329
Transfers in	1,173,844	4,500,000	-	16,789,998	22,463,842
Transfers out	(21,409,822)	-	(2,596,748)	(180,176)	(24,186,746)
<b>Total other financing sources (uses)</b>	<b>\$ (20,216,525)</b>	<b>\$ 62,502,098</b>	<b>\$ (2,596,748)</b>	<b>\$ 31,425,383</b>	<b>\$ 71,114,208</b>
<b>Net change in fund balance</b>	<b>\$ 1,779,936</b>	<b>\$ 60,653,417</b>	<b>\$ -</b>	<b>\$ 19,111,157</b>	<b>\$ 81,544,510</b>
<b>Fund balances, beginning of year</b>	<b>39,394,417</b>	<b>-</b>	<b>-</b>	<b>21,409,952</b>	<b>60,804,369</b>
<b>Fund balances, end of year</b>	<b>\$ 41,174,353</b>	<b>\$ 60,653,417</b>	<b>\$ -</b>	<b>\$ 40,521,109</b>	<b>\$ 142,348,879</b>

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, 2023

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 81,544,510
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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	\$ 12,357,883	
Depreciation	<u>(9,823,854)</u>	2,534,029

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board	(1,735,965)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(24,392)
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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.	1,707,103
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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	600,057
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Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
General obligation bonds	\$ (68,045,000)	
Lease	(231,013)	
Premium on debt issued	(3,279,770)	
Amortization of premium on long-term debt	724,564	
Repayments of long-term debt:		
General obligation bonds	5,379,579	
Lease liabilities	<u>1,067,552</u>	
Net adjustment		(64,384,088)

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	\$ (592,129)	
OPEB expense	458,119	
Pension expense	1,633,226	
Accrued interest on bonds and loans	(658,950)	
Amortization of deferred charge/gain on refunding	(12,580)	
Accrued landfill post-closure costs	<u>(105,234)</u>	
Net adjustment		722,452

Special contributions received from the Commonwealth for the OPEB cost sharing pools are not reported in governmental funds.	35,607
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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>(563,598)</u>
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Change in net position of governmental activities (Exhibit 2)	<u>\$ 20,435,715</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, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 17,452,177	\$ 15,658,271	\$ 10,510,926	\$ 669,501	\$ 44,290,875	\$ 860,185
Accounts receivable, net of allowance for uncollectibles	993,327	1,635,210	-	-	2,628,537	-
Accrued revenue	21,944	26,493	28,476	38,839	115,752	-
Leases receivable	38,888	-	-	40,528	79,416	-
Inventory, at cost	172,977	19,857	-	-	192,834	-
Prepaid items	1,106	3,299	32,565	17,304	54,274	-
Due from other governments	-	225,926	2,915,132	-	3,141,058	-
Restricted assets:						
Cash and cash equivalents	754,890	-	-	-	754,890	-
Total current assets	\$ 19,435,309	\$ 17,569,056	\$ 13,487,099	\$ 766,172	\$ 51,257,636	\$ 860,185
Noncurrent assets:						
Leases receivable	\$ 41,310	\$ -	\$ -	\$ 284,192	\$ 325,502	\$ -
Capital Assets:						
Land	701,345	114,880	858,573	782,125	2,456,923	-
Construction in progress	728,324	3,520,718	62,071	-	4,311,113	-
Land improvements	-	-	976,403	-	976,403	-
Dams and reservoirs	2,531,502	-	-	-	2,531,502	-
Buildings and systems	25,378,081	48,907,651	10,185,298	6,942,467	91,413,497	-
Furniture, machinery and equipment	821,973	5,544,616	5,205,415	374,252	11,946,256	-
Intangible assets	7,734,882	1,556,496	-	-	9,291,378	-
Total property, plant and equipment	\$ 37,896,107	\$ 59,644,361	\$ 17,287,760	\$ 8,098,844	\$ 122,927,072	\$ -
Accumulated depreciation	(13,975,380)	(27,876,851)	(6,148,587)	(2,622,418)	(50,623,236)	-
Capital assets, net	\$ 23,920,727	\$ 31,767,510	\$ 11,139,173	\$ 5,476,426	\$ 72,303,836	\$ -
Total noncurrent assets	\$ 23,962,037	\$ 31,767,510	\$ 11,139,173	\$ 5,760,618	\$ 72,629,338	\$ -
Total assets	\$ 43,397,346	\$ 49,336,566	\$ 24,626,272	\$ 6,526,790	\$ 123,886,974	\$ 860,185
<b>Deferred Outflows of Resources:</b>						
Pension related items	\$ 125,907	\$ 225,442	\$ 483,825	\$ 21,855	\$ 857,029	\$ -
OPEB related items	24,010	34,214	25,098	723	84,045	-
Deferred charge on refunding	9,283	169,418	-	19,862	198,563	-
Total deferred outflows of resources	\$ 159,200	\$ 429,074	\$ 508,923	\$ 42,440	\$ 1,139,637	\$ -
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	\$ 772,976	\$ 1,329,637	\$ 149,676	\$ 389	\$ 2,252,678	\$ 66,913
Accrued liabilities	778,723	513,190	77,921	4,956	1,374,790	-
Interest payable	100,135	112,666	-	-	212,801	-
Compensated absences, current portion	67,239	104,085	65,860	2,879	240,063	-
Claims payable	-	-	-	-	-	446,000
Unearned revenue, current portion	-	50,220	-	-	50,220	-
General obligation bonds, current portion	877,205	1,229,382	-	282,675	2,389,262	-
Current liabilities payable from restricted assets:						
Customer deposits	754,890	-	-	-	754,890	-
Total current liabilities	\$ 3,351,168	\$ 3,339,180	\$ 293,457	\$ 290,899	\$ 7,274,704	\$ 512,913
Noncurrent liabilities:						
Unearned revenue, noncurrent portion	\$ -	\$ 1,313,954	\$ -	\$ -	\$ 1,313,954	\$ -
Compensated absences, noncurrent portion	41,212	18,368	90,949	1,764	152,293	-
Net OPEB liability	284,558	375,800	156,507	2,080	818,945	-
Net pension liability	414,657	761,416	1,151,823	55,773	2,383,669	-
General obligation bonds, noncurrent portion	10,350,783	11,557,929	-	581,165	22,489,877	-
Total noncurrent liabilities	\$ 11,091,210	\$ 14,027,467	\$ 1,399,279	\$ 640,782	\$ 27,158,738	\$ -
Total liabilities	\$ 14,442,378	\$ 17,366,647	\$ 1,692,736	\$ 931,681	\$ 34,433,442	\$ 512,913
<b>Deferred Inflows of Resources:</b>						
Pension related items	\$ 112,717	\$ 152,117	\$ 191,187	\$ 275	\$ 456,296	\$ -
Leases related	103,835	-	-	295,803	399,638	-
OPEB related items	26,834	36,732	21,701	426	85,693	-
Total deferred inflows of resources	\$ 243,386	\$ 188,849	\$ 212,888	\$ 296,504	\$ 941,627	\$ -
<b>Net Position:</b>						
Net investment in capital assets	\$ 18,243,397	\$ 20,572,360	\$ 11,139,173	\$ 4,632,448	\$ 54,587,378	\$ -
Unrestricted	10,627,385	11,637,784	12,090,398	708,597	35,064,164	347,272
Total net position	\$ 28,870,782	\$ 32,210,144	\$ 23,229,571	\$ 5,341,045	\$ 89,651,542	\$ 347,272

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, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 4,509,099	\$ 7,664,481	\$ -	\$ 353,063	\$ 12,526,643	\$ 6,425,217
Operating expenses:						
Personal services	\$ 605,571	\$ 1,043,823	\$ 2,419,946	\$ 123,388	\$ 4,192,728	\$ -
Fringe benefits	233,614	399,145	735,378	35,443	1,403,580	6,373,608
Contractual services	2,809,191	1,536,234	518,354	40,927	4,904,706	-
Other operating expenses	353,007	804,449	894,487	68,611	2,120,554	915,207
Depreciation expense	937,818	1,389,020	545,188	179,865	3,051,891	-
Total operating expenses	\$ 4,939,201	\$ 5,172,671	\$ 5,113,353	\$ 448,234	\$ 15,673,459	\$ 7,288,815
Total operating income (loss)	\$ (430,102)	\$ 2,491,810	\$ (5,113,353)	\$ (95,171)	\$ (3,146,816)	\$ (863,598)
Nonoperating revenues (expenses):						
Interest income	\$ 34,086	\$ 34,086	\$ 34,086	\$ 34,086	\$ 136,344	\$ -
Gasoline tax receipts	-	-	131,553	298,497	430,050	-
Availability/connection fees	455,200	732,440	-	-	1,187,640	-
Miscellaneous	270,276	23,345	138,205	2,118	433,944	-
Gain (loss) on disposal of capital assets	-	-	40,313	-	40,313	-
Utility relief program	(733)	(1,264)	-	-	(1,997)	-
State and local grant funds	-	-	1,872,420	-	1,872,420	-
Federal grant funds	733	1,264	2,876,542	-	2,878,539	-
Interest expense	(335,025)	(404,324)	-	(33,659)	(773,008)	-
Total nonoperating revenues (expenses)	\$ 424,537	\$ 385,547	\$ 5,093,119	\$ 301,042	\$ 6,204,245	\$ -
Income (loss) before contributions and transfers	\$ (5,565)	\$ 2,877,357	\$ (20,234)	\$ 205,871	\$ 3,057,429	\$ (863,598)
Capital grants and contributions:						
State and local grant funds	\$ -	\$ 50,220	\$ 878,235	\$ -	\$ 928,455	\$ -
Federal grant funds	-	-	858,293	-	858,293	-
Total capital grants and contributions	\$ -	\$ 50,220	\$ 1,736,528	\$ -	\$ 1,786,748	\$ -
Transfers:						
Transfers in	\$ 21,374	\$ 2,575,374	\$ -	\$ -	\$ 2,596,748	\$ 300,000
Transfers out	(412,525)	(550,000)	(211,319)	-	(1,173,844)	-
Net transfers	(391,151)	2,025,374	(211,319)	-	1,422,904	300,000
Change in net position	\$ (396,716)	\$ 4,952,951	\$ 1,504,975	\$ 205,871	\$ 6,267,081	\$ (563,598)
Net position, beginning of year	29,267,498	27,257,193	21,724,596	5,135,174	83,384,461	910,870
Net position, end of year	\$ 28,870,782	\$ 32,210,144	\$ 23,229,571	\$ 5,341,045	\$ 89,651,542	\$ 347,272

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

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023

	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	\$ 4,412,543	\$ 7,467,455	\$ (12,938)	\$ 333,518	\$ 12,200,578	\$ 6,425,217
Other miscellaneous receipts	282,251	23,345	269,758	300,615	875,969	-
Payments to suppliers	(2,598,658)	(1,228,641)	(1,475,663)	(113,269)	(5,416,231)	(848,294)
Payments to and for employees	(868,642)	(1,473,598)	(3,143,836)	(162,210)	(5,648,286)	(6,410,608)
Net cash provided by (used for) operating activities	\$ 1,227,494	\$ 4,788,561	\$ (4,362,679)	\$ 358,654	\$ 2,012,030	\$ (833,685)
Cash flows from noncapital financing activities:						
Availability and connection fees	\$ 455,200	\$ 732,440	\$ -	\$ -	\$ 1,187,640	\$ -
State, federal and local grant funds	-	1,264	2,806,063	-	2,807,327	-
Transfers	(391,151)	2,025,374	(211,319)	-	1,422,904	300,000
Net cash provided by (used for) noncapital financing activities	\$ 64,049	\$ 2,759,078	\$ 2,594,744	\$ -	\$ 5,417,871	\$ 300,000
Cash flows from investing activities:						
Interest income	\$ 34,086	\$ 34,086	\$ 34,086	\$ 34,086	\$ 136,344	\$ -
Cash flows from capital and related financing activities:						
Purchase of capital assets	\$ (744,891)	\$ (4,193,054)	\$ (2,094,332)	\$ -	\$ (7,032,277)	\$ -
Disposal of capital assets	-	-	43,713	-	43,713	-
State, federal and local grant funds	-	-	1,736,528	-	1,736,528	-
Proceeds from issuance of debt	4,795,000	2,090,000	-	-	6,885,000	-
Premium on issuance of debt	408,924	178,238	-	-	587,162	-
Principal payment on debt	(415,753)	(1,125,246)	-	(274,768)	(1,815,767)	-
Interest paid on debt	(304,073)	(375,798)	-	(23,729)	(703,600)	-
Net cash provided by (used for) capital and related financing activities	\$ 3,739,207	\$ (3,425,860)	\$ (314,091)	\$ (298,497)	\$ (299,241)	\$ -
Increase (decrease) in cash and cash equivalents for the year	\$ 5,064,836	\$ 4,155,865	\$ (2,047,940)	\$ 94,243	\$ 7,267,004	\$ (533,685)
Cash and cash equivalents (including restricted), beginning of year	13,142,231	11,502,406	12,558,866	575,258	37,778,761	1,393,870
Cash and cash equivalents (including restricted), end of year	\$ 18,207,067	\$ 15,658,271	\$ 10,510,926	\$ 669,501	\$ 45,045,765	\$ 860,185
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (430,102)	\$ 2,491,810	\$ (5,113,353)	\$ (95,171)	\$ (3,146,816)	\$ (863,598)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	937,818	1,389,020	545,188	179,865	3,051,891	-
Other miscellaneous receipts	270,276	23,345	269,758	300,615	863,994	-
Changes in assets and liabilities:						
Accounts receivable	(105,469)	(165,485)	-	-	(270,954)	-
Inventory	(28,905)	9,541	-	-	(19,364)	-
Accrued revenue	(12,416)	(16,965)	(12,938)	(6,325)	(48,644)	-
Leases receivable	80,177	-	-	36,080	116,257	-
Prepaid items	79	(2,239)	(6,735)	(2,280)	(11,175)	-
Due from other governments	-	(14,576)	-	-	(14,576)	-
Deferred outflows of resources - pension related items	20,956	20,251	74,404	(11,570)	104,041	-
Deferred outflows of resources - OPEB related items	48	(676)	(1,414)	(61)	(2,103)	-
Accounts payable	(95,958)	670,017	20,472	(1,451)	593,080	66,913
Accrued liabilities	688,324	434,723	(76,559)	(2,466)	1,044,022	-
Net OPEB liability	7,410	12,770	14,962	(318)	34,824	-
Net pension liability	135,656	293,901	467,140	36,168	932,865	-
Claims payable	-	-	-	-	-	(37,000)
Compensated absences	15,142	25,359	18,594	2,633	61,728	-
Deferred inflows of resources - pension related items	(192,617)	(360,784)	(550,016)	(27,250)	(1,130,667)	-
Deferred inflows of resources - OPEB related items	(16,052)	(21,451)	(12,182)	(515)	(50,200)	-
Deferred inflows of resources - leases related	(68,202)	-	-	(49,300)	(117,502)	-
Deposits payable from restricted assets	21,329	-	-	-	21,329	-
Net cash provided by (used for) operating activities	\$ 1,227,494	\$ 4,788,561	\$ (4,362,679)	\$ 358,654	\$ 2,012,030	\$ (833,685)

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

Statement of Fiduciary Net Position  
Fiduciary Funds  
At June 30, 2023

	Custodial Funds	Other Postemployment Benefit Plan Fund	Private Purpose Trust Fund
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,806,558	\$ -	\$ 1,661,715
Accounts receivable	106,919	-	5,870
Prepaid items	103,770	-	-
Pension asset	404,082	-	-
Investments at fair value:			
Investment in pooled funds	-	2,475,104	-
Capital assets net of accumulated depreciation	2,459,043	-	-
Total assets	\$ 4,880,372	\$ 2,475,104	\$ 1,667,585
<b>Deferred Outflows of Resources:</b>			
Pension related items	\$ 161,169	\$ -	\$ 20,635
OPEB related items	15,867	-	2,428
Total deferred outflows of resources	\$ 177,036	\$ -	\$ 23,063
<b>Liabilities:</b>			
Accounts payable	\$ 32,200	\$ -	\$ 40
Accrued liabilities	242,321	-	27,275
Notes payable	284,348	-	-
Lease liabilities	210,362	-	-
Net OPEB liability	58,871	-	25,234
Net pension liability	460,729	-	60,622
Amounts held for others	560,127	-	-
Total liabilities	\$ 1,848,958	\$ -	\$ 113,171
<b>Deferred Inflows of Resources:</b>			
Pension related items	\$ 252,560	\$ -	\$ 10,714
OPEB related items	21,989	-	2,549
Total deferred inflows of resources	\$ 274,549	\$ -	\$ 13,263
<b>Net Position:</b>			
Net position restricted for OPEB and other purposes	\$ 2,933,901	\$ 2,475,104	\$ 1,564,214

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, 2023

	<u>Custodial Funds</u>	<u>Other Post-employment Benefit Plan Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:			
Contributions:			
Contributions	\$ 1,487,504	\$ 157,003	\$ 99,400
Investment income:			
Interest earned on investments	-	164,399	28,925
Miscellaneous	<u>3,044,598</u>	<u>-</u>	<u>160</u>
Total additions	\$ <u>4,532,102</u>	\$ <u>321,402</u>	\$ <u>128,485</u>
Deductions:			
Payments for property management	\$ -	\$ -	\$ 111,189
Other charges	<u>4,171,375</u>	<u>2,729</u>	<u>-</u>
Total deductions	\$ <u>4,171,375</u>	\$ <u>2,729</u>	\$ <u>111,189</u>
Net increase (decrease) in plan assets	\$ 360,727	\$ 318,673	\$ 17,296
Net position held in trust for OPEB benefits and other purposes:			
Balance, beginning of year, as restated	<u>2,573,174</u>	<u>2,156,431</u>	<u>1,546,918</u>
Balance, end of year	\$ <u><u>2,933,901</u></u>	\$ <u><u>2,475,104</u></u>	\$ <u><u>1,564,214</u></u>

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

Statement of Activities  
Component Units  
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	
<b>School Board</b>							
Education	\$ 65,885,163	\$ 137,804	\$ 38,729,542	\$ -	\$ (27,017,817)	\$ -	\$ (27,017,817)
Interest on long-term debt	36,869	-	-	-	(36,869)	-	(36,869)
Total School Board	\$ 65,922,032	\$ 137,804	\$ 38,729,542	\$ -	\$ (27,054,686)	\$ -	\$ (27,054,686)
<b>Economic Development Authority</b>							
Community development	\$ 801,044	\$ 158,045	\$ 110,742	\$ -	\$ -	\$ (532,257)	\$ (532,257)
Interest on long-term debt	16,470	-	-	-	-	(16,470)	(16,470)
Total Economic Development Authority	\$ 817,514	\$ 158,045	\$ 110,742	\$ -	\$ -	\$ (548,727)	\$ (548,727)
<b>Total Component Units</b>	<u>\$ 66,739,546</u>	<u>\$ 295,849</u>	<u>\$ 38,840,284</u>	<u>\$ -</u>	<u>\$ (27,054,686)</u>	<u>\$ (548,727)</u>	<u>\$ (27,603,413)</u>
<b>General revenues</b>							
Payment from/(to) City of Fredericksburg					\$ 28,535,589	\$ 744,864	\$ 29,280,453
Interest and investment income					61,787	2,313	64,100
Miscellaneous					1,370,074	6,045	1,376,119
Total general revenues					\$ 29,967,450	\$ 753,222	\$ 30,720,672
Change in net position					\$ 2,912,764	\$ 204,495	\$ 3,117,259
Net position, beginning of year					824,476	1,455,051	2,279,527
Net position, end of year					<u>\$ 3,737,240</u>	<u>\$ 1,659,546</u>	<u>\$ 5,396,786</u>

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

## CITY OF FREDERICKSBURG, VIRGINIA

### Notes to Financial Statements As of June 30, 2023

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#### **Note 1—Summary of Significant Accounting Policies:**

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##### 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)**

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**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)**

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**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 \$4,518,656 in operating and other funds to the Center in 2023.

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

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**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 \$1,400,000 in operating funds to the Library in 2023.

**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, 2023 was \$9,033,941.

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

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**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 \$8.9 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2023 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 2023. 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 \$302,359 to the Board in 2023.

**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 2023.



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

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**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 \$25,113 in operating grants and \$10,000 in homelessness grants to the Commission in 2023.

**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 \$188,688 to the Center in 2023.

**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 2023.

**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 2023.



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

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**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)**

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**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 2023.

**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)**

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**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)**

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**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.

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

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

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

School Bond Funded Capital Fund - This fund accounts for construction, renovation, and improvements of the Component Unit School Board's buildings and facilities. Financing is provided primarily by bond proceeds. The School Bond Funded Capital Fund is a major fund.

**2. Proprietary Funds:**

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

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

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

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

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

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

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**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)**

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**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)**

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**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)**

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**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, 2023. 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, 2023.

**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, 2023, the allowance totaled \$1,263,194 with \$812,205 in the General Fund and \$450,989 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)**

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**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)**

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**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 30<sup>th</sup>, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, opioid settlements, 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)**

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**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, 2023 was \$724,564 and \$51,800 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)**

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**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, 2023

## 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	School Bond Funded Capital Fund	COVID-19 Relief Fund	Other Governmental Funds	Total
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 24,351	\$ -	\$ -	\$ -	\$ 24,351
Leases	10,997	-	-	-	10,997
Prepays	400,838	-	4,000	1,938,670	2,343,508
<b>Total Nonspendable Fund Balance</b>	<b>\$ 436,186</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ 1,938,670</b>	<b>\$ 2,378,856</b>
<b>Restricted:</b>					
Housing initiatives	\$ -	\$ -	\$ -	\$ 95,250	\$ 95,250
Education construction projects	-	1,556,984	-	-	1,556,984
Opioid settlement	-	-	-	156,197	156,197
<b>Total Restricted Fund Balance</b>	<b>\$ -</b>	<b>\$ 1,556,984</b>	<b>\$ -</b>	<b>\$ 251,447</b>	<b>\$ 1,808,431</b>
<b>Committed:</b>					
Social services	\$ -	\$ -	\$ -	\$ 572,670	\$ 572,670
Comprehensive services	-	-	-	1,224,256	1,224,256
Cowan Boulevard debt service	-	-	-	35,611	35,611
Public safety construction projects	-	-	-	411,745	411,745
Public facilities construction projects	-	-	-	1,340,284	1,340,284
Public works construction projects	-	-	-	1,029,276	1,029,276
Blight abatement	-	-	-	241,903	241,903
Economic development opportunities	-	-	-	764,252	764,252
Grant related expenditures	-	-	-	1,172,604	1,172,604
Forfeited asset sharing program	-	-	-	103,221	103,221
Stormwater management	-	-	-	967,379	967,379
Education debt service	-	-	-	1,775,211	1,775,211
Debt service	-	-	-	3,036,787	3,036,787
Detention stabilization	2,071,004	-	-	-	2,071,004
City capital projects	8,628,926	-	-	-	8,628,926
School capital projects	1,000,000	-	-	-	1,000,000
Homelessness initiatives	2,000,000	-	-	-	2,000,000
Health insurance claims	1,200,000	-	-	-	1,200,000
Other purposes	1,863,429	-	-	27,483	1,890,912
<b>Total Committed Fund Balance</b>	<b>\$ 16,763,359</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,702,682</b>	<b>\$ 29,466,041</b>
<b>Assigned:</b>					
Public works construction projects	\$ -	\$ -	\$ -	\$ 11,854,368	\$ 11,854,368
Public facilities construction projects	-	-	-	9,551,920	9,551,920
Public safety construction projects	-	-	-	3,146,217	3,146,217
Education construction projects	-	59,096,433	-	-	59,096,433
Court facilities construction projects	-	-	-	1,075,805	1,075,805
Upfront capital costs	2,000,000	-	-	-	2,000,000
Economic development opportunities	75,000	-	-	-	75,000
Other purposes	206,009	-	-	-	206,009
<b>Total Assigned Fund Balance</b>	<b>\$ 2,281,009</b>	<b>\$ 59,096,433</b>	<b>\$ -</b>	<b>\$ 25,628,310</b>	<b>\$ 87,005,752</b>
<b>Unassigned</b>	<b>\$ 21,693,799</b>	<b>\$ -</b>	<b>\$ (4,000)</b>	<b>\$ -</b>	<b>\$ 21,689,799</b>
<b>Total Fund Balances</b>	<b>\$ 41,174,353</b>	<b>\$ 60,653,417</b>	<b>\$ -</b>	<b>\$ 40,521,109</b>	<b>\$ 142,348,879</b>

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

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**U. Other Postemployment Benefits (OPEB)**

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

**V. Leases and Subscription-Based IT Arrangements**

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

*Lessee*

The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of 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).

*Subscriptions*

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

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

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

*Key Estimates and Judgments*

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

- The City uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

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

**Note 2—Deposits and Investments:**

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

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

Custodial Credit Risk (Investments) - The City’s investments at June 30, 2023 were held by the City or in the City’s name by the City’s custodial banks; except for U.S. Agency investments, U.S. Treasuries, Corporate Debt investments, municipal public bonds, and commercial paper, where the underlying securities were uninsured and held by an investment broker.



# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## Note 2—Deposits and Investments: (Continued)

### Credit Risk of Debt Securities

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

The City's rated debt investments as of June 30, 2023 were rated by Standard and Poor's or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AA+	AA	AA-
U.S. Agencies	\$ -	\$ 21,158,805	\$ -	\$ -
Corporate Debt	-	901,475	982,056	547,009
U.S. Treasuries	-	21,970,730	-	-
VML/VACO Pooled Trust	2,475,104	-	-	-
Virginia State Non-Arbitrage Program	78,281,516	-	-	-
Money Market Mutual Fund	43,159,963	-	-	-
Total	\$ 123,916,583	\$ 44,031,010	\$ 982,056	\$ 547,009

### 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	\$ 21,158,805	\$ 11,464,445	\$ 9,694,360
U.S. Treasuries	21,970,730	8,991,862	12,978,868
VML/VACO Pooled Trust	2,475,104	2,475,104	-
Virginia State Non-Abitrage Program	78,281,516	78,281,516	-
Corporate Debt	2,430,540	-	2,430,540
Total	\$ 126,316,695	\$ 101,212,927	\$ 25,103,768



# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## Note 2—Deposits and Investments: (Continued)

### External Investment Pool

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

## Note 3—Fair Value Measurements:

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

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

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

The City has the following recurring fair value measurements as of June 30, 2023:

Investment	June 30, 2023	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Agencies	\$ 21,158,805	\$ 21,158,805
U.S. Treasuries	21,970,730	21,970,730
Money Market Mutual Fund	43,159,963	43,159,963
Corporate Debt	2,430,540	2,430,540
Total	\$ 88,720,038	\$ 88,720,038
Investments measured at NAV:		
Virginia Investment Pool	\$ 2,475,104	
Total investments measured at fair value	\$ 91,195,142	

At June 30, 2023, there were no withdraw limitations associated with investments held by the Virginia Investment Pool.

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## Note 4—Real and Personal Property Tax Data:

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

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

## Note 5—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2023 consist of the following:

### Primary Government:

	Governmental Activities				Business-Type Activities
	General	Special Revenue	Capital Projects	Total	
Property taxes	\$ 4,494,752	\$ 31,879	\$ -	\$ 4,526,631	\$ -
Water charges	-	-	-	-	1,176,780
Wastewater charges	-	-	-	-	1,902,746
EMS fees	125,928	-	-	125,928	-
Meals tax	1,652,954	-	-	1,652,954	-
Refuse disposal fees	224,001	-	-	224,001	-
Opioid settlements	-	484,424	-	484,424	-
Lodging tax	179,408	-	-	179,408	-
Investment earnings	87,775	-	263,324	351,099	87,776
Other	585,196	34,865	2,423	622,484	27,976
Total	\$ 7,350,014	\$ 551,168	\$ 265,747	\$ 8,166,929	\$ 3,195,278
Allowance for uncollectibles	(812,205)	-	-	(812,205)	(450,989)
Net receivables	\$ 6,537,809	\$ 551,168	\$ 265,747	\$ 7,354,724	\$ 2,744,289

### Component Units

	School Board	Economic Development Authority
Other	\$ 147,275	\$ 124,469
Total	\$ 147,275	\$ 124,469
Allowance for uncollectibles	-	-
Net receivables	\$ 147,275	\$ 124,469

# CITY OF FREDERICKSBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2023

### Note 6—Due From Other Governmental Units:

	Governmental Activities					Business-Type Activities	Component Unit School Board
	General	Special Revenue	Capital Projects	COVID-19 Relief	Total		
<b>Primary Government:</b>							
Commonwealth of Virginia:							
Local sales taxes	\$ 2,478,660	\$ -	\$ -	\$ -	\$ 2,478,660	\$ -	\$ -
Telecommunication sales tax	98,789	-	-	-	98,789	-	-
PPTRA	676,647	-	-	-	676,647	-	-
Children's Services Act	-	487,659	-	-	487,659	-	-
Shared expenses and grants	191,382	-	-	-	191,382	-	-
Virginia Department of Transportation	-	-	6,314	-	6,314	894,178	-
Virginia Department of Emergency Management	-	88,842	-	-	88,842	-	-
Virginia Department of Criminal Justice Services	-	5,160	-	-	5,160	-	-
Social services grants	-	655,341	-	-	655,341	-	-
Other	33,481	3,393	207,235	-	244,109	-	-
Federal government:							
Transit grants	-	-	-	-	-	2,020,954	-
Criminal justice grants	-	101,763	-	94,290	196,053	-	-
Department of Housing and Community Development	-	32,633	-	-	32,633	-	-
Other	2,611	87,992	-	-	90,603	-	-
Others:							
Other	73,562	8,212	-	-	81,774	-	-
Local government reimbursements:							
County of Spotsylvania	-	-	-	-	-	225,926	-
<b>Component Unit School Board:</b>							
Commonwealth of Virginia:							
State sales taxes	-	-	-	-	-	-	771,400
State school funds	-	-	-	-	-	-	10,705
Federal pass-through:							
School funds	-	-	-	-	-	-	7,699,864
Federal government:							
Head Start	-	-	-	-	-	-	80,012
<b>Total</b>	<b>\$ 3,555,132</b>	<b>\$ 1,470,995</b>	<b>\$ 213,549</b>	<b>\$ 94,290</b>	<b>\$ 5,333,966</b>	<b>\$ 3,141,058</b>	<b>\$ 8,561,981</b>

## CITY OF FREDERICKSBURG, VIRGINIA

### Notes to Financial Statements As of June 30, 2023

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#### Note 7—Interfund Balances and Activity:

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##### Primary Government:

Balances due To/From other funds at June 30, 2023:

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

Transfers to the Virginia Public Assistance Fund for the local share of social services program costs	\$ 1,194,680
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	200,000
Transfer to the Children's Services Act Fund for the local share of the program costs	1,000,000
Transfer to the Fredericksburg Opportunity Fund for the local share of the program costs	500,000
Transfers to the Multi Purpose Stadium Fund for community development	193,968
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	4,458,676
Transfers to the Education Debt Service Fund to pay school debt service and related costs	5,292,536
Transfers to the School Bond Funded Capital Fund to fund infrastructure and related capital projects	4,500,000
Transfers to the Public Works Capital Fund to fund infrastructure and related capital projects	1,363,640
Transfers to the Public Safety Capital Fund to fund capital projects	926,186
Transfers to the Public Facilities Capital Fund to fund building improvements and related costs	1,660,312
Transfer to the Internal Service Fund for insurance funding	300,000
Transfers to the Sewer Fund to reimburse grant expenditures	2,575,374
Transfers to the Water Fund to reimburse grant expenditures	21,374
Total transfers in - other governmental funds	<u>\$ 24,186,746</u>
Transfers to the General Fund for various programs	<u>\$ 1,173,844</u>
Total transfers	<u><u>\$ 25,360,590</u></u>
Reconciliation of transfers:	
Transfers out from governmental funds	\$ 24,186,746
Transfers from enterprise funds to governmental funds	<u>1,173,844</u>
Total transfers	<u><u>\$ 25,360,590</u></u>

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## 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, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 26,373,125	\$ 3,400	\$ 15,000	\$ 26,361,525
Construction in progress:				
Infrastructure	\$ 399,980	\$ 1,891,268	\$ -	\$ 2,291,248
Land improvements	55,293	29,082	-	84,375
Joint tenancy assets	-	6,816,041	-	6,816,041
Buildings	2,816,408	982,961	2,562,289	1,237,080
Total construction in progress	\$ 3,271,681	\$ 9,719,352	\$ 2,562,289	\$ 10,428,744
Total capital assets not being depreciated	\$ 29,644,806	\$ 9,722,752	\$ 2,577,289	\$ 36,790,269
Other capital assets:				
Land improvements	\$ 27,951,602	\$ 79,800	\$ -	\$ 28,031,402
Buildings and improvements	64,446,327	2,889,575	274,107	67,061,795
Lease buildings and improvements	24,762,624	231,013	-	24,993,637
Joint tenancy assets	31,630,000	-	2,765,000	28,865,000
Infrastructure	107,923,957	-	-	107,923,957
Lease equipment	461,293	-	-	461,293
Machinery, equipment and vehicles	31,616,239	2,027,112	266,426	33,376,925
Total other capital assets	\$ 288,792,042	\$ 5,227,500	\$ 3,305,533	\$ 290,714,009
Accumulated depreciation:				
Land improvements	\$ 6,996,655	\$ 745,425	\$ -	\$ 7,742,080
Buildings and improvements	25,305,838	1,678,876	241,039	26,743,675
Lease buildings and improvements	965,337	1,027,766	-	1,993,103
Joint tenancy assets	7,209,493	795,625	1,029,035	6,976,083
Infrastructure	59,840,759	3,570,541	-	63,411,300
Lease equipment	167,743	167,742	-	335,485
Machinery, equipment and vehicles	19,588,345	1,837,879	260,022	21,166,202
Total accumulated depreciation	\$ 120,074,170	\$ 9,823,854	\$ 1,530,096	\$ 128,367,928
Other capital assets, net	\$ 168,717,872	\$ (4,596,354)	\$ 1,775,437	\$ 162,346,081
Net capital assets	\$ 198,362,678	\$ 5,126,398	\$ 4,352,726	\$ 199,136,350
Depreciation is allocated to:				
General government administration		\$ 532,129		
Judicial administration		1,041,788		
Public safety		1,221,492		
Public works		4,372,321		
Health and welfare		99,558		
Education		795,625		
Parks and recreation		848,805		
Community development		912,136		
Total		\$ 9,823,854		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

**Note 8—Capital Assets: (Continued)**

**Primary Government: (Continued)**

**Business-type Activities:**

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 2,159,036	\$ 297,887	\$ -	\$ 2,456,923
Construction in progress	848,713	4,715,127	1,252,727	4,311,113
Total capital assets not being depreciated	\$ 3,007,749	\$ 5,013,014	\$ 1,252,727	\$ 6,768,036
Other capital assets:				
Land improvements	\$ 976,403	\$ -	\$ -	\$ 976,403
Buildings and systems	90,139,451	1,274,046	-	91,413,497
Dams and reservoirs	2,531,502	-	-	2,531,502
Intangible assets	9,291,378	-	-	9,291,378
Furniture, machinery and equipment	11,125,741	1,997,944	1,177,429	11,946,256
Total other capital assets	\$ 114,064,475	\$ 3,271,990	\$ 1,177,429	\$ 116,159,036
Accumulated depreciation:				
Land improvements	\$ 287,896	\$ 35,987	\$ -	\$ 323,883
Buildings and systems	36,188,842	2,012,461	-	38,201,303
Dams and reservoirs	548,333	88,076	-	636,409
Intangible assets	3,620,146	308,577	-	3,928,723
Furniture, machinery and equipment	8,100,156	606,790	1,174,028	7,532,918
Total accumulated depreciation	\$ 48,745,373	\$ 3,051,891	\$ 1,174,028	\$ 50,623,236
Other capital assets, net	\$ 65,319,102	\$ 220,099	\$ 3,401	\$ 65,535,800
Net capital assets	\$ 68,326,851	\$ 5,233,113	\$ 1,256,128	\$ 72,303,836
Depreciation is allocated to:				
Water operations		\$ 937,818		
Wastewater operations		1,389,020		
Parking garage operations		545,188		
Transit operations		179,865		
Total		\$ 3,051,891		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

Note 8—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 472,679	\$ -	\$ -	\$ 472,679
Construction in progress	3,080,292	-	1,881,872	1,198,420
Total capital assets not being depreciated	\$ 3,552,971	\$ -	\$ 1,881,872	\$ 1,671,099
Other capital assets:				
Land improvements	\$ 873,540	\$ 255,642	\$ -	\$ 1,129,182
Buildings and improvements	53,892,596	4,729,574	-	58,622,170
Lease equipment	369,765	-	-	369,765
Machinery, equipment and vehicles	8,619,760	2,482,680	-	11,102,440
Total other capital assets	\$ 63,755,661	\$ 7,467,896	\$ -	\$ 71,223,557
Accumulated depreciation:				
Land improvements	\$ 128,552	\$ 40,967	\$ -	\$ 169,519
Buildings and improvements	28,531,916	2,681,443	-	31,213,359
Lease equipment	78,161	88,532	-	166,693
Machinery, equipment and vehicles	5,678,278	497,280	-	6,175,558
Total accumulated depreciation	\$ 34,416,907	\$ 3,308,222	\$ -	\$ 37,725,129
Other capital assets, net	\$ 29,338,754	\$ 4,159,674	\$ -	\$ 33,498,428
Net capital assets	\$ 32,891,725	\$ 4,159,674	\$ 1,881,872	\$ 35,169,527
Depreciation allocated to education		\$ 3,308,222		

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023

**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	Business-Type
	Activities	Activities
County of Spotsylvania share of wastewater improvements in exchange for continued wastewater capacity.	\$ -	\$ 1,364,174
Unspent grant funds and other items	7,983,318	-
Total unearned revenue	\$ 7,983,318	\$ 1,364,174
	Deferred/Unavailable Revenue	
	Balance	Government-wide
	Sheet	Statements
	Governmental	Governmental
	Funds	Activities
Deferred/unavailable revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 581,296	\$ 581,296
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	2,400,901	-
Other unavailable revenues	484,424	-
Total deferred/unavailable revenue	\$ 3,466,621	\$ 581,296



# CITY OF FREDERICKSBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2023

### Note 10—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2023	Current Portion
<b>Primary Government:</b>					
Long-term obligations payable from governmental activities:					
General obligation bonds	\$ 35,423,096	\$ 68,045,000	\$ 1,588,347	\$ 101,879,749	\$ 3,380,041
Direct borrowings and placements:					
General obligation bonds	3,574,102	-	766,232	2,807,870	792,925
General obligation school bonds	31,630,000	-	2,765,000	28,865,000	2,915,000
Revenue bonds	535,000	-	260,000	275,000	275,000
Add: Unamortized bond premium	4,726,905	3,279,770	724,564	7,282,111	842,789
Other liabilities:					
Lease liabilities	24,282,903	231,013	1,067,552	23,446,364	1,050,534
Landfill post-closure costs	1,482,161	105,234	-	1,587,395	90,000
Compensated absences	4,056,416	3,107,107	2,514,978	4,648,545	2,882,098
Net pension liability	13,300,047	12,741,716	4,697,862	21,343,901	-
Net OPEB liability	15,712,389	2,545,814	2,146,744	16,111,459	-
Total	\$ 134,723,019	\$ 90,055,654	\$ 16,531,279	\$ 208,247,394	\$ 12,228,387
Long-term obligations payable from business-type activities:					
General obligation bonds	\$ 11,426,904	\$ 6,885,000	\$ 641,653	\$ 17,670,251	\$ 1,084,959
Direct borrowings and placements:					
General obligation bonds	7,615,613	-	1,174,113	6,441,500	1,199,546
Add: Unamortized bond premium	232,026	587,162	51,800	767,388	104,757
Other liabilities:					
Compensated absences	330,628	261,406	199,678	392,356	240,063
Net pension liability	1,450,804	1,475,770	542,905	2,383,669	-
Net OPEB liability	784,121	177,605	142,781	818,945	-
Total	\$ 21,840,096	\$ 9,386,943	\$ 2,752,930	\$ 28,474,109	\$ 2,629,325
Total primary government	\$ 156,563,115	\$ 99,442,597	\$ 19,284,209	\$ 236,721,503	\$ 14,857,712
<b>Component Unit School Board:</b>					
Long-term obligations payable from component unit School Board activities:					
Energy performance contract	\$ 1,753,000	\$ -	\$ 278,000	\$ 1,475,000	\$ 283,000
Lease liabilities	291,950	-	88,027	203,923	88,731
Compensated absences	1,337,039	1,295,509	695,260	1,937,288	1,007,390
Net pension liability	21,171,519	21,525,427	15,535,630	27,161,316	-
Net OPEB liability	10,711,935	2,481,212	1,697,074	11,496,073	-
Total component unit School Board	\$ 35,265,443	\$ 25,302,148	\$ 18,293,991	\$ 42,273,600	\$ 1,379,121

# CITY OF FREDERICKSBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2023

### Note 10—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2023:

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
2024	\$ 3,707,925	\$ 1,358,022	\$ 275,000	\$ 7,047	\$ 3,380,041	\$ 4,219,429	\$ 1,050,534	\$ 272,780
2025	3,878,571	1,180,563	-	-	3,557,604	4,048,153	750,155	349,766
2026	4,065,277	998,862	-	-	3,725,011	3,868,310	711,757	338,243
2027	3,563,250	823,745	-	-	3,932,005	3,679,147	723,084	326,916
2028	3,732,850	652,098	-	-	4,119,559	3,487,214	734,592	315,408
2029	3,720,000	476,454	-	-	4,311,985	3,293,150	746,283	303,717
2030	3,904,997	295,592	-	-	4,469,701	3,088,821	758,160	291,840
2031	645,000	188,547	-	-	4,686,908	2,873,532	770,226	279,774
2032	670,000	159,100	-	-	4,914,096	2,647,182	782,484	267,516
2033	700,000	130,744	-	-	5,151,794	2,415,472	794,937	255,063
2034	730,000	103,525	-	-	4,784,548	2,212,042	807,589	242,411
2035	755,000	75,272	-	-	4,836,991	2,035,160	820,441	229,559
2036	785,000	45,959	-	-	4,920,750	1,851,969	833,499	216,501
2037	815,000	15,509	-	-	5,106,047	1,662,062	846,764	203,236
2038	-	-	-	-	5,291,634	1,477,748	860,240	189,760
2039	-	-	-	-	3,441,075	1,322,735	873,931	176,069
2040	-	-	-	-	2,940,000	1,196,269	887,839	162,161
2041	-	-	-	-	3,065,000	1,076,169	901,969	148,031
2042	-	-	-	-	3,185,000	951,169	916,324	133,676
2043	-	-	-	-	3,315,000	821,169	930,907	119,093
2044	-	-	-	-	3,455,000	685,769	945,722	104,278
2045	-	-	-	-	3,595,000	544,769	960,773	89,227
2046	-	-	-	-	3,745,000	397,969	976,064	73,936
2047	-	-	-	-	3,895,000	245,169	991,598	58,402
2048	-	-	-	-	4,055,000	83,634	1,007,379	42,621
2049	-	-	-	-	-	-	1,023,412	26,588
2050	-	-	-	-	-	-	1,039,701	10,299
	<u>\$ 31,672,870</u>	<u>\$ 6,503,992</u>	<u>\$ 275,000</u>	<u>\$ 7,047</u>	<u>\$ 101,879,749</u>	<u>\$ 50,184,212</u>	<u>\$ 23,446,364</u>	<u>\$ 4,082,490</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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
2024	\$ 1,199,546	\$ 126,489	\$ 1,084,959	\$ 643,342
2025	1,226,815	99,683	1,127,396	600,849
2026	1,252,592	72,217	1,174,989	556,450
2027	976,013	47,766	1,217,995	510,023
2028	997,320	26,360	1,270,441	461,559
2029	391,170	12,470	1,313,015	411,078
2030	398,044	6,289	1,370,299	361,014
2031	-	-	1,418,092	311,287
2032	-	-	1,465,904	259,442
2033	-	-	1,528,206	203,984
2034	-	-	965,452	160,404
2035	-	-	988,009	130,828
2036	-	-	404,250	100,347
2037	-	-	418,953	83,126
2038	-	-	438,366	66,268
2039	-	-	448,925	33,970
2040	-	-	95,000	39,669
2041	-	-	100,000	35,769
2042	-	-	105,000	31,669
2043	-	-	110,000	27,369
2044	-	-	115,000	22,869
2045	-	-	120,000	18,169
2046	-	-	125,000	13,269
2047	-	-	130,000	8,169
2048	-	-	135,000	2,784
	<u>\$ 6,441,500</u>	<u>\$ 391,274</u>	<u>\$ 17,670,251</u>	<u>\$ 5,093,707</u>

Year Ending June 30,	Component Unit School Board			
	Lease Liabilities		Energy Performance Contract	
	Lease Liabilities		Contract	
	Principal	Interest	Principal	Interest
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	10,947	30	301,000	12,221
2028	-	-	307,000	6,171
	<u>\$ 203,923</u>	<u>\$ 1,505</u>	<u>\$ 1,475,000</u>	<u>\$ 90,149</u>

The above schedule does not include premiums.

# CITY OF FREDERICKSBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2023

### Note 10—Long-term Obligations: (Continued)

At June 30, 2023, the City's long-term obligations consisted of the following:

Details of Long-term Obligations:

	Issued	Due Date	Rate(s)	Amount Outstanding	Current Portion
<b>Primary Government:</b>					
General obligation bonds:					
2004A General Obligation School Bonds	2004	2030	4.85%-5.1%	\$ 19,985,000	\$ 2,450,000
2014A General Obligation Refunding Bonds	2015	2026	2.37%	2,185,000	715,000
2014B General Obligation Refunding Bonds	2015	2028	2.55%	3,790,000	720,000
2015A General Obligation Bonds	2015	2035	2.32%	7,485,000	545,000
2016A General Obligation Bonds	2016	2037	3.8%-5.125%	9,495,000	660,000
2018A General Obligation Bonds	2018	2039	3.125%-5.0%	13,120,000	630,000
2020 General Obligation Refunding Bonds	2020	2038	2.0%-5.0%	24,015,000	1,160,000
2020B General Obligation Refunding Bonds	2021	2030	1.58%	2,659,370	362,471
2022A General Obligation Bonds	2023	2048	4.0%-5.0%	74,930,000	2,130,000
Total general obligation bonds				\$ 157,664,370	\$ 9,372,471
Revenue bonds:					
Virginia Resources Authority Revenue Bonds	2016	2024	3.125-5.125%	\$ 275,000	\$ 275,000
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 181,614	\$ 46,450
2015D Virginia Resources Authority Revenue Bonds				4,511	4,511
2016A General Obligation Bonds				983,378	137,534
2018A General Obligation Bonds				640,731	80,601
2020 General Obligation Refunding Bonds				2,480,396	344,674
2022A General Obligation Bonds				3,758,869	333,776
Total unamortized bond premium				\$ 8,049,499	\$ 947,546
Lease liabilities:					
Warehouse space - Industrial Park	2019	2024	2.00%	\$ 47,429	\$ 47,429
Office space - visitors center	2023	2025	3.00%	116,715	67,166
Stadium lease	2021	2050	1.58%	23,127,024	780,743
Public works equipment	2021	2024	0.93%	155,196	155,196
Total lease liabilities				\$ 23,446,364	\$ 1,050,534
Other liabilities:					
Net pension liability				\$ 23,727,570	\$ -
Compensated absences				\$ 5,040,901	\$ 3,122,161
Net OPEB liability				\$ 16,930,404	\$ -
Landfill post-closure costs				\$ 1,587,395	\$ 90,000
Total primary government				\$ 236,721,503	\$ 14,857,712
<b>Component Unit School Board:</b>					
Lease liabilities:					
Copier leases	Various	2027	.32%-1.69%	\$ 203,923	\$ 88,731
Energy performance contract	2013	2028	2.0%	\$ 1,475,000	\$ 283,000
Compensated absences				\$ 1,937,288	\$ 1,007,390
Net pension liability				\$ 27,161,316	\$ -
Net OPEB liability				\$ 11,496,073	\$ -
Total component unit School Board				\$ 42,273,600	\$ 1,379,121

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## Note 10—Long-term Obligations: (Continued)

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

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

**Conduit Debt.** There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. The City has no responsibility for the repayment of these debt obligations.

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

## Note 11—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, 2022	Increase	Decrease	Balance June 30, 2023	Current Portion
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 4,056,416	\$ 3,107,107	\$ 2,514,978	\$ 4,648,545	\$ 2,882,098
Business-type activities	330,628	261,406	199,678	392,356	240,063
Total primary government	\$ 4,387,044	\$ 3,368,513	\$ 2,714,656	\$ 5,040,901	\$ 3,122,161
Component Unit School Board	1,337,039	1,295,509	695,260	1,937,288	1,007,390
Total	\$ 5,724,083	\$ 4,664,022	\$ 3,409,916	\$ 6,978,189	\$ 4,129,551

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:**

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***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)**

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***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, 2023 was 16.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$4,681,859 and \$3,831,873 for the years ended June 30, 2023 and June 30, 2022, respectively.



**Note 12—Pension Plan: (Continued)**

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***Net Pension Liability***

At June 30, 2023, the City reported a liability of \$23,727,570 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 and 2021 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2022 and 2021, the City’s proportion was 97.85% and 97.81%, respectively.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the City’s Retirement Plan and the City Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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, 2023

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### Note 12—Pension Plan: (Continued)

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#### **Actuarial Assumptions - General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2021 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, 2021, 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, 2022.

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, 2023

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### Note 12—Pension Plan: (Continued)

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#### *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, 2021 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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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 40<sup>th</sup> 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%.

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, 2023, 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, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, 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, 2022 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)	\$ 43,593,943	\$ 23,727,570	\$ 7,418,272

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## 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, 2023, the City recognized pension expense of \$2,939,500. 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	\$ 423,249	\$ 206,568
Change in assumptions	1,937,290	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	153,314	135,217
Net difference between projected and actual earnings on pension plan investments	-	3,974,980
Employer contributions subsequent to the measurement date	4,681,859	-
Total	<u>\$ 7,195,712</u>	<u>\$ 4,316,765</u>

\$4,681,859 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, 2024. 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
2024	\$ 365,865
2025	(1,341,570)
2026	(2,671,331)
2027	1,844,124

### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-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, 2023

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### Note 12—Pension Plan: (Continued)

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#### 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, 2021 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	18
Inactive members:	
Vested inactive members	3
Non-vested inactive members	11
Inactive members active elsewhere in VRS	5
Total inactive members	19
Active members	38
Total covered employees	75

##### *Contributions*

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 3.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$56,753 and \$42,139 for the years ended June 30, 2023 and June 30, 2022, respectively.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

**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, 2021	\$ 5,767,170	\$ 6,859,505	\$ (1,092,335)
Changes for the year:			
Service cost	\$ 141,654	\$ -	\$ 141,654
Interest	390,616	-	390,616
Differences between expected and actual experience	(10,798)	-	(10,798)
Contributions - employer	-	41,801	(41,801)
Contributions - employee	-	73,369	(73,369)
Net investment income	-	(6,458)	6,458
Benefit payments, including refunds of employee contributions	(243,840)	(243,840)	-
Administrative expenses	-	(4,283)	4,283
Other changes	-	158	(158)
Net changes	\$ 277,632	\$ (139,253)	\$ 416,885
Balances at June 30, 2022	\$ 6,044,802	\$ 6,720,252	\$ (675,450)

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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)	\$ (1,127)	\$ (675,450)	\$ (1,237,227)

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

For the year ended June 30, 2023, the Component Unit School Board (nonprofessional) recognized pension expense of (\$14,383). At June 30, 2023, 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	\$ -	\$ 35,213
Change in assumptions	88,214	-
Net difference between projected and actual earnings on pension plan investments	-	197,803
Employer contributions subsequent to the measurement date	56,753	-
Total	\$ 144,967	\$ 233,016



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)*

\$56,753 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, 2024. 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	\$ (36,030)
2025	(68,079)
2026	(133,690)
2027	92,997

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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$4,621,451 and \$4,238,212 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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, 2023, the school division reported a liability of \$27,161,316 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was .2853% as compared to .2727% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$1,298,562. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, 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	\$ -	\$ 1,872,880
Change in assumptions	2,560,765	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,196,815	912,037
Net difference between projected and actual earnings on pension plan investments	-	3,541,267
Employer contributions subsequent to the measurement date	4,621,451	-
Total	\$ 8,379,031	\$ 6,326,184

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)*

\$4,621,451 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, 2024. 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>
2024	\$ (980,891)
2025	(1,229,770)
2026	(2,235,002)
2027	1,877,059
2028	-

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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, 2023

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### Note 12—Pension Plan: (Continued)

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#### 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, 2021 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, 2023

### 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, 2022, 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	\$	54,732,329
Plan Fiduciary Net Position		<u>45,211,731</u>
Employers' Net Pension Liability (Asset)	\$	<u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		82.61%

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)	\$ 48,512,190	\$ 27,161,316	\$ 9,777,010

##### *Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023

**Note 12—Pension Plan: (Continued)**

**Aggregate Pension Information**

VRS Pension Plans:				
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
<b>Primary Government</b>				
Primary Government	\$ 7,195,712	\$ 4,316,765	\$ 23,727,570	\$ 2,939,500
Totals	<u>\$ 7,195,712</u>	<u>\$ 4,316,765</u>	<u>\$ 23,727,570</u>	<u>\$ 2,939,500</u>
<b>Component Unit School Board</b>				
School Board Nonprofessional	\$ 144,967	\$ 233,016	\$ (675,450)	\$ (14,383)
School Board Professional	8,379,031	6,326,184	27,161,316	1,298,562
Totals	<u>\$ 8,523,998</u>	<u>\$ 6,559,200</u>	<u>\$ 26,485,866</u>	<u>\$ 1,284,179</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.

**Note 14—Commitments and Contingencies: (Continued)**

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**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, 2023, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$67,617,507 at June 30, 2023.

**Note 15—Litigation:**

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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:**

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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, 2023. The \$1,587,395 reported as landfill post-closure liability at June 30, 2023 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 2023 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, 2022	\$	1,482,161
Increase/(Decrease) in estimate		<u>105,234</u>
Balance at June 30, 2023	\$	<u><u>1,587,395</u></u>

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

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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### Note 17—Surety Bonds:

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	<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:

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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, 2023

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

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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	\$ 446,000
City General Fund: Committed Fund Balance for estimated reserves	<u>1,200,000</u>
Total	<u>\$ 1,646,000</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
2021	\$ 485,637	\$ 5,791,210	\$ 5,753,491	\$ 523,356
2022	523,356	5,401,998	5,442,354	483,000
2023	483,000	6,336,608	6,373,608	446,000

### 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):**

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***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 \$8,984 as of June 30, 2023.

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

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***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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$163,736 and \$152,689 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to School Professional Plan were \$156,549 and \$143,592 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the School Nonprofessional Plan were \$11,504 and \$8,718 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

***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, 2023, the Primary Government, School Board (Professional) and School Board (Nonprofessional) reported liabilities of \$1,565,199, \$1,471,887, and \$89,344, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, School Board (Professional) and School Board (Nonprofessional)'s proportion were .12220% and .00740% respectively, as compared to .11670% and .00730% at June 30, 2021.

The City of Fredericksburg proportionate share was .13290% at June 30, 2022 compared to .12880% at June 30, 2021. 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 97.85% at June 30, 2022 compared to 97.81% at June 30, 2021.

For the year ended June 30, 2023, the Primary Government, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of \$62,820, \$45,352, and \$4,517, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

**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, 2023, 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	\$ 123,944	\$ 62,793	\$ 116,555	\$ 59,049	\$ 7,075	\$ 3,584
Net difference between projected and actual earnings on GLI OPEB program investments	-	97,802	-	91,971	-	5,583
Change in assumptions	58,381	152,456	54,899	143,368	3,332	8,702
Changes in proportionate share	71,267	7,256	66,236	52,064	7,244	1,757
Employer contributions subsequent to the measurement date	163,736	-	156,549	-	11,504	-
Total	<u>\$ 417,328</u>	<u>\$ 320,307</u>	<u>\$ 394,239</u>	<u>\$ 346,452</u>	<u>\$ 29,155</u>	<u>\$ 19,626</u>

\$163,736, \$156,549, and \$11,504 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, 2024. 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
2024	\$ (12,061)	\$ (28,562)	\$ 97
2025	(11,829)	(26,238)	140
2026	(65,396)	(73,511)	(2,777)
2027	24,860	17,691	998
2028	(2,289)	1,858	(433)
Thereafter	-	-	-

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

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***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. 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, 2023

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

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#### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2021 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

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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

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#### *Actuarial Assumptions: (Continued)*

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

The actuarial assumptions used in the June 30, 2021 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, 2023

## 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, 2021 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, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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



# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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 40<sup>th</sup> 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, 2022, 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, 2023

**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, 2022 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	\$ 2,277,548	\$ 1,565,199	\$ 989,523
School Professional	2,141,769	1,471,887	930,532
School Nonprofessional	130,006	89,344	56,484

***Group Life Insurance Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-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):**

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***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)**

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***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, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$350,287 and \$321,030 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

***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, 2023, the school division reported a liability of \$3,555,661 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC was .28467% as compared to .27222% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$275,469. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 144,934
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,569
Change in assumptions	103,879	9,080
Change in proportionate share and differences between actual and expected contributions	138,531	123,209
Employer contributions subsequent to the measurement date	350,287	-
Total	\$ 592,697	\$ 280,792

\$350,287 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2024	\$ (19,544)
2025	(17,068)
2026	(14,164)
2027	1,692
2028	(1,104)
Thereafter	11,806

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

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***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, 2021, 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, 2022.

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

**Mortality Rates - Teachers**

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

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 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:

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, 2022, 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	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,249,046
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

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

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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 40<sup>th</sup> 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, 2022, the rate contributed by each school



# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## 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, 2022 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,007,270	\$ 3,555,661	\$ 3,172,843

### *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 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-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)**

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***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, 2023 was \$140,678.

***Total OPEB Liability***

The School Board’s total OPEB liability was measured as of June 30, 2023.

***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	3.65% for accounting and funding disclosures as of June 30, 2023
	3.54% for accounting and funding disclosures as of June 30, 2022

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

**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 3.65% 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, 2022	\$	5,699,125
Changes for the year:		
Service cost		360,999
Interest		212,060
Changes in assumptions		167,626
Benefit payments		(140,678)
Net changes	\$	600,007
Balances at June 30, 2023	\$	6,299,132

**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 (2.65%) or one percentage point higher (4.65%) than the current discount rate:

Rate		
1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
\$ 6,879,516	\$ 6,299,132	\$ 5,758,122

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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%)
\$ 5,447,354	\$ 6,299,132	\$ 7,322,740

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

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$653,872. At June 30, 2023, 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	\$ -	\$ 346,479
Changes in assumptions	867,976	827,780
Total	\$ 867,976	\$ 1,174,259

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	
2024	\$ 44,291
2025	(40,929)
2026	(40,929)
2027	(40,929)
2028	(72,293)
Thereafter	(155,494)

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

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

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***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
	<hr/>
Total	629
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## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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

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#### *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 2023, the City contributed \$1,167,383 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, 2023:

<u>Asset Class</u>	<u>Target Percentage</u>
US Core Fixed Income	20.00%
Private Equity	10.00%
Large Cap US Equities	21.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Hedge FOF Strategic	6.00%
Private Real Estate Property	15.00%
Total	<u>100%</u>

#### *Rate of Return*

For the year ended June 30, 2023, the annual money-weighted rate of return of the City's OPEB investments, net of investment expense was 7.61%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

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

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***Net OPEB Liability***

The City’s net OPEB liability was measured as of June 30, 2023. 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, 2023

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, 2022	\$ 17,208,741	\$ 2,156,431	\$ 15,052,310
Changes for the year:			
Service cost	155,651	-	155,651
Interest	1,091,342	-	1,091,342
Assumption changes or inputs	573,191	-	573,191
Contributions - employer	-	1,324,386	(1,324,386)
Net investment income	-	164,413	(164,413)
Administrative expenses	-	(2,743)	2,743
Benefit payments	(1,167,383)	(1,167,383)	-
Net changes	652,801	318,673	334,128
Balances at June 30, 2023	\$ 17,861,542	\$ 2,475,104	\$ 15,386,438

Note the Changes in Net OPEB Liability presented above is for the entire plan. The Primary Government's proportionate share at June 30, 2023 was 99.86% compared to 99.86% at June 30, 2022. The Primary Government's proportionate share of Net OPEB Liability at June 30, 2023 totaled \$15,365,205.

*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	\$ 17,197,887	\$ 15,365,205	\$ 13,796,235



CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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	\$ 13,670,705	\$ 15,365,205	\$ 17,351,615

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

For the year ended June 30, 2023, the City recognized OPEB expense in the amount of \$950,397. At June 30, 2023, 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	\$ 474,566	\$ 632,675
Changes in assumptions	457,920	619,360
Net difference between projected and actual earnings on OPEB plan investments	53,088	-
Total	\$ 985,574	\$ 1,252,035

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	
2024	\$ (93,686)
2025	(104,083)
2026	(17,847)
2027	(50,845)
2028	-
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):**

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***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, 2023

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

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#### *Employees Covered by Benefit Terms*

As of the June 30, 2021 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>38</u>
Total covered employees	<u><u>48</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, 2023 was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Fredericksburg City School Board to the HIC Plan were \$10,013 and \$7,588 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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***Net HIC OPEB Liability***

The Fredericksburg City School Board’s net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

- Pre-Retirement:
  - Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
  - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

**Note 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, 2021 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

**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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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 40<sup>th</sup> 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, 2023

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, 2022, 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, 2022 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, 2021	\$ 82,973	\$ 8,108	\$ 74,865
Changes for the year:			
Service cost	\$ 1,443	\$ -	\$ 1,443
Interest	5,671	-	5,671
Differences between expected and actual experience	(5,332)	-	(5,332)
Assumption changes	10,814	-	10,814
Contributions - employer	-	7,588	(7,588)
Net investment income	-	(145)	145
Benefit payments	(808)	(808)	-
Administrative expenses	-	(31)	31
Net changes	\$ 11,788	\$ 6,604.00	\$ 5,184
Balances at June 30, 2022	\$ 94,761	\$ 14,712	\$ 80,049

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

**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	\$ 88,937	\$ 80,049	\$ 72,371

***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, 2023, the Fredericksburg City School Board recognized HIC Plan OPEB expense of \$8,078. At June 30, 2023, the Fredericksburg City School Board reported deferred outflows of resources and deferred inflows of resources related to the Fredericksburg City School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,282
Net difference between projected and actual earnings on HIC OPEB plan investments	256	-
Change in assumptions	10,500	-
Employer contributions subsequent to the measurement date	10,013	-
Total	\$ 20,769	\$ 4,282

\$10,013 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, 2024.



CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

**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:

<u>Year Ended June 30</u>	
2024	\$ 1,708
2025	1,708
2026	1,708
2027	1,263
2028	87
Thereafter	-

***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-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:**

	<b>City OPEB Plans</b>			
	<b>Net OPEB Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>OPEB Expense</b>
<b>Primary Government</b>				
City OPEB Plan (Note 22)	\$ 15,365,205	\$ 985,574	\$ 1,252,035	\$ 950,397
Group Life - City (Note 19)	1,565,199	417,328	320,307	62,820
Total	<u>\$ 16,930,404</u>	<u>\$ 1,402,902</u>	<u>\$ 1,572,342</u>	<u>\$ 1,013,217</u>
<b>Component Unit School Board</b>				
School Board Pay-as-you-go (Note 21)	\$ 6,299,132	\$ 867,976	\$ 1,174,259	\$ 653,872
Nonprofessional HIC Program (Note 23)	80,049	20,769	4,282	8,078
Teacher HIC Program (Note 20)	3,555,661	592,697	280,792	275,469
Group Life - School Professional (Note 19)	1,471,887	394,239	346,452	45,352
Group Life - School Nonprofessional (Note 19)	89,344	29,155	19,626	4,517
Total	<u>\$ 11,496,073</u>	<u>\$ 1,904,836</u>	<u>\$ 1,825,411</u>	<u>\$ 987,288</u>

**Note 25—Contributions-In-Aid of Construction:**

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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, 2023 is \$176,855.

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

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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, 2023

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

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For the fiscal year ended June 30, 2023, the City's tax incentives totaled \$3,847 under the technology zone program.

#### **Tourism Zones**

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

#### **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, 2023

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

#### Tourism Zones: (Continued)

For the fiscal year ended June 30, 2023, the City's tax incentives totaled \$76,456 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	2023 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	\$ 35,109
			Total	\$ 35,109
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	\$ 41,347
			Total	\$ 41,347

#### Arts and Cultural District

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

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

The City provided \$625,000 of incentive under other tax incentives agreements during the year ended June 30, 2023.

### Note 27—New Accounting Standards:

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.

# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

## Note 27—New Accounting Standards: (Continued)

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.

## 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, 2023:

Governmental Activities				
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2023	Deferred Inflow of Resources June 30, 2023
Office Space	2.00%	2028	\$ 493,988	\$ 482,991
Rights of Way	Various	Various	182,255	182,255
Total			\$ 676,243	\$ 665,246
Business-type Activities				
Lease Description	Discount Rate	Lease Ends	Lease Receivable June 30, 2023	Deferred Inflow of Resources June 30, 2023
Cell Tower	3.00%	2026	\$ 80,198	\$ 80,574
Cell Tower	3.00%	2024	-	23,261
Parking Lease	2.75% - 6.00%	2029	324,720	295,803
Total			\$ 404,918	\$ 399,638

Lease revenue totaled \$109,356 and \$117,503 for the Governmental and Business-type Activities respectively for the year ended June 30, 2023. Lease interest revenue totaled \$11,025 and \$22,014 for the Governmental and Business-type Activities respectively for the year ended June 30, 2023.

**Note 29—COVID-19:**

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**ARPA Funding**

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

As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$7,241,531 from the initial allocation are reported as unearned revenue as of June 30.

**ESF Funding**

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

### **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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 38,303,000	\$ 38,303,000	\$ 38,554,004	\$ 251,004
Public service corporations	950,000	950,000	879,005	(70,995)
Personal property	10,723,000	10,723,000	11,319,213	596,213
Machinery and tools	125,000	125,000	103,982	(21,018)
Penalties	325,000	325,000	367,590	42,590
Interest	150,000	150,000	218,574	68,574
Total general property taxes	\$ 50,576,000	\$ 50,576,000	\$ 51,442,368	\$ 866,368
Other local taxes:				
Local sales and use taxes	\$ 14,800,000	\$ 14,800,000	\$ 15,781,634	\$ 981,634
Utility taxes	1,725,000	1,725,000	1,616,977	(108,023)
Business licenses and rental tax	7,200,000	7,200,000	8,283,896	1,083,896
Bank stock taxes	875,000	875,000	1,030,273	155,273
Recordation taxes	725,000	725,000	672,380	(52,620)
Tobacco tax	540,000	540,000	434,337	(105,663)
Amusement tax	375,000	375,000	531,782	156,782
Hotel/lodging taxes	1,400,000	1,400,000	1,746,141	346,141
Meals taxes	12,700,000	12,700,000	15,081,582	2,381,582
Gasoline taxes	150,000	150,000	21,430	(128,570)
Other	65,000	65,000	83,703	18,703
Total other local taxes	\$ 40,555,000	\$ 40,555,000	\$ 45,284,135	\$ 4,729,135
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 898,565	\$ 898,565	\$ 827,745	\$ (70,820)
Animal licenses	8,500	8,500	6,050	(2,450)
Total permits, privilege fees and licenses	\$ 907,065	\$ 907,065	\$ 833,795	\$ (73,270)
Fines and forfeitures	\$ 373,000	\$ 373,000	\$ 487,441	\$ 114,441
Revenue from use of money and property:				
Revenue from use of money	\$ 260,000	\$ 260,000	\$ 2,007,032	\$ 1,747,032
Revenue from use of property	16,000	16,000	166,183	150,183
Total revenue from use of money and property	\$ 276,000	\$ 276,000	\$ 2,173,215	\$ 1,897,215
Charges for services:				
Court costs	\$ 106,300	\$ 106,300	\$ 99,345	\$ (6,955)
Commonwealth's Attorney	8,000	8,000	6,281	(1,719)
Sanitation and waste removal	1,295,000	1,295,000	1,348,767	53,767
Parks and recreation	328,000	328,000	556,719	228,719
Fire and rescue services	980,000	980,000	1,074,602	94,602
Administrative charges	145,000	145,000	141,614	(3,386)
Total charges for services	\$ 2,862,300	\$ 2,862,300	\$ 3,227,328	\$ 365,028



Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous:				
Payments in-lieu of taxes	\$ 31,000	\$ 31,000	\$ 41,284	\$ 10,284
Souvenir sales	17,000	17,000	31,412	14,412
Donations - parks and recreation	50,000	50,000	56,556	6,556
Other	33,000	200,368	239,012	38,644
Total miscellaneous	\$ 131,000	\$ 298,368	\$ 368,264	\$ 69,896
Recovered costs:				
Health department	\$ 115,000	\$ 115,000	\$ 137,115	\$ 22,115
Social services	110,000	110,000	118,070	8,070
Other	123,440	123,440	176,474	53,034
Total recovered costs	\$ 348,440	\$ 348,440	\$ 431,659	\$ 83,219
Total revenue from local sources	\$ 96,028,805	\$ 96,196,173	\$ 104,248,205	\$ 8,052,032
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 175,000	\$ 175,000	\$ 212,469	\$ 37,469
Communication sales tax	1,275,000	1,275,000	1,237,270	(37,730)
Personal property relief	1,728,800	1,728,800	1,728,833	33
Other	17,000	17,000	13,490	(3,510)
Total noncategorical aid	\$ 3,195,800	\$ 3,195,800	\$ 3,192,062	\$ (3,738)
Categorical aid - shared expenses:				
Commonwealth's Attorney	\$ 733,530	\$ 733,530	\$ 722,711	\$ (10,819)
Sheriff	635,565	635,565	716,994	81,429
Commissioner of Revenue	158,970	158,970	160,216	1,246
Treasurer	123,375	123,375	136,297	12,922
Registrar	95,810	95,810	73,301	(22,509)
Clerk of the Circuit Court	419,580	419,580	459,881	40,301
Total categorical aid - shared expenses	\$ 2,166,830	\$ 2,166,830	\$ 2,269,400	\$ 102,570
Categorical aid - other:				
Street and highway maintenance	\$ 3,297,606	\$ 3,297,606	\$ 3,768,994	\$ 471,388
Law enforcement assistance	883,247	883,247	951,964	68,717
Wireless E-911 grants	145,000	145,000	152,213	7,213
Other	-	-	39,456	39,456
Total categorical aid - other	\$ 4,325,853	\$ 4,325,853	\$ 4,912,627	\$ 586,774
Total revenue from the Commonwealth	\$ 9,688,483	\$ 9,688,483	\$ 10,374,089	\$ 685,606

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues: (continued)</b>				
Intergovernmental: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public safety grants	\$ -	\$ -	\$ 12,461	\$ 12,461
FEMA	-	-	71,195	71,195
Public assistance - cost allocation	95,000	95,000	101,833	6,833
Total revenue from the Federal Government	\$ 95,000	\$ 95,000	\$ 185,489	\$ 90,489
Total revenues	\$ 105,812,288	\$ 105,979,656	\$ 114,807,783	\$ 8,828,127
<b>Expenditures</b>				
General government administration:				
Legislative:				
City Council	\$ 235,392	\$ 226,852	\$ 226,825	\$ 27
Clerk of Council	161,476	158,877	158,840	37
Total legislative	\$ 396,868	\$ 385,729	\$ 385,665	\$ 64
General and financial administration:				
City manager	\$ 1,029,706	\$ 1,050,563	\$ 1,047,062	\$ 3,501
Insurance program	1,035,600	1,033,402	878,888	154,514
Risk management	120,154	115,599	106,531	9,068
Human resources	699,188	782,926	782,843	83
Independent auditor	98,050	98,050	85,890	12,160
Commissioner of the revenue	1,195,642	1,194,558	1,090,014	104,544
Board of Real Estate Assessors	350,000	525,000	126,575	398,425
Treasurer	1,005,550	1,008,261	945,224	63,037
Finance	1,015,437	1,023,978	922,658	101,320
Information technology	2,681,333	2,719,606	2,358,892	360,714
Public information	105,841	119,233	119,232	1
Diversity and training	135,643	128,215	72,088	56,127
Copying and postage	13,950	10,253	10,149	104
Legal services	476,190	481,324	481,323	1
Total general and financial administration	\$ 9,962,284	\$ 10,290,968	\$ 9,027,369	\$ 1,263,599
Board of elections:				
Registrar and electoral board	\$ 584,620	\$ 587,030	\$ 394,401	\$ 192,629
Total general government administration	\$ 10,943,772	\$ 11,263,727	\$ 9,807,435	\$ 1,456,292
Judicial administration:				
Courts:				
Circuit Court	\$ 124,117	\$ 124,117	\$ 114,564	\$ 9,553
General District Court	25,600	26,047	16,996	9,051
Special magistrate	3,000	3,000	-	3,000
Juvenile and Domestic Relations District Court	19,880	19,880	16,786	3,094
Clerk of the Circuit Court	908,498	889,402	861,245	28,157
Sheriff	3,012,079	3,119,254	3,109,232	10,022
JDR services	118,274	118,274	118,274	-
Juries	3,750	23,750	18,747	5,003
Drug Court	30,900	31,055	31,055	-
Court appointed attorney	10,000	10,000	-	10,000
Total courts	\$ 4,256,098	\$ 4,364,779	\$ 4,286,899	\$ 77,880

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures: (continued)</b>				
Judicial administration: (continued)				
Commonwealth Attorney:				
Commonwealth Attorney	\$ 1,620,175	\$ 1,603,195	\$ 1,568,143	\$ 35,052
Total judicial administration	\$ 5,876,273	\$ 5,967,974	\$ 5,855,042	\$ 112,932
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 10,395,800	\$ 11,011,512	\$ 10,707,778	\$ 303,734
Fire and rescue:				
Fire department	\$ 6,741,237	\$ 6,846,398	\$ 6,834,397	\$ 12,001
Rescue services	207,283	257,283	157,946	99,337
Emergency medical services	2,249,444	2,445,292	2,417,400	27,892
Hazardous materials	83,457	65,136	63,418	1,718
E-911 communications	1,897,728	1,795,846	1,779,687	16,159
Total fire and rescue	\$ 11,179,149	\$ 11,409,955	\$ 11,252,848	\$ 157,107
Correction and detention:				
Juvenile Detention Center	\$ 310,323	\$ 310,323	\$ 188,688	\$ 121,635
Rappahannock Security Center	4,518,656	4,518,656	4,518,656	-
Total correction and detention	\$ 4,828,979	\$ 4,828,979	\$ 4,707,344	\$ 121,635
Inspections:				
Building and development services	\$ 934,161	\$ 932,341	\$ 894,474	\$ 37,867
Other protection:				
Animal control	\$ 130,327	\$ 131,209	\$ 131,209	\$ -
Public safety radio system	647,436	687,708	636,879	50,829
Medical Examiner	510	680	680	-
Total other protection	\$ 778,273	\$ 819,597	\$ 768,768	\$ 50,829
Total public safety	\$ 28,116,362	\$ 29,002,384	\$ 28,331,212	\$ 671,172
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 1,243,683	\$ 940,333	\$ 784,743	\$ 155,590
Street maintenance	1,395,413	1,438,845	1,232,831	206,014
Street lights	409,646	473,153	473,153	-
Snow removal	192,372	119,026	40,290	78,736
Industrial park rail spur	15,500	21,457	-	21,457
Traffic engineering	993,075	986,742	789,371	197,371
Shop and garage	1,260,948	1,309,528	1,250,903	58,625
Total maintenance of streets, highways, bridges and sidewalks	\$ 5,510,637	\$ 5,289,084	\$ 4,571,291	\$ 717,793

## Budgetary Comparison Schedule

## General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures: (continued)</b>				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 1,071,528	\$ 1,080,212	\$ 944,185	\$ 136,027
Urban forestry program	135,000	135,000	89,218	45,782
Refuse collection	607,326	627,326	556,958	70,368
Refuse disposal	412,150	407,150	398,729	8,421
Recycling collection	201,588	201,588	191,608	9,980
Total sanitation and waste removal	\$ 2,427,592	\$ 2,451,276	\$ 2,180,698	\$ 270,578
Maintenance of buildings and grounds:				
Public facilities	\$ 2,275,668	\$ 2,377,552	\$ 2,098,461	\$ 279,091
Courthouse maintenance	398,717	361,901	361,179	722
Commuter rail	109,350	77,470	38,631	38,839
Total maintenance of buildings and grounds	\$ 2,783,735	\$ 2,816,923	\$ 2,498,271	\$ 318,652
Total public works	\$ 10,721,964	\$ 10,557,283	\$ 9,250,260	\$ 1,307,023
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	\$ 302,359	\$ 302,359	\$ 302,359	\$ -
Social services:				
Other contributions	\$ 395,133	\$ 395,133	\$ 394,754	\$ 379
Total health and welfare	\$ 1,136,769	\$ 1,136,769	\$ 1,136,390	\$ 379
Education:				
Community colleges	\$ 34,291	\$ 34,291	\$ 34,291	\$ -
Appropriations to public school system	30,200,000	30,200,000	30,200,000	-
Total education	\$ 30,234,291	\$ 30,234,291	\$ 30,234,291	\$ -
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 681,850	\$ 765,443	\$ 765,442	\$ 1
Supervision	752,852	692,826	692,825	1
Maintenance	1,511,129	1,515,009	1,500,784	14,225
Motts Run	142,363	149,145	149,133	12
Dixon Park swimming pool	207,793	223,308	223,307	1
Total parks and recreation	\$ 3,295,987	\$ 3,345,731	\$ 3,331,491	\$ 14,240
Library:				
Regional library	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ -
Downtown library	223,450	233,626	225,387	8,239
Total library	\$ 1,623,450	\$ 1,633,626	\$ 1,625,387	\$ 8,239
Cultural:				
Museums	\$ 105,975	\$ 155,975	\$ 155,975	\$ -
Total parks, recreation and cultural	\$ 5,025,412	\$ 5,135,332	\$ 5,112,853	\$ 22,479

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures: (continued)</b>				
Community development:				
Planning and community development:				
Planning	\$ 805,403	\$ 807,210	\$ 783,447	\$ 23,763
Zoning Appeals Board	1,800	1,800	-	1,800
Transportation division	172,538	57,538	3,485	54,053
Community development	150,306	150,306	150,306	-
Historic resources	191,595	200,345	172,161	28,184
Clean and Green Commission	5,100	5,100	1,575	3,525
Economic development and tourism	1,627,559	1,890,840	1,700,796	190,044
Total planning and community development	\$ 2,954,301	\$ 3,113,139	\$ 2,811,770	\$ 301,369
Environmental management:				
Soil and water conservation district	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total community development	\$ 2,956,301	\$ 3,115,139	\$ 2,813,770	\$ 301,369
Nondepartmental:				
OPEB trust contribution	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Debt service:				
Principal payments	\$ 117,981	\$ 117,981	\$ 117,981	\$ -
Interest and fiscal charges	2,088	2,088	2,088	-
Total debt service	\$ 120,069	\$ 120,069	\$ 120,069	\$ -
Total expenditures	\$ 95,281,213	\$ 96,682,968	\$ 92,811,322	\$ 3,871,646
Excess (deficiency) of revenues over expenditures	\$ 10,531,075	\$ 9,296,688	\$ 21,996,461	\$ 12,699,773
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of capital assets	\$ 27,500	\$ 27,500	\$ 19,453	\$ (8,047)
Transfers in	1,387,967	1,387,967	1,173,844	(214,123)
Transfers out	(19,272,892)	(21,409,822)	(21,409,822)	-
Total other financing sources (uses)	\$ (17,857,425)	\$ (19,994,355)	\$ (20,216,525)	\$ (222,170)
Net change in fund balance	\$ (7,326,350)	\$ (10,697,667)	\$ 1,779,936	\$ 12,477,603
Fund balance, beginning of year	7,326,350	10,697,667	39,394,417	28,696,750
Fund balance, end of year	\$ -	\$ -	\$ 41,174,353	\$ 41,174,353

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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from the Federal Government:				
Categorical aid:				
DCJS ARPA	\$ -	\$ 578,000	\$ 94,290	\$ (483,710)
American Rescue Plan Act	5,582,748	10,624,354	3,487,820	(7,136,534)
DOJ supplemental emergency funding	-	74,534	67,304	(7,230)
ARPA tourism recovery	-	210,000	-	(210,000)
Community development block grants	-	73,483	73,482	(1)
Total revenue from the Federal Government	\$ 5,582,748	\$ 11,560,371	\$ 3,722,896	\$ (7,837,475)
Total revenues	\$ 5,582,748	\$ 11,560,371	\$ 3,722,896	\$ (7,837,475)
<b>Expenditures</b>				
General government administration:				
ARPA city manager	\$ 992,638	\$ 163,580	\$ 21,951	\$ 141,629
ARPA finance	-	437,564	9,464	428,100
ARPA information technology	-	250,000	15,583	234,417
Total general government administration	\$ 992,638	\$ 851,144	\$ 46,998	\$ 804,146
Judicial administration:				
ARPA clerk of circuit court	\$ -	\$ 17,671	\$ 17,670	\$ 1
Total judicial administration	\$ -	\$ 17,671	\$ 17,670	\$ 1
Public safety:				
ARPA sheriff	\$ -	\$ 90,196	\$ 87,693	\$ 2,503
ARPA police	42,000	705,205	337,694	367,511
Sheriffs office supplemental emergency funding	-	48,670	41,709	6,961
ARPA law enforcement equipment	-	578,000	94,290	483,710
ARPA fire department	55,000	170,021	55,000	115,021
DOJ supplemental emergency funding	-	25,864	25,595	269
Total public safety	\$ 97,000	\$ 1,617,956	\$ 641,981	\$ 975,975
Public works:				
ARPA facilities	\$ 65,000	\$ 294,227	\$ 100,288	\$ 193,939
ARPA public works	180,110	180,110	17,365	162,745
ARPA building services	-	16,200	16,118	82
Total public works	\$ 245,110	\$ 490,537	\$ 133,771	\$ 356,766
Parks, recreation and cultural:				
ARPA parks maintenance	\$ 59,000	\$ 302,230	\$ 128,497	\$ 173,733
Total parks, recreation, and cultural	\$ 59,000	\$ 302,230	\$ 128,497	\$ 173,733
Community development:				
ARPA economic development	\$ -	\$ 108,350	\$ 68,459	\$ 39,891
ARPA planning	16,000	16,000	15,290	710
ARPA tourism recovery	-	210,000	-	210,000
CDBG	-	73,483	73,482	1
Total community development	\$ 16,000	\$ 407,833	\$ 157,231	\$ 250,602
Total expenditures	\$ 1,409,748	\$ 3,687,371	\$ 1,126,148	\$ 2,561,223
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 4,173,000	\$ 7,873,000	\$ 2,596,748	\$ (5,276,252)
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (4,173,000)	\$ (7,873,000)	\$ (2,596,748)	\$ 5,276,252
Total other financing sources (uses)	\$ (4,173,000)	\$ (7,873,000)	\$ (2,596,748)	\$ 5,276,252
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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

Schedule of Employer's Proportionate Share of the Net Pension Liability  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2022

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)
<b>Primary Government - City Retirement Plan</b>					
2022	97.85% \$	23,727,570 \$	28,260,614	83.96%	84.86%
2021	97.81%	14,750,851	25,927,730	56.89%	90.26%
2020	97.73%	30,510,469	25,561,127	119.36%	78.41%
2019	97.81%	26,169,703	24,262,627	107.86%	81.10%
2018	97.62%	20,408,343	24,252,928	84.15%	84.19%
2017	97.82%	19,534,142	23,232,269	84.08%	84.23%
2016	97.29%	26,367,292	22,977,066	114.75%	78.31%
2015	96.83%	20,719,184	22,635,550	91.53%	82.01%
2014	96.57%	22,917,333	21,420,920	106.99%	79.85%
<b>Component Unit School Board (professional)</b>					
2022	0.2853% \$	27,161,316 \$	26,531,395	102.37%	82.61%
2021	0.2727%	21,171,519	24,075,035	87.94%	85.46%
2020	0.2794%	40,665,858	24,356,562	166.96%	71.47%
2019	0.2832%	37,274,678	23,815,635	156.51%	73.51%
2018	0.2877%	33,837,000	23,210,637	145.78%	74.81%
2017	0.2887%	35,499,000	22,743,104	156.09%	72.92%
2016	0.2894%	40,555,000	22,065,166	183.80%	68.28%
2015	0.2883%	36,284,000	21,447,563	169.18%	70.68%
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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 141,654	\$ 135,157	\$ 131,151	\$ 120,840	\$ 124,345	\$ 133,150	\$ 125,309	\$ 130,660	\$ 132,328
Interest	390,616	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	(10,798)	(50,728)	(75,974)	77,789	(51,746)	(62,000)	(17,054)	(143,981)	-
Benefit payments	(243,840)	(212,231)	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
<b>Net change in total pension liability</b>	\$ 277,632	\$ 448,009	\$ 198,894	\$ 454,984	\$ 114,040	\$ 161,439	\$ 282,587	\$ 145,346	\$ 244,549
<b>Total pension liability - beginning</b>	<u>5,767,170</u>	<u>5,319,161</u>	<u>5,120,267</u>	<u>4,665,283</u>	<u>4,551,243</u>	<u>4,389,804</u>	<u>4,107,217</u>	<u>3,961,871</u>	<u>3,717,322</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 6,044,802</u>	<u>\$ 5,767,170</u>	<u>\$ 5,319,161</u>	<u>\$ 5,120,267</u>	<u>\$ 4,665,283</u>	<u>\$ 4,551,243</u>	<u>\$ 4,389,804</u>	<u>\$ 4,107,217</u>	<u>\$ 3,961,871</u>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 41,801	\$ 38,993	\$ 31,753	\$ 29,680	\$ 48,893	\$ 50,600	\$ 85,248	\$ 84,468	\$ 76,354
Contributions - employee	73,369	69,057	70,262	61,523	60,950	62,163	60,997	60,507	59,538
Net investment income	(6,458)	1,494,736	104,257	346,765	364,338	549,409	79,053	191,424	567,330
Benefit payments	(243,840)	(212,231)	(195,309)	(192,415)	(267,774)	(116,566)	(109,346)	(114,651)	(142,987)
Administrator charges	(4,283)	(3,722)	(3,563)	(3,455)	(3,213)	(3,117)	(2,671)	(2,558)	(3,030)
Other	158	141	(123)	(218)	(324)	(491)	(33)	(41)	30
<b>Net change in plan fiduciary net position</b>	\$ (139,253)	\$ 1,386,974	\$ 7,277	\$ 241,880	\$ 202,870	\$ 541,998	\$ 113,248	\$ 219,149	\$ 557,235
<b>Plan fiduciary net position - beginning</b>	<u>6,859,505</u>	<u>5,472,531</u>	<u>5,465,254</u>	<u>5,223,374</u>	<u>5,020,504</u>	<u>4,478,506</u>	<u>4,365,258</u>	<u>4,146,109</u>	<u>3,588,874</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 6,720,252</u>	<u>\$ 6,859,505</u>	<u>\$ 5,472,531</u>	<u>\$ 5,465,254</u>	<u>\$ 5,223,374</u>	<u>\$ 5,020,504</u>	<u>\$ 4,478,506</u>	<u>\$ 4,365,258</u>	<u>\$ 4,146,109</u>
<b>School Division's net pension liability(asset) - ending (a) - (b)</b>	\$ (675,450)	\$ (1,092,335)	\$ (153,370)	\$ (344,987)	\$ (558,091)	\$ (469,261)	\$ (88,702)	\$ (258,041)	\$ (184,238)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	111.17%	118.94%	102.88%	106.74%	111.96%	110.31%	102.02%	106.28%	104.65%
<b>Covered payroll</b>	\$ 1,614,535	\$ 1,510,953	\$ 1,527,529	\$ 1,309,930	\$ 1,285,885	\$ 1,284,705	\$ 1,249,950	\$ 1,235,088	\$ 1,191,588
<b>School Division's net pension liability as a percentage of covered payroll</b>	41.84%	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, 2023

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)
<b>Primary Government</b>					
2023	\$ 4,681,859	\$ 4,681,859	\$ -	\$ 30,316,636	15.44%
2022	3,831,873	3,831,873	-	28,260,614	13.56%
2021	3,351,421	3,351,421	-	25,927,730	12.93%
2020	3,045,310	3,045,310	-	25,561,127	11.91%
2019	2,921,413	2,921,413	-	24,262,627	12.04%
2018	2,983,944	2,983,944	-	24,252,928	12.30%
2017	2,915,650	2,915,650	-	23,232,269	12.55%
2016	3,662,544	3,662,544	-	22,977,066	15.94%
2015	3,608,107	3,608,107	-	22,635,550	15.94%
2014	3,138,165	3,138,165	-	21,420,920	14.65%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 56,753	\$ 56,753	\$ -	\$ 2,130,322	2.66%
2022	42,139	42,139	-	1,614,535	2.61%
2021	38,961	38,961	-	1,510,953	2.58%
2020	31,801	31,801	-	1,527,529	2.08%
2019	30,068	30,068	-	1,309,930	2.30%
2018	49,268	49,268	-	1,285,885	3.83%
2017	53,315	53,315	-	1,284,705	4.15%
2016	86,747	86,747	-	1,249,950	6.94%
2015	85,715	85,715	-	1,235,088	6.94%
2014	86,152	86,152	-	1,191,588	7.23%
<b>Component Unit School Board (professional)</b>					
2023	\$ 4,621,451	\$ 4,621,451	\$ -	\$ 28,949,361	15.96%
2022	4,238,212	4,238,212	-	26,531,395	15.97%
2021	3,858,174	3,858,174	-	24,075,035	16.03%
2020	3,713,243	3,713,243	-	24,356,562	15.25%
2019	3,628,291	3,628,291	-	23,815,635	15.23%
2018	3,717,961	3,717,961	-	23,210,637	16.02%
2017	3,334,139	3,334,139	-	22,743,104	14.66%
2016	3,100,340	3,100,340	-	22,065,166	14.05%
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, 2023

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**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, 2021 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, 2022

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)
<b>Primary Government</b>					
2022	0.13290%	\$ 1,565,199	\$ 28,275,639	5.54%	67.21%
2021	0.12880%	1,464,972	26,242,152	5.58%	67.45%
2020	0.12719%	2,076,108	25,602,618	8.11%	52.64%
2019	0.12684%	2,014,936	24,262,627	8.30%	52.00%
2018	0.12771%	1,896,690	24,284,801	7.81%	51.22%
2017	0.12611%	1,856,586	23,262,335	7.98%	48.86%
<b>Component Unit School Board (nonprofessional)</b>					
2022	0.00740%	\$ 89,344	\$ 1,614,535	5.53%	67.21%
2021	0.00730%	85,225	1,510,953	5.64%	67.45%
2020	0.00745%	124,328	1,533,662	8.11%	52.64%
2019	0.00668%	108,701	1,309,930	8.30%	52.00%
2018	0.00676%	102,000	1,285,885	7.93%	51.22%
2017	0.00697%	105,000	1,284,705	8.17%	48.86%
<b>Component Unit School Board (professional)</b>					
2022	0.12220%	\$ 1,471,887	\$ 26,591,039	5.54%	67.21%
2021	0.11670%	1,358,588	24,092,530	5.64%	67.45%
2020	0.11850%	1,977,571	24,387,548	8.11%	52.64%
2019	0.12149%	1,976,966	23,815,635	8.30%	52.00%
2018	0.12232%	1,857,000	23,258,958	7.98%	51.22%
2017	0.12382%	1,863,000	22,839,725	8.16%	48.86%

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

Schedule of Employer Contributions  
Group Life Insurance Program (GLI) Plan  
Years Ended June 30, 2014 through June 30, 2023

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)
<b>Primary Government</b>					
2023	\$ 163,736	\$ 163,736	\$ -	\$ 30,321,328	0.54%
2022	152,689	152,689	-	28,275,639	0.54%
2021	140,284	140,284	-	26,242,152	0.54%
2020	133,135	133,135	-	25,602,618	0.52%
2019	125,933	125,933	-	24,262,627	0.52%
2018	126,281	126,281	-	24,284,801	0.52%
2017	120,964	120,964	-	23,262,335	0.52%
2016	110,329	110,329	-	22,985,223	0.48%
2015	108,783	108,783	-	22,663,195	0.48%
2014	102,914	102,914	-	21,440,512	0.48%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 11,504	\$ 11,504	\$ -	\$ 2,130,322	0.54%
2022	8,718	8,718	-	1,614,535	0.54%
2021	8,159	8,159	-	1,510,953	0.54%
2020	7,975	7,975	-	1,533,662	0.52%
2019	6,812	6,812	-	1,309,930	0.52%
2018	6,687	6,687	-	1,285,885	0.52%
2017	6,680	6,680	-	1,284,705	0.52%
2016	6,011	6,011	-	1,252,322	0.48%
2015	5,928	5,928	-	1,235,088	0.48%
2014	5,753	5,753	-	1,198,497	0.48%
<b>Component Unit School Board (professional)</b>					
2023	\$ 156,549	\$ 156,549	\$ -	\$ 28,990,497	0.54%
2022	143,592	143,592	-	26,591,039	0.54%
2021	130,100	130,100	-	24,092,530	0.54%
2020	126,815	126,815	-	24,387,548	0.52%
2019	123,841	123,841	-	23,815,635	0.52%
2018	120,947	120,947	-	23,258,958	0.52%
2017	118,767	118,767	-	22,839,725	0.52%
2016	106,165	106,165	-	22,117,662	0.48%
2015	103,319	103,319	-	21,524,745	0.48%
2014	96,002	96,002	-	20,000,385	0.48%

Notes to Required Supplementary Information  
Group Life Insurance Program (GLI) Plan  
Year Ended June 30, 2023

**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, 2021 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, 2022

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
				Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
2022	0.28467%	\$ 3,555,661	\$ 26,531,395	13.40%	15.08%
2021	0.27222%	3,494,132	24,075,035	14.51%	13.15%
2020	0.27783%	3,624,339	24,356,562	14.88%	9.95%
2019	0.28217%	3,693,880	23,667,736	15.61%	8.97%
2018	0.28700%	3,644,000	23,210,637	15.70%	8.08%
2017	0.28813%	3,655,000	22,738,901	16.07%	7.04%

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

Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Plan  
Years Ended June 30, 2014 through June 30, 2023

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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)
2023	\$ 350,287	\$ 350,287	\$ -	\$ 28,949,361	1.21%
2022	321,030	321,030	-	26,531,395	1.21%
2021	291,308	291,308	-	24,075,035	1.21%
2020	292,279	292,279	-	24,356,562	1.20%
2019	284,013	284,013	-	23,667,736	1.20%
2018	285,491	285,491	-	23,210,637	1.23%
2017	252,402	252,402	-	22,738,901	1.11%
2016	233,891	233,891	-	22,065,166	1.06%
2015	227,198	227,198	-	21,433,776	1.06%
2014	221,629	221,629	-	19,966,618	1.11%

Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
Year Ended June 30, 2023

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**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, 2021 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, 2023

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 360,999	\$ 483,211	\$ 332,750	\$ 270,826	\$ 245,838	\$ 254,662
Interest	212,060	144,431	126,653	168,418	167,749	148,443
Changes in assumptions	167,626	(1,059,734)	1,033,472	544,980	174,653	(166,508)
Differences between expected and actual experience	-	(11,377)	(562,964)	-	-	-
Benefit payments	(140,678)	(121,076)	(128,076)	(125,897)	(145,591)	(123,551)
<b>Net change in total OPEB liability</b>	<b>\$ 600,007</b>	<b>\$ (564,545)</b>	<b>\$ 801,835</b>	<b>\$ 858,327</b>	<b>\$ 442,649</b>	<b>\$ 113,046</b>
<b>Total OPEB liability - beginning</b>	<b>5,699,125</b>	<b>6,263,670</b>	<b>5,461,835</b>	<b>4,603,508</b>	<b>4,160,859</b>	<b>4,047,813</b>
<b>Total OPEB liability - ending</b>	<b>\$ 6,299,132</b>	<b>\$ 5,699,125</b>	<b>\$ 6,263,670</b>	<b>\$ 5,461,835</b>	<b>\$ 4,603,508</b>	<b>\$ 4,160,859</b>
 <b>Covered-employee payroll</b>	 \$ 27,583,676	 \$ 27,583,676	 \$ 25,675,085	 \$ 27,400,642	 \$ 27,400,642	 \$ 27,400,642
 <b>School Board's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	 22.84%	 20.66%	 24.40%	 19.93%	 16.80%	 15.19%

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

Notes to Required Supplementary Information - Component Unit School Board Pay-As-You-Go OPEB Plan  
Year Ended June 30, 2023

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Valuation Date: 1/1/2022  
Measurement Date: 6/30/2023

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	3.65% as of June 30, 2023 and 3.54% as of June 30, 2022
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, 2023

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>							
Service cost	\$ 155,651	\$ 125,452	\$ 140,044	\$ 148,383	\$ 135,927	\$ 127,035	\$ 199,978
Interest	1,091,342	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	573,191	(197,878)	-	(1,523,352)	744,226	-	-
Benefit payments	(1,167,383)	(1,136,544)	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
<b>Net change in total OPEB liability</b>	<b>\$ 652,801</b>	<b>\$ 371,820</b>	<b>\$ (18,387)</b>	<b>\$ 42,136</b>	<b>\$ 846,890</b>	<b>\$ (1,335,861)</b>	<b>\$ 421,336</b>
<b>Total OPEB liability - beginning</b>	<b>17,208,741</b>	<b>16,836,921</b>	<b>16,855,308</b>	<b>16,813,172</b>	<b>15,966,282</b>	<b>17,302,143</b>	<b>16,880,807</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 17,861,542</b>	<b>\$ 17,208,741</b>	<b>\$ 16,836,921</b>	<b>\$ 16,855,308</b>	<b>\$ 16,813,172</b>	<b>\$ 15,966,282</b>	<b>\$ 17,302,143</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 1,324,386	\$ 1,336,544	\$ 1,223,976	\$ 1,218,043	\$ 1,328,208	\$ 1,112,307	\$ 1,053,888
Net investment income	164,413	(221,250)	504,449	49,851	74,635	118,262	128,315
Benefit payments	(1,167,383)	(1,136,544)	(1,223,976)	(1,218,043)	(1,121,818)	(1,112,307)	(941,888)
Administrative expense	(2,743)	(2,846)	(2,401)	(2,313)	(2,009)	(1,857)	(1,347)
<b>Net change in plan fiduciary net position</b>	<b>\$ 318,673</b>	<b>\$ (24,096)</b>	<b>\$ 502,048</b>	<b>\$ 47,538</b>	<b>\$ 279,016</b>	<b>\$ 116,405</b>	<b>\$ 238,968</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,156,431</b>	<b>2,180,527</b>	<b>1,678,479</b>	<b>1,630,941</b>	<b>1,351,925</b>	<b>1,235,520</b>	<b>996,552</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,475,104</b>	<b>\$ 2,156,431</b>	<b>\$ 2,180,527</b>	<b>\$ 1,678,479</b>	<b>\$ 1,630,941</b>	<b>\$ 1,351,925</b>	<b>\$ 1,235,520</b>
<b>City's net OPEB liability - ending (a) - (b)</b>	<b>\$ 15,386,438</b>	<b>\$ 15,052,310</b>	<b>\$ 14,656,394</b>	<b>\$ 15,176,829</b>	<b>\$ 15,182,231</b>	<b>\$ 14,614,357</b>	<b>\$ 16,066,623</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>13.86%</b>	<b>12.53%</b>	<b>12.95%</b>	<b>9.96%</b>	<b>9.70%</b>	<b>8.47%</b>	<b>7.14%</b>
<b>Covered payroll</b>	<b>\$ 28,104,978</b>	<b>\$ 28,104,978</b>	<b>\$ 24,140,303</b>	<b>\$ 24,140,303</b>	<b>\$ 23,337,048</b>	<b>\$ 23,337,048</b>	<b>\$ 22,344,600</b>
<b>City's net OPEB liability as a percentage of covered payroll</b>	<b>54.75%</b>	<b>53.56%</b>	<b>60.71%</b>	<b>62.87%</b>	<b>65.06%</b>	<b>62.62%</b>	<b>71.90%</b>

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, 2023

Date	Actuarially Determined Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2023	\$ 1,104,983	\$ 1,324,386	\$ (219,403)	\$ 28,104,978	4.71%
2022	1,072,799	1,336,544	(263,745)	28,104,978	4.76%
2021	1,056,781	1,223,976	(167,195)	24,140,303	5.07%
2020	1,115,988	1,218,043	(102,055)	24,140,303	5.05%
2019	1,074,816	1,328,208	(253,392)	23,337,048	5.69%
2018	1,035,412	1,112,307	(76,895)	23,337,048	4.77%
2017	1,195,200	1,053,900	141,300	22,344,600	4.72%
2016	1,148,800	1,888,000	(739,200)	22,344,600	8.45%

**Notes to Schedule**

Valuation date: January 1, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Amortization period	23 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, 2023

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	7.61%	-9.88%	30.08%	3.06%	5.14%	9.58%	12.78%

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

Schedule of Changes in the Fredericksburg City School Board's Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Date of June 30, 2022

	2022	2021	2020
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 1,443	\$ 1,573	\$ -
Interest	5,671	4,956	-
Changes in benefit terms	-	-	73,419
Differences between expected and actual experience	(5,332)	-	-
Changes of assumptions	10,814	3,025	-
Benefit payments	(808)	-	-
<b>Net change in total HIC OPEB liability</b>	<b>\$ 11,788</b>	<b>\$ 9,554</b>	<b>\$ 73,419</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>82,973</b>	<b>73,419</b>	<b>-</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 94,761</b>	<b>\$ 82,973</b>	<b>\$ 73,419</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 7,588	\$ 7,101	\$ -
Net investment income	(145)	1,039	-
Benefit payments	(808)	-	-
Administrator charges	(31)	(32)	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 6,604</b>	<b>\$ 8,108</b>	<b>\$ -</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,108</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 14,712</b>	<b>\$ 8,108</b>	<b>\$ -</b>
<b>CCT/ABC's net HIC OPEB liability - ending (a) - (b)</b>	<b>\$ 80,049</b>	<b>\$ 74,865</b>	<b>\$ 73,419</b>
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>15.53%</b>	<b>9.77%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 1,614,535</b>	<b>\$ 1,510,953</b>	<b>\$ 1,533,662</b>
<b>CCT/ABC's net HIC OPEB liability as a percentage of covered payroll</b>	<b>4.96%</b>	<b>4.95%</b>	<b>4.79%</b>

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, 2023

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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)
2023	\$ 10,013	\$ 10,013	\$ -	\$ 2,130,322	0.47%
2022	7,588	7,588	-	1,614,535	0.47%
2021	7,101	7,101	-	1,510,953	0.47%
2020	-	-	-	1,533,662	0.00%

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

Notes to Required Supplementary Information - Fredericksburg City School Board  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2023

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**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, 2021, 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, 2023

	Special Revenue	Capital Projects	Debt Service	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,542,373	\$ 28,903,561	\$ 4,811,998	\$ 38,257,932
Receivables:				
Property taxes	31,879	-	-	31,879
Accrued revenue	519,289	265,747	-	785,036
Prepaid items	10,221	1,928,449	-	1,938,670
Due from other governments	1,470,995	213,549	-	1,684,544
Total assets	<u>\$ 6,574,757</u>	<u>\$ 31,311,306</u>	<u>\$ 4,811,998</u>	<u>\$ 42,698,061</u>
<b>Liabilities:</b>				
Accounts payable	\$ 508,702	\$ 137,710	\$ -	\$ 646,412
Accrued liabilities	200,932	171,169	-	372,101
Unearned revenue	22,274	636,880	-	659,154
Total liabilities	<u>\$ 731,908</u>	<u>\$ 945,759</u>	<u>\$ -</u>	<u>\$ 1,677,667</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes	\$ 14,861	\$ -	\$ -	\$ 14,861
Unavailable revenue - other	484,424	-	-	484,424
Total deferred inflows of resources	<u>\$ 499,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,285</u>
<b>Fund Balances:</b>				
Nonspendable	\$ 10,221	\$ 1,928,449	\$ -	\$ 1,938,670
Restricted	251,447	-	-	251,447
Committed	5,081,896	2,808,788	4,811,998	12,702,682
Assigned	-	25,628,310	-	25,628,310
Total fund balances	<u>\$ 5,343,564</u>	<u>\$ 30,365,547</u>	<u>\$ 4,811,998</u>	<u>\$ 40,521,109</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,574,757</u>	<u>\$ 31,311,306</u>	<u>\$ 4,811,998</u>	<u>\$ 42,698,061</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2023

	Special Revenue	Capital Projects	Debt Service	Total
<b>Revenues</b>				
General property taxes	\$ 1,110,102	\$ -	\$ -	\$ 1,110,102
Other local taxes	597,823	743,380	-	1,341,203
Permits, privilege fees and regulatory licenses	48,813	-	-	48,813
Use of money and property	111,885	602,717	2,202,637	2,917,239
Charges for services	62,997	32,248	-	95,245
Miscellaneous	243,780	-	280,756	524,536
Recovered costs	244,605	181,361	-	425,966
Intergovernmental:				
Revenue from the Commonwealth	4,038,798	260,829	209,527	4,509,154
Revenue from the Federal Government	4,088,990	35,000	-	4,123,990
Total revenues	\$ 10,547,793	\$ 1,855,535	\$ 2,692,920	\$ 15,096,248
<b>Expenditures</b>				
Current:				
Judicial administration	\$ 322,574	\$ -	\$ -	\$ 322,574
Public safety	590,422	-	-	590,422
Public works	553,123	-	-	553,123
Health and welfare	9,119,962	-	-	9,119,962
Parks, recreation and cultural	128,928	-	-	128,928
Community development	750,317	-	-	750,317
Capital projects	-	4,963,090	-	4,963,090
Debt service:				
Principal payments	681,513	114,299	5,533,338	6,329,150
Interest and fiscal charges	368,487	2,022	4,282,399	4,652,908
Total expenditures	\$ 12,515,326	\$ 5,079,411	\$ 9,815,737	\$ 27,410,474
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (1,967,533)	\$ (3,223,876)	\$ (7,122,817)	\$ (12,314,226)
<b>Other financing sources (uses)</b>				
Issuance of bonds	\$ -	\$ 12,051,025	\$ 470,877	\$ 12,521,902
Bond premium	-	800,770	-	800,770
Proceeds from the sale of capital assets	1,876	1,260,000	-	1,261,876
Lease proceeds	-	231,013	-	231,013
Transfers in	3,088,648	3,950,138	9,751,212	16,789,998
Transfers out	(180,176)	-	-	(180,176)
Total other financing sources (uses)	\$ 2,910,348	\$ 18,292,946	\$ 10,222,089	\$ 31,425,383
Net change in fund balance	\$ 942,815	\$ 15,069,070	\$ 3,099,272	\$ 19,111,157
<b>Fund balances, beginning of year</b>	<u>4,400,749</u>	<u>15,296,477</u>	<u>1,712,726</u>	<u>21,409,952</u>
<b>Fund balances, end of year</b>	<u>\$ 5,343,564</u>	<u>\$ 30,365,547</u>	<u>\$ 4,811,998</u>	<u>\$ 40,521,109</u>

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
At June 30, 2023

	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
<b>Assets:</b>										
Cash and cash equivalents	\$ 37,757	\$ 1,200,840	\$ 1,045,707	\$ 35,611	\$ 971,644	\$ 157,159	\$ 764,252	\$ 87,500	\$ 241,903	\$ 4,542,373
Receivables:										
Property taxes	-	-	-	-	31,879	-	-	-	-	31,879
Accrued revenue	14,280	488,471	9,256	-	7,282	-	-	-	-	519,289
Prepaid items	-	6,321	-	-	-	3,900	-	-	-	10,221
Due from other governments	655,341	327,995	487,659	-	-	-	-	-	-	1,470,995
<b>Total assets</b>	<b>\$ 707,378</b>	<b>\$ 2,023,627</b>	<b>\$ 1,542,622</b>	<b>\$ 35,611</b>	<b>\$ 1,010,805</b>	<b>\$ 161,059</b>	<b>\$ 764,252</b>	<b>\$ 87,500</b>	<b>\$ 241,903</b>	<b>\$ 6,574,757</b>
<b>Liabilities:</b>										
Accounts payable	\$ 32,954	\$ 47,371	\$ 315,813	\$ -	\$ 7,529	\$ 17,535	\$ -	\$ 87,500	\$ -	\$ 508,702
Accrued liabilities	101,754	39,186	2,553	-	21,036	36,403	-	-	-	200,932
Unearned revenue	-	22,274	-	-	-	-	-	-	-	22,274
<b>Total liabilities</b>	<b>\$ 134,708</b>	<b>\$ 108,831</b>	<b>\$ 318,366</b>	<b>\$ -</b>	<b>\$ 28,565</b>	<b>\$ 53,938</b>	<b>\$ -</b>	<b>\$ 87,500</b>	<b>\$ -</b>	<b>\$ 731,908</b>
<b>Deferred Inflows of Resources:</b>										
Unavailable revenue - property taxes	\$ -	\$ -	\$ -	\$ -	\$ 14,861	\$ -	\$ -	\$ -	\$ -	\$ 14,861
Unavailable revenue - other	-	484,424	-	-	-	-	-	-	-	484,424
<b>Total deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ 484,424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,861</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 499,285</b>
<b>Fund Balances:</b>										
Nonspendable	\$ -	\$ 6,321	\$ -	\$ -	\$ -	\$ 3,900	\$ -	\$ -	\$ -	\$ 10,221
Restricted	-	251,447	-	-	-	-	-	-	-	251,447
Committed	572,670	1,172,604	1,224,256	35,611	967,379	103,221	764,252	-	241,903	5,081,896
<b>Total fund balances</b>	<b>\$ 572,670</b>	<b>\$ 1,430,372</b>	<b>\$ 1,224,256</b>	<b>\$ 35,611</b>	<b>\$ 967,379</b>	<b>\$ 107,121</b>	<b>\$ 764,252</b>	<b>\$ -</b>	<b>\$ 241,903</b>	<b>\$ 5,343,564</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 707,378</b>	<b>\$ 2,023,627</b>	<b>\$ 1,542,622</b>	<b>\$ 35,611</b>	<b>\$ 1,010,805</b>	<b>\$ 161,059</b>	<b>\$ 764,252</b>	<b>\$ 87,500</b>	<b>\$ 241,903</b>	<b>\$ 6,574,757</b>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2023

	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
<b>Revenues</b>										
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 922,913	\$ -	\$ -	\$ 187,189	\$ -	\$ 1,110,102
Other local taxes	-	128,980	-	-	-	-	-	468,843	-	597,823
Permits, privilege fees and regulatory licenses	-	39,341	-	-	9,472	-	-	-	-	48,813
Use of money and property	-	5,143	-	-	-	6,742	-	100,000	-	111,885
Charges for services	-	62,997	-	-	-	-	-	-	-	62,997
Miscellaneous	-	243,780	-	-	-	-	-	-	-	243,780
Recovered costs	25,753	28,565	-	-	22,466	-	50,000	105,000	12,821	244,605
Intergovernmental:										
Revenue from the Commonwealth	1,986,981	315,739	1,716,284	-	-	19,794	-	-	-	4,038,798
Revenue from the Federal Government	3,225,179	704,786	159,025	-	-	-	-	-	-	4,088,990
Total revenues	\$ 5,237,913	\$ 1,529,331	\$ 1,875,309	\$ -	\$ 954,851	\$ 26,536	\$ 50,000	\$ 861,032	\$ 12,821	\$ 10,547,793
<b>Expenditures</b>										
Judicial administration	\$ -	\$ 302,418	\$ -	\$ -	\$ -	\$ 20,156	\$ -	\$ -	\$ -	\$ 322,574
Public safety	-	571,625	-	-	-	18,797	-	-	-	590,422
Public works	-	4,289	-	-	541,614	-	-	-	7,220	553,123
Health and welfare	6,501,087	-	2,618,875	-	-	-	-	-	-	9,119,962
Parks, recreation and cultural	-	128,928	-	-	-	-	-	-	-	128,928
Community development	-	495,317	-	-	-	-	250,000	5,000	-	750,317
Debt service:										
Principal payments	-	-	-	-	-	-	-	681,513	-	681,513
Interest and fiscal charges	-	-	-	-	-	-	-	368,487	-	368,487
Total expenditures	\$ 6,501,087	\$ 1,502,577	\$ 2,618,875	\$ -	\$ 541,614	\$ 38,953	\$ 250,000	\$ 1,055,000	\$ 7,220	\$ 12,515,326
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (1,263,174)	\$ 26,754	\$ (743,566)	\$ -	\$ 413,237	\$ (12,417)	\$ (200,000)	\$ (193,968)	\$ 5,601	\$ (1,967,533)
<b>Other financing sources (uses)</b>										
Transfers in	\$ 1,194,680	\$ 200,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 500,000	\$ 193,968	\$ -	\$ 3,088,648
Transfers out	-	-	-	-	(180,176)	-	-	-	-	(180,176)
Proceeds from the sale of capital assets	1,876	-	-	-	-	-	-	-	-	1,876
Total other financing sources (uses)	\$ 1,196,556	\$ 200,000	\$ 1,000,000	\$ -	\$ (180,176)	\$ -	\$ 500,000	\$ 193,968	\$ -	\$ 2,910,348
Net change in fund balance	\$ (66,618)	\$ 226,754	\$ 256,434	\$ -	\$ 233,061	\$ (12,417)	\$ 300,000	\$ -	\$ 5,601	\$ 942,815
<b>Fund balances, beginning of year</b>	639,288	1,203,618	967,822	35,611	734,318	119,538	464,252	-	236,302	4,400,749
<b>Fund balances, end of year</b>	\$ 572,670	\$ 1,430,372	\$ 1,224,256	\$ 35,611	\$ 967,379	\$ 107,121	\$ 764,252	\$ -	\$ 241,903	\$ 5,343,564

Combining Balance Sheet  
Nonmajor Capital Projects Funds  
At June 30, 2023

	Public Works Capital Fund	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 13,585,219	\$ 10,740,257	\$ 3,474,797	\$ 1,103,288	\$ 28,903,561
Accrued revenue	87,775	94,807	83,165	-	265,747
Prepaid items	-	5,747	1,922,702	-	1,928,449
Due from other governments	6,314	207,235	-	-	213,549
<b>Total assets</b>	<b>\$ 13,679,308</b>	<b>\$ 11,048,046</b>	<b>\$ 5,480,664</b>	<b>\$ 1,103,288</b>	<b>\$ 31,311,306</b>
<b>Liabilities:</b>					
Accounts payable	\$ 5,712	\$ 131,998	\$ -	\$ -	\$ 137,710
Accrued liabilities	153,072	18,097	-	-	171,169
Unearned revenue	636,880	-	-	-	636,880
<b>Total liabilities</b>	<b>\$ 795,664</b>	<b>\$ 150,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 945,759</b>
<b>Fund Balances:</b>					
Fund Balance:					
Nonspendable	\$ -	\$ 5,747	\$ 1,922,702	\$ -	\$ 1,928,449
Committed	1,029,276	1,340,284	411,745	27,483	2,808,788
Assigned	11,854,368	9,551,920	3,146,217	1,075,805	25,628,310
<b>Total fund balances</b>	<b>\$ 12,883,644</b>	<b>\$ 10,897,951</b>	<b>\$ 5,480,664</b>	<b>\$ 1,103,288</b>	<b>\$ 30,365,547</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,679,308</b>	<b>\$ 11,048,046</b>	<b>\$ 5,480,664</b>	<b>\$ 1,103,288</b>	<b>\$ 31,311,306</b>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
Year Ended June 30, 2023

	Public Works Capital Fund	Public Facilities Capital Fund	Public Safety Capital Fund	New Court Capital Fund	Total
<b>Revenues</b>					
Other local taxes	\$ 743,380	\$ -	\$ -	\$ -	\$ 743,380
Use of money and property	136,345	330,027	136,345	-	602,717
Charges for services	-	-	-	32,248	32,248
Recovered costs	178,938	2,423	-	-	181,361
Intergovernmental:					
Revenue from the Commonwealth	53,594	207,235	-	-	260,829
Revenue from the Federal Government	-	35,000	-	-	35,000
Total revenues	\$ 1,112,257	\$ 574,685	\$ 136,345	\$ 32,248	\$ 1,855,535
<b>Expenditures</b>					
Capital projects	\$ 2,003,981	\$ 2,218,638	\$ 725,297	\$ 15,174	\$ 4,963,090
Debt service:					
Principal	-	114,299	-	-	114,299
Interest and fiscal charges	-	2,022	-	-	2,022
Total expenditures	\$ 2,003,981	\$ 2,334,959	\$ 725,297	\$ 15,174	\$ 5,079,411
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (891,724)	\$ (1,760,274)	\$ (588,952)	\$ 17,074	\$ (3,223,876)
<b>Other financing sources (uses)</b>					
Issuance of bonds	\$ 5,744,967	\$ 4,394,379	\$ 1,911,679	\$ -	\$ 12,051,025
Bond premium	381,743	291,999	127,028	-	800,770
Lease proceeds	-	231,013	-	-	231,013
Proceeds from the sale of capital assets	-	1,260,000	-	-	1,260,000
Transfers in	1,363,640	1,660,312	926,186	-	3,950,138
Total other financing sources (uses)	\$ 7,490,350	\$ 7,837,703	\$ 2,964,893	\$ -	\$ 18,292,946
Net change in fund balance	\$ 6,598,626	\$ 6,077,429	\$ 2,375,941	\$ 17,074	\$ 15,069,070
<b>Fund balances, beginning of year</b>	6,285,018	4,820,522	3,104,723	1,086,214	15,296,477
<b>Fund balances, end of year</b>	\$ 12,883,644	\$ 10,897,951	\$ 5,480,664	\$ 1,103,288	\$ 30,365,547

Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 At June 30, 2023

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ <u>3,036,787</u>	\$ <u>1,775,211</u>	\$ <u>4,811,998</u>
<b>Fund Balances:</b>			
Committed	\$ <u>3,036,787</u>	\$ <u>1,775,211</u>	\$ <u>4,811,998</u>
Total fund balances	\$ <u>3,036,787</u>	\$ <u>1,775,211</u>	\$ <u>4,811,998</u>
Total liabilities and fund balances	\$ <u>3,036,787</u>	\$ <u>1,775,211</u>	\$ <u>4,811,998</u>



Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Debt Service Funds  
Year Ended June 30, 2023

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
<b>Revenues</b>			
Use of money and property	\$ 2,202,637	\$ -	\$ 2,202,637
Miscellaneous	280,756	-	280,756
Intergovernmental:			
Revenue from the Commonwealth	-	209,527	209,527
Total revenues	\$ 2,483,393	\$ 209,527	\$ 2,692,920
<b>Expenditures</b>			
Debt service:			
Principal	\$ 2,768,338	\$ 2,765,000	\$ 5,533,338
Interest and fiscal charges	1,683,672	2,598,727	4,282,399
Total expenditures	\$ 4,452,010	\$ 5,363,727	\$ 9,815,737
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (1,968,617)	\$ (5,154,200)	\$ (7,122,817)
<b>Other financing sources (uses)</b>			
Issuance of bonds	\$ 83,975	\$ 386,902	\$ 470,877
Transfers in	4,458,676	5,292,536	9,751,212
Total other financing sources (uses)	\$ 4,542,651	\$ 5,679,438	\$ 10,222,089
Net change in fund balance	\$ 2,574,034	\$ 525,238	\$ 3,099,272
<b>Fund balances, beginning of year</b>	462,753	1,249,973	1,712,726
<b>Fund balances, end of year</b>	\$ 3,036,787	\$ 1,775,211	\$ 4,811,998

Combining Statement of Fiduciary Net Position  
Custodial Funds  
At June 30, 2023

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
<b>Assets:</b>							
Cash and cash equivalents	\$ 514,380	\$ 21,358	\$ 271,032	\$ 419,210	\$ 20,451	\$ 560,127	\$ 1,806,558
Accounts receivable	15,445	3,290	4,606	83,578	-	-	106,919
Prepaid items	49,241	-	-	54,529	-	-	103,770
Pension asset	-	-	-	404,082	-	-	404,082
Capital assets net of accumulated depreciation	1,838,309	-	-	620,734	-	-	2,459,043
<b>Total assets</b>	<b>\$ 2,417,375</b>	<b>\$ 24,648</b>	<b>\$ 275,638</b>	<b>\$ 1,582,133</b>	<b>\$ 20,451</b>	<b>\$ 560,127</b>	<b>\$ 4,880,372</b>
<b>Deferred Outflows of Resources:</b>							
Pension related items	\$ 125,299	\$ -	\$ 12,108	\$ 23,762	\$ -	\$ -	\$ 161,169
OPEB related items	7,484	-	724	7,659	-	-	15,867
<b>Total deferred outflows of resources</b>	<b>\$ 132,783</b>	<b>\$ -</b>	<b>\$ 12,832</b>	<b>\$ 31,421</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,036</b>
<b>Liabilities:</b>							
Accounts payable	\$ 7,805	\$ -	\$ 10,017	\$ 14,378	\$ -	\$ -	\$ 32,200
Accrued liabilities	112,529	-	58,146	71,646	-	-	242,321
Notes payable	284,348	-	-	-	-	-	284,348
Lease liabilities	-	-	-	210,362	-	-	210,362
Net OPEB liability	28,324	-	2,720	27,827	-	-	58,871
Net pension liability	419,506	-	41,223	-	-	-	460,729
Amounts held for others	-	-	-	-	-	560,127	560,127
<b>Total liabilities</b>	<b>\$ 852,512</b>	<b>\$ -</b>	<b>\$ 112,106</b>	<b>\$ 324,213</b>	<b>\$ -</b>	<b>\$ 560,127</b>	<b>\$ 1,848,958</b>
<b>Deferred Inflows of Resources:</b>							
Pension related items	\$ 96,336	\$ -	\$ 8,729	\$ 147,495	\$ -	\$ -	\$ 252,560
OPEB related items	5,796	-	557	15,636	-	-	21,989
<b>Total deferred inflows of resources</b>	<b>\$ 102,132</b>	<b>\$ -</b>	<b>\$ 9,286</b>	<b>\$ 163,131</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 274,549</b>
<b>Net Position:</b>							
Net position restricted for individuals and organizations	\$ 1,595,514	\$ 24,648	\$ 167,078	\$ 1,126,210	\$ 20,451	\$ -	\$ 2,933,901

Statement of Changes in Fiduciary Net Position  
Custodial Funds  
Year Ended June 30, 2023

	Criminal Justice Academy	Special Welfare	Court Services Unit	Rappahannock Area Youth Services	Revenue Maximization	Community Development Authority	Total
Additions:							
Contributions:							
Contributions	\$ -	\$ -	\$ 205,439	\$ 1,282,065	\$ -	\$ -	\$ 1,487,504
Miscellaneous	<u>1,604,676</u>	<u>22,556</u>	<u>-</u>	<u>147,797</u>	<u>-</u>	<u>1,269,569</u>	<u>3,044,598</u>
Total additions	<u>\$ 1,604,676</u>	<u>\$ 22,556</u>	<u>\$ 205,439</u>	<u>\$ 1,429,862</u>	<u>\$ -</u>	<u>\$ 1,269,569</u>	<u>\$ 4,532,102</u>
Deductions:							
Other charges	<u>\$ 1,255,317</u>	<u>\$ 18,602</u>	<u>\$ 157,045</u>	<u>\$ 1,470,842</u>	<u>\$ -</u>	<u>\$ 1,269,569</u>	<u>\$ 4,171,375</u>
Total deductions	<u>\$ 1,255,317</u>	<u>\$ 18,602</u>	<u>\$ 157,045</u>	<u>\$ 1,470,842</u>	<u>\$ -</u>	<u>\$ 1,269,569</u>	<u>\$ 4,171,375</u>
Net increase (decrease) in plan assets	\$ 349,359	\$ 3,954	\$ 48,394	\$ (40,980)	\$ -	\$ -	\$ 360,727
Net position:							
Balance, beginning of year	<u>1,246,155</u>	<u>20,694</u>	<u>118,684</u>	<u>1,167,190</u>	<u>20,451</u>	<u>-</u>	<u>2,573,174</u>
Balance, end of year	<u><u>\$ 1,595,514</u></u>	<u><u>\$ 24,648</u></u>	<u><u>\$ 167,078</u></u>	<u><u>\$ 1,126,210</u></u>	<u><u>\$ 20,451</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,933,901</u></u>

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Special Revenue Funds</b>				
<b>Virginia Public Assistance Fund</b>				
<b>Revenues</b>				
Recovered costs	\$ 45,277	\$ 45,277	\$ 25,753	\$ (19,524)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 2,402,297	\$ 2,402,297	\$ 1,986,981	\$ (415,316)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 3,732,137	\$ 3,732,137	\$ 3,225,179	\$ (506,958)
Total revenues	\$ 6,179,711	\$ 6,179,711	\$ 5,237,913	\$ (941,798)
<b>Expenditures</b>				
Health and welfare	\$ 7,637,911	\$ 7,658,596	\$ 6,501,087	\$ 1,157,509
<b>State, Federal and Local Grants Fund</b>				
<b>Revenues</b>				
Other local taxes:				
Plastic bag tax	\$ 100,000	\$ 100,000	\$ 128,980	\$ 28,980
Permits and other licenses	\$ 17,000	\$ 17,000	\$ 39,341	\$ 22,341
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 5,143	\$ 5,143
Miscellaneous	\$ 376,675	\$ 360,777	\$ 243,780	\$ (116,997)
Charges for services:				
Court costs	\$ -	\$ -	\$ 28,654	\$ 28,654
Parks and recreation fees	-	31,000	34,343	3,343
Total charges for services	\$ -	\$ 31,000	\$ 62,997	\$ 31,997
Recovered costs:				
Other	\$ -	\$ 5,000	\$ 28,565	\$ 23,565
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Hazardous materials grant	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Fire services program	98,297	98,297	112,267	13,970
VA domestic violence victim fund	45,000	45,000	44,003	(997)
Victim-witness program	40,193	40,193	38,706	(1,487)
Other	39,430	151,225	90,763	(60,462)
Total revenue from the Commonwealth	\$ 252,920	\$ 364,715	\$ 315,739	\$ (48,976)
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 146,624	\$ 670,496	\$ 359,834	\$ (310,662)
Community development block grants	225,000	225,000	344,952	119,952
Total revenue from the Federal Government	\$ 371,624	\$ 895,496	\$ 704,786	\$ (190,710)
Total revenues	\$ 1,118,219	\$ 1,773,988	\$ 1,529,331	\$ (244,657)
<b>Expenditures</b>				
Judicial administration:				
Victim-witness program	\$ 186,579	\$ 186,579	\$ 184,684	\$ 1,895
Domestic violence victim fund grant	75,000	75,000	67,924	7,076
Records preservation program	28,000	49,810	49,810	-
Total judicial administration	\$ 289,579	\$ 311,389	\$ 302,418	\$ 8,971

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Special Revenue Funds: (continued)</b>				
<b>State, Federal and Local Grants Fund: (continued)</b>				
<b>Expenditures: (continued)</b>				
Public safety:				
Hazardous materials response program	\$ 30,000	\$ 72,486	\$ 8,264	\$ 64,222
Fire services program	98,297	234,385	148,368	86,017
Fire department donations	-	3,401	768	2,633
OEMS grant	-	23,401	23,401	-
VRSA risk management grant	-	5,000	5,000	-
PD golf tournament	20,000	21,815	25,517	(3,702)
JAG grants	-	85,561	51,589	33,972
Marcus alert program	-	95,670	70,671	24,999
LEMPG	10,680	11,029	11,030	(1)
ICAC grant	-	5,000	2,707	2,293
Community projects	-	34,590	8,368	26,222
Crime prevention	-	1,036	1,036	-
Radiological emergency preparedness	750	750	-	750
School resource officer	-	51,022	-	51,022
E-summons	-	56,828	40,457	16,371
Prisoner extradition	-	16,691	18,576	(1,885)
DOJ mental health	-	174,232	26,968	147,264
VSP heat grant	-	3,618	3,402	216
DCJS recruitment and retention	-	20,865	5,115	15,750
State homeland security grant	-	213,649	85,062	128,587
DMV grants	52,840	48,900	35,326	13,574
Opioid settlement	236,675	236,675	-	236,675
Total public safety	\$ 449,242	\$ 1,416,604	\$ 571,625	\$ 844,979
Public works:				
Emerald ash program	\$ -	\$ 3,456	\$ 4,289	\$ (833)
Urban forestry restitution	-	5,500	-	5,500
Total public works	\$ -	\$ 8,956	\$ 4,289	\$ 4,667
Parks, recreation and cultural:				
Farmers' market	\$ 37,000	\$ 57,882	\$ 49,434	\$ 8,448
Midnight madness	10,000	38,016	1,783	36,233
Fredericksburg Arts Commission	25,000	63,652	43,189	20,463
Old mill park	-	31,000	30,698	302
Other	-	133,742	3,824	129,918
Total parks, recreation and cultural	\$ 72,000	\$ 324,292	\$ 128,928	\$ 195,364
Community development:				
Community development block grant	\$ 285,000	\$ 372,408	\$ 383,959	\$ (11,551)
Regional consumer marketing	-	31,453	12,928	18,525
Regional group tourism	-	30,540	35,971	(5,431)
United Way special events	30,000	42,314	15,796	26,518
Other	120,000	416,998	46,663	370,335
Total community development	\$ 435,000	\$ 893,713	\$ 495,317	\$ 398,396
Total expenditures	\$ 1,245,821	\$ 2,954,954	\$ 1,502,577	\$ 1,452,377
<b>Children's Services Act Fund</b>				
<b>Revenues</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act grants	\$ 2,320,183	\$ 2,320,183	\$ 1,716,284	\$ (603,899)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 36,614	\$ 36,614	\$ 159,025	\$ 122,411
Total revenues	\$ 2,356,797	\$ 2,356,797	\$ 1,875,309	\$ (481,488)
<b>Expenditures</b>				
Health and Welfare:				
Children's Services Act program	\$ 3,756,797	\$ 3,756,797	\$ 2,618,875	\$ 1,137,922

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Special Revenue Funds: (continued)</b>				
<b>Stormwater Management Fund</b>				
<b>Revenues</b>				
General property taxes	\$ 926,326	\$ 926,326	\$ 922,913	\$ (3,413)
Permits and other licenses	\$ 10,000	\$ 10,000	\$ 9,472	\$ (528)
Recovered costs	\$ -	\$ -	\$ 22,466	\$ 22,466
Total revenues	<u>\$ 936,326</u>	<u>\$ 936,326</u>	<u>\$ 954,851</u>	<u>\$ 18,525</u>
<b>Expenditures</b>				
Public works:				
Drainage	\$ 496,956	\$ 496,956	\$ 354,831	\$ 142,125
VSMP administration	259,194	259,194	186,783	72,411
Total expenditures	<u>\$ 756,150</u>	<u>\$ 756,150</u>	<u>\$ 541,614</u>	<u>\$ 214,536</u>
<b>Blight Abatement Fund</b>				
<b>Revenues</b>				
Recovered costs	\$ 20,000	\$ 20,000	\$ 12,821	\$ (7,179)
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 12,821</u>	<u>\$ (7,179)</u>
<b>Expenditures</b>				
Public works:				
Blight abatement	\$ 95,000	\$ 95,000	\$ 7,220	\$ 87,780
<b>Forfeited Asset Sharing Program Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 6,742	\$ 6,742
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited asset sharing program	\$ -	\$ 10,045	\$ 19,794	\$ 9,749
Total revenues	<u>\$ -</u>	<u>\$ 10,045</u>	<u>\$ 26,536</u>	<u>\$ 16,491</u>
<b>Expenditures</b>				
Judicial administration:				
Forfeited asset sharing program	\$ -	\$ 87,636	\$ 20,156	\$ 67,480
Public safety:				
Forfeited asset sharing program	\$ -	\$ 41,951	\$ 18,797	\$ 23,154
Total expenditures	<u>\$ -</u>	<u>\$ 129,587</u>	<u>\$ 38,953</u>	<u>\$ 90,634</u>
<b>Fredericksburg Opportunity Fund</b>				
<b>Revenues</b>				
Recovered costs	\$ -	\$ -	\$ 50,000	\$ 50,000
<b>Expenditures</b>				
Community development:				
Economic development	\$ -	\$ 250,000	\$ 250,000	\$ -

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Special Revenue Funds: (Continued)</b>				
<b>Multi Purpose Stadium Fund</b>				
<b>Revenues</b>				
General property taxes	\$ 300,000	\$ 187,189	\$ 187,189	\$ -
Other local taxes:				
Local sales and use taxes	\$ 50,000	\$ 45,833	\$ 45,833	\$ -
Business licenses and rental tax	50,000	37,087	37,088	1
Amusement tax	200,000	184,458	184,459	1
Meals taxes	250,000	201,465	201,463	(2)
Total other local taxes	\$ 550,000	\$ 468,843	\$ 468,843	\$ -
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	\$ 861,032	\$ 861,032	\$ -
<b>Expenditures</b>				
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	\$ -
<b>Capital Projects Funds</b>				
<b>Public Works Capital Fund</b>				
<b>Revenues</b>				
Other local taxes:				
Gasoline taxes	\$ 664,700	\$ 1,318,080	\$ 743,380	\$ (574,700)
Revenue from use of money and property:				
Use of money	\$ 50,000	\$ 50,000	\$ 136,345	\$ 86,345
Recovered costs	\$ -	\$ -	\$ 178,938	\$ 178,938
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grants	\$ 11,500	\$ 2,489,148	\$ 53,594	\$ (2,435,554)
VA community flood preparedness	626,000	626,000	-	(626,000)
Stormwater management grant	3,255,162	3,255,162	-	(3,255,162)
Total revenue from the Commonwealth	\$ 3,892,662	\$ 6,370,310	\$ 53,594	\$ (6,316,716)
Revenue from the Federal Government:				
Categorical aid:				
US Economic Development Administration	\$ 1,200,000	\$ 1,200,000	\$ -	\$ (1,200,000)
Total revenue from the Federal Government	\$ 1,200,000	\$ 1,200,000	\$ -	\$ (1,200,000)
Total revenues	\$ 5,807,362	\$ 8,938,390	\$ 1,112,257	\$ (7,826,133)
<b>Expenditures</b>				
Capital projects:				
Annual pavement rehabilitation	\$ 750,000	\$ 2,044,111	\$ 1,256,869	\$ 787,242
Downtown streetscape renovation	-	2,550,000	-	2,550,000
Historic district improvements	-	120,035	13,723	106,312
Culvert repair	150,000	230,549	89,449	141,100
Rolling stock	225,000	504,791	-	504,791
Historic assets	-	84,000	6,143	77,857
Riverfront Park	-	-	16,371	(16,371)
Rappahannock Canal repairs	48,000	48,000	-	48,000
Fall Hill/Washington Avenue conversion	600,000	607,395	608,810	(1,415)
Learning Lane storm sewer	-	1,876,491	2,605	1,873,886
Downtown traffic	200,000	200,000	-	200,000
Fall Hill Avenue sidewalks	-	152,648	322	152,326
Pond D stream restoration	4,600,000	4,600,000	-	4,600,000
Pond D retrofit	2,600,000	2,740,225	8,939	2,731,286
Pond D dam repairs	1,252,464	1,252,464	-	1,252,464

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Capital Projects Funds: (Continued)</b>				
<b>Public Works Capital Fund: (continued)</b>				
<b>Expenditures: (continued)</b>				
Capital projects: (continued)				
Riverfront park improvements	1,500,000	1,500,000	-	1,500,000
Mary Washington connector	53,200	53,200	-	53,200
Pedestrian bridges rehab	-	1,183,323	750	1,182,573
Wheeled cart refuse program	300,000	300,000	-	300,000
Stafford Avenue reconstruction	23,000	23,000	-	23,000
Public works capital projects	-	62,814	-	62,814
VCR Trail bridge	-	305,000	-	305,000
Salt storage facility	-	65,454	-	65,454
Total capital projects expenditures	\$ 12,301,664	\$ 20,503,500	\$ 2,003,981	\$ 18,499,519
<b>Public Facilities Capital Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 245,296	\$ 245,296
Use of property	-	-	84,731	84,731
Total revenue from use of money and property	\$ -	\$ -	\$ 330,027	\$ 330,027
Recovered costs	\$ 1,000,000	\$ -	\$ 2,423	\$ 2,423
Intergovernmental:				
Revenue from the Commonwealth:				
VITA NG911 implementation	\$ -	\$ 1,207,845	\$ 207,235	\$ (1,000,610)
Other	150,000	150,000	-	(150,000)
Total revenue from the Commonwealth	\$ 150,000	\$ 1,357,845	\$ 207,235	\$ (1,150,610)
Revenue from the Federal Government:				
Categorical aid:				
Historic preservation	\$ -	\$ -	\$ 35,000	\$ 35,000
Total revenues	\$ 1,150,000	\$ 1,357,845	\$ 574,685	\$ (783,160)
<b>Expenditures</b>				
Capital projects:				
NG911 implementation	\$ -	\$ 1,207,845	\$ 225,716	\$ 982,129
Parks alum springs ADA ramp	-	65,606	-	65,606
Computer equipment replacement	325,000	480,405	399,770	80,635
Executive Plaza building	-	1,666,901	705,008	961,893
Energy retrofits	200,000	692,962	-	692,962
IT cybersecurity	82,500	109,812	84,464	25,348
Fiberoptic network expansion	268,000	290,086	-	290,086
Parks ADA accessibility	-	84,400	-	84,400
Bankside trail	150,000	150,000	12,711	137,289
Old town hall museum	-	20,046	6,910	13,136
ERP implementation	54,850	437,057	126,355	310,702
Parks plan development	90,000	90,000	-	90,000
Area plan updates	100,000	251,720	101,424	150,296
Public safety system upgrade	75,000	75,000	-	75,000
Comprehensive plan update	150,000	150,000	-	150,000
UPS replacement	150,000	150,000	-	150,000
Memorial Park tennis court	90,000	90,000	84,043	5,957
Executive plaza visitor center	1,000,000	1,210,000	60,753	1,149,247
Dowman house	150,000	167,750	111,678	56,072
Public facilities capital projects	-	293,000	231,013	61,987
IT resilience	150,000	167,473	68,793	98,680
Total capital projects expenditures	\$ 3,035,350	\$ 7,850,063	\$ 2,218,638	\$ 5,631,425
Principal and interest	\$ -	\$ -	\$ 116,321	\$ (116,321)
Total expenditures	\$ 3,035,350	\$ 7,850,063	\$ 2,334,959	\$ 5,515,104
Total expenditures	\$ 3,035,350	\$ 7,850,063	\$ 2,218,638	\$ 5,631,425
<b>Public Safety Capital Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 136,345	\$ 136,345
Total revenues	\$ -	\$ -	\$ 136,345	\$ 136,345



Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds with Legally Adopted Budgets  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Capital Projects Funds: (continued)</b>				
<b>Public Safety Capital Fund: (Continued)</b>				
<b>Expenditures</b>				
Capital projects:				
Fire SCBA replacement	\$ 200,000	\$ 325,000	\$ -	\$ 325,000
Animal shelter	95,000	110,633	110,632	1
Public safety capital projects	-	59,367	-	59,367
Emergency medical vehicles	100,000	2,619,032	359,159	2,259,873
New fire station	14,000,000	14,518,756	11,547	14,507,209
Police department radio system	156,751	156,751	156,742	9
Fire station one rehab	-	147,001	-	147,001
Police camera system	174,435	174,435	87,217	87,218
Total capital projects expenditures	\$ 14,726,186	\$ 18,110,975	\$ 725,297	\$ 17,385,678
<b>New Court Capital Fund</b>				
<b>Revenues</b>				
Charges for services:				
Courthouse construction fees	\$ -	\$ -	\$ 32,248	\$ 32,248
<b>Expenditures</b>				
Capital projects:				
Courthouse construction	\$ -	\$ 12,606	\$ 12,606	\$ -
Renwick improvements	150,000	150,000	2,568	147,432
Total capital projects expenditures	\$ 150,000	\$ 162,606	\$ 15,174	\$ 147,432
<b>School Bond Funded Capital Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ 280,000	\$ -	\$ (280,000)
Recovered costs	\$ -	\$ 800,000	\$ -	\$ (800,000)
Contribution from Component Unit School Board	\$ -	\$ 2,633,016	\$ 3,400,376	\$ 767,360
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Construction grants	\$ -	\$ 8,566,984	\$ 1,566,984	\$ (7,000,000)
Total revenues	\$ -	\$ 12,280,000	\$ 4,967,360	\$ (7,312,640)
<b>Expenditures</b>				
Capital projects:				
New middle school	-	74,780,000	6,816,041	67,963,959
Total capital projects expenditures	\$ -	\$ 74,780,000	\$ 6,816,041	\$ 67,963,959
<b>Debt Service Funds</b>				
<b>General Obligation Bond Debt Service Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 2,202,637	\$ 2,202,637
Miscellaneous	\$ 280,757	\$ 280,757	\$ 280,756	\$ (1)
Total revenues	\$ 280,757	\$ 280,757	\$ 2,483,393	\$ 2,202,636
<b>Expenditures</b>				
Principal and interest	\$ 4,739,433	\$ 4,739,433	\$ 4,452,010	\$ 287,423
<b>Education Debt Service Fund</b>				
<b>Revenues</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
VPSA interest credit	\$ 200,000	\$ 200,000	\$ 209,527	\$ 9,527
<b>Expenditures</b>				
Principal and interest	\$ 5,646,420	\$ 5,646,420	\$ 5,363,727	\$ 282,693

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, 2023

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 6,647,861	\$ -	\$ 1,006,841	\$ 447,354	\$ 8,102,056
Accrued revenue	121,921	25,354	-	-	147,275
Due from other governments	782,104	7,779,877	-	-	8,561,981
Prepaid items	303,998	883,722	-	-	1,187,720
Total assets	<u>\$ 7,855,884</u>	<u>\$ 8,688,953</u>	<u>\$ 1,006,841</u>	<u>\$ 447,354</u>	<u>\$ 17,999,032</u>
<b>Liabilities:</b>					
Reconciled overdraft	\$ -	\$ 5,174,263	\$ -	\$ -	\$ 5,174,263
Accounts payable	1,382,440	206,807	106,884	5,712	1,701,843
Accrued liabilities	2,463,600	188,341	-	-	2,651,941
Unearned revenue	-	349,345	-	-	349,345
Total liabilities	<u>\$ 3,846,040</u>	<u>\$ 5,918,756</u>	<u>\$ 106,884</u>	<u>\$ 5,712</u>	<u>\$ 9,877,392</u>
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	\$ 303,998	\$ 883,722	\$ -	\$ -	\$ 1,187,720
Restricted:					
School activities	-	-	-	441,642	441,642
Committed:					
Grant related expenditures	-	1,886,475	-	-	1,886,475
Capital projects	-	-	147,385	-	147,385
Subsequent year's expenditures	250,000	-	-	-	250,000
Assigned:					
Capital projects	-	-	752,572	-	752,572
Debt service	300,000	-	-	-	300,000
Unassigned	3,155,846	-	-	-	3,155,846
Total fund balances	<u>\$ 4,009,844</u>	<u>\$ 2,770,197</u>	<u>\$ 899,957</u>	<u>\$ 441,642</u>	<u>\$ 8,121,640</u>
Total liabilities and fund balances	<u>\$ 7,855,884</u>	<u>\$ 8,688,953</u>	<u>\$ 1,006,841</u>	<u>\$ 447,354</u>	<u>\$ 17,999,032</u>

## Component Unit School Board

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

At June 30, 2023

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Total fund balances for governmental funds (Exhibit 44)	\$	8,121,640
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Total net position reported for governmental activities in the statement of net position is different because:

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

Land	\$	472,679	
Construction in progress		1,198,420	
Land improvements, net of accumulated depreciation		959,663	
Buildings and improvements, net of accumulated depreciation		27,408,811	
Lease equipment, net of accumulated depreciation		203,072	
Machinery, equipment, and vehicles, net of accumulated depreciation		<u>4,926,882</u>	35,169,527

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

Net pension asset			675,450
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	8,523,998	
OPEB related items		<u>1,904,836</u>	10,428,834

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	\$	(1,475,000)	
Lease liabilities		(203,923)	
Net OPEB liability		(11,496,073)	
Net pension liability		(27,161,316)	
Compensated absences		<u>(1,937,288)</u>	(42,273,600)

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

Pension related items	\$	(6,559,200)	
OPEB related items		<u>(1,825,411)</u>	(8,384,611)

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Total net position of governmental activities (Exhibits 1 and 12)	\$	<u><u>3,737,240</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, 2023

	School Operating Fund	Special School Fund	School Capital Projects Fund	School Activity Fund	Total Governmental Funds
<b>Revenues</b>					
Use of money and property	\$ 61,718	\$ -	\$ -	\$ 69	\$ 61,787
Charges for services	59,245	78,559	-	-	137,804
Miscellaneous	305,628	543,559	-	520,887	1,370,074
Recovered costs	227,161	15,500	-	-	242,661
Intergovernmental:					
Appropriation from primary government	28,266,984	-	-	-	28,266,984
Revenue from the Commonwealth	22,156,177	2,413,734	-	-	24,569,911
Revenue from the Federal Government	-	12,823,927	-	-	12,823,927
<b>Total revenues</b>	<b>\$ 51,076,913</b>	<b>\$ 15,875,279</b>	<b>\$ -</b>	<b>\$ 520,956</b>	<b>\$ 67,473,148</b>
<b>Expenditures</b>					
Current:					
Education:					
Instruction	\$ 37,679,089	\$ 11,136,311	\$ -	\$ 539,759	\$ 49,355,159
Administration, attendance and health	4,076,735	-	-	-	4,076,735
Transportation	2,562,196	2,112,546	-	-	4,674,742
Facilities operations	4,573,683	-	-	-	4,573,683
Technology	2,981,740	89,690	-	-	3,071,430
School food service operations	126,390	3,161,998	-	-	3,288,388
Contribution to primary government	-	-	1,467,360	-	1,467,360
Capital projects	-	-	104,704	-	104,704
Debt service:					
Principal	366,027	-	-	-	366,027
Interest	36,869	-	-	-	36,869
<b>Total expenditures</b>	<b>\$ 52,402,729</b>	<b>\$ 16,500,545</b>	<b>\$ 1,572,064</b>	<b>\$ 539,759</b>	<b>\$ 71,015,097</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (1,325,816)</b>	<b>\$ (625,266)</b>	<b>\$ (1,572,064)</b>	<b>\$ (18,803)</b>	<b>\$ (3,541,949)</b>
<b>Other financing sources (uses)</b>					
Transfers in	\$ -	\$ 300,000	\$ 250,000	\$ -	\$ 550,000
Transfers out	(550,000)	-	-	-	(550,000)
<b>Total other financing sources (uses)</b>	<b>\$ (550,000)</b>	<b>\$ 300,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in fund balance</b>	<b>\$ (1,875,816)</b>	<b>\$ (325,266)</b>	<b>\$ (1,322,064)</b>	<b>\$ (18,803)</b>	<b>\$ (3,541,949)</b>
<b>Fund balances, beginning of year</b>	<b>5,885,660</b>	<b>3,095,463</b>	<b>2,222,021</b>	<b>460,445</b>	<b>11,663,589</b>
<b>Fund balances, end of year</b>	<b>\$ 4,009,844</b>	<b>\$ 2,770,197</b>	<b>\$ 899,957</b>	<b>\$ 441,642</b>	<b>\$ 8,121,640</b>

## 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, 2023

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Net change in fund balances - total governmental funds (Exhibit 46) \$ (3,541,949)

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. 541,837

Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board 1,735,965

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

## Repayments of long-term debt:

Energy performance contract	278,000
Lease liabilities	88,027

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	4,655,726
OPEB expense	(1,580,297)
Compensated absences	(600,249)

Special contributions received from the Commonwealth for the teacher cost sharing pools are not reported in governmental funds. 1,335,704

Change in net position of governmental activities (Exhibit 12) \$ 2,912,764

Component Unit School Board  
School Operating Fund  
Revenues and Expenditures Budgetary Comparison Schedule  
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>School Operating Fund</b>				
<b>Revenues</b>				
Use of money and property:				
Use of property	\$ 15,000	\$ 15,000	\$ 61,718	\$ 46,718
Charges for services:				
Charges for education	\$ 99,125	\$ 99,125	\$ 59,245	\$ (39,880)
Miscellaneous	\$ 255,884	\$ 255,884	\$ 305,628	\$ 49,744
Recovered costs:				
Education	\$ 134,000	\$ 134,000	\$ 227,161	\$ 93,161
Intergovernmental:				
Appropriation from primary government	\$ 30,200,000	\$ 28,266,984	\$ 28,266,984	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 5,096,873	\$ 5,096,873	\$ 5,346,527	\$ 249,654
Basic aid	8,465,029	8,612,381	8,572,607	(39,774)
Other	8,312,091	8,885,582	8,237,043	(648,539)
Total revenue from the Commonwealth	\$ 21,873,993	\$ 22,594,836	\$ 22,156,177	\$ (438,659)
Total revenues	\$ 52,578,002	\$ 51,365,829	\$ 51,076,913	\$ (288,916)
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 39,186,373	\$ 39,730,608	\$ 37,679,089	\$ 2,051,519
Administration, attendance and health	4,390,035	4,004,814	4,076,735	(71,921)
Transportation	2,411,164	2,411,164	2,562,196	(151,032)
School food service operations	125,000	125,000	126,390	(1,390)
Facilities operations	4,010,868	4,872,461	4,573,683	298,778
Technology	3,051,901	3,051,901	2,981,740	70,161
Debt service:				
Principal	366,027	366,027	366,027	-
Interest and fiscal charges	36,634	36,870	36,869	1
Total expenditures	\$ 53,578,002	\$ 54,598,845	\$ 52,402,729	\$ 2,196,116
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (1,000,000)	\$ (3,233,016)	\$ (1,325,816)	\$ 1,907,200
<b>Other financing sources (uses)</b>				
Transfers out	\$ -	\$ (550,000)	\$ (550,000)	\$ -
Net change in fund balance	\$ (1,000,000)	\$ (3,783,016)	\$ (1,875,816)	\$ 1,907,200
<b>Fund balance, beginning of year</b>	1,000,000	3,783,016	5,885,660	2,102,644
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 4,009,844	\$ 4,009,844

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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Special School Fund</b>				
<b>Revenues</b>				
Charges for services:				
Cafeteria sales	\$ 125,000	\$ 125,000	\$ 78,559	\$ (46,441)
Miscellaneous	\$ 140,000	\$ 178,207	\$ 543,559	\$ 365,352
Recovered costs:				
Education	\$ 107,000	\$ 247,000	\$ 15,500	\$ (231,500)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 45,000	\$ 45,000	\$ 50,768	\$ 5,768
Preschool initiative grant	174,444	174,444	133,392	(41,052)
VPSA technology grant	125,000	125,000	-	(125,000)
Clean bus grant	-	2,597,240	2,112,546	(484,694)
Other	95,421	95,421	117,028	21,607
Total revenue from the Commonwealth	\$ 439,865	\$ 3,037,105	\$ 2,413,734	\$ (623,371)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 1,237,000	\$ 1,604,661	\$ 1,984,267	\$ 379,606
School food	2,370,000	3,370,000	2,735,416	(634,584)
Head Start	1,486,261	1,486,261	1,454,035	(32,226)
CARES grants	5,942,526	9,338,343	4,520,048	(4,818,295)
American Rescue Plan	-	-	373,286	373,286
Special education IDEA	684,330	684,330	904,980	220,650
Other	356,786	1,105,751	851,895	(253,856)
Total revenue from the Federal Government	\$ 12,076,903	\$ 17,589,346	\$ 12,823,927	\$ (4,765,419)
Total revenues	\$ 12,888,768	\$ 21,176,658	\$ 15,875,279	\$ (5,301,379)
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 10,223,768	\$ 15,191,584	\$ 11,136,311	\$ 4,055,273
Transportation	-	3,520,910	2,112,546	1,408,364
Technology	125,000	125,000	89,690	35,310
School food service operations	2,540,000	3,540,000	3,161,998	378,002
Total expenditures	\$ 12,888,768	\$ 22,377,494	\$ 16,500,545	\$ 5,876,949
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$ (1,200,836)	\$ (625,266)	\$ 575,570
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 300,000	\$ 300,000	\$ -
Net change in fund balance	\$ -	\$ (900,836)	\$ (325,266)	\$ 575,570
<b>Fund balance, beginning of year</b>	-	900,836	3,095,463	2,194,627
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 2,770,197	\$ 2,770,197

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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>School Capital Projects Fund</b>				
<b>Revenues</b>				
Recovered costs:				
Education	\$ 500,000	\$ -	\$ -	\$ -
Intergovernmental:				
Appropriation from primary government	\$ 4,000,000	\$ -	\$ -	\$ -
Total revenues	\$ 4,500,000	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Capital projects:				
School buses	\$ -	\$ 330,000	\$ -	\$ 330,000
School construction	56,030,000	-	-	-
Other	-	67,951	104,704	(36,753)
Total capital projects	\$ 56,030,000	\$ 397,951	\$ 104,704	\$ 293,247
Contribution to primary government	\$ -	\$ 700,000	\$ 1,467,360	\$ (767,360)
Total expenditures	\$ 56,030,000	\$ 1,097,951	\$ 1,572,064	\$ (474,113)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (51,530,000)	\$ (1,097,951)	\$ (1,572,064)	\$ (474,113)
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 250,000	\$ 250,000	\$ -
Issuance of bonds	50,500,000	-	-	-
Total other financing sources (uses)	\$ 50,500,000	\$ 250,000	\$ 250,000	\$ -
Net change in fund balance	\$ (1,030,000)	\$ (847,951)	\$ (1,322,064)	\$ (474,113)
<b>Fund balance, beginning of year</b>	1,030,000	847,951	2,222,021	1,374,070
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 899,957	\$ 899,957

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.

6 - 9

#### Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

10 - 14

#### Demographic and Economic Information

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

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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 comprehensive annual financial reports for the relevant year.

## CITY OF FREDERICKSBURG, VIRGINIA

Table 1

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Invested in capital assets, net of related debt	\$ 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	\$ 101,452,771
Restricted	-	-	-	-	-	-	-	-	613,429	2,197,605
Unrestricted	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	42,187,137
Total governmental activities net position	\$ 115,835,687	\$ 94,384,642	\$ 94,777,691	\$ 97,102,307	\$ 86,690,767	\$ 117,080,508	\$ 114,576,996	\$ 119,690,024	\$ 125,401,798	\$ 145,837,513
Business-type activities:										
Invested in capital assets, net of related debt	\$ 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	\$ 54,587,378
Unrestricted	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	35,064,164
Total business-type activities net position	\$ 65,467,573	\$ 64,199,533	\$ 66,243,657	\$ 68,603,278	\$ 69,322,544	\$ 76,522,204	\$ 79,863,267	\$ 81,512,871	\$ 83,384,461	\$ 89,651,542
Primary government:										
Net investment in capital assets	\$ 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	\$ 156,040,149
Restricted	-	-	-	-	-	-	-	-	613,429	2,197,605
Unrestricted	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	77,251,301
Total primary government net position	\$ 181,303,260	\$ 181,303,260	\$ 158,584,175	\$ 165,705,585	\$ 156,013,311	\$ 193,602,712	\$ 194,440,263	\$ 201,202,895	\$ 208,786,259	\$ 235,489,055

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

## CITY OF FREDERICKSBURG, VIRGINIA

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Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
Expenses	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General government	\$ 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	\$ 10,352,064
Judicial administration	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	6,913,642
Public safety	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	29,673,716
Public works	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	13,850,639
Health and welfare	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	9,979,460
Education	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	29,365,505
Parks, recreation and cultural	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	6,194,059
Community development	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	4,561,267
Interest on long-term debt	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	4,601,962
Total governmental activities expenses	\$ 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	\$ 115,492,314
Business-type activities:										
Water	\$ 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	\$ 5,274,959
Sewer	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	5,578,259
Transit	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	5,113,353
Parking	470,905	448,933	443,485	493,395	465,613	463,019	426,365	404,398	449,703	481,893
Total business-type activities expenses	\$ 12,534,189	\$ 12,453,674	\$ 12,918,931	\$ 13,776,430	\$ 13,774,851	\$ 14,519,981	\$ 14,421,079	\$ 14,135,011	\$ 16,408,401	\$ 16,448,464
Total primary government expenses	\$ 102,317,903	\$ 103,743,705	\$ 107,746,347	\$ 110,759,756	\$ 113,016,106	\$ 114,618,873	\$ 123,147,914	\$ 122,908,152	\$ 130,059,764	\$ 131,940,778

## CITY OF FREDERICKSBURG, VIRGINIA

Table 2  
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Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 109,152	\$ 152,025	\$ 157,793	\$ 149,415	\$ 144,698	\$ 151,722	\$ 134,345	\$ 111,040	\$ 126,795	\$ 141,914
Judicial administration	204,046	220,427	195,804	191,999	222,654	236,010	186,784	114,866	130,279	166,528
Public safety	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	2,291,367
Public works	828,049	967,752	985,924	998,126	1,017,049	921,651	1,135,057	1,189,612	1,409,844	1,448,620
Health and welfare	-	-	-	-	-	-	-	-	20,397	166,183
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	471,289	497,253	455,603	473,643	507,083	539,224	196,581	282,911	446,489	591,062
Community development	1,169	263	57	28	9	28	72	159,011	251,084	237,862
Operating grants and contributions	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	18,835,373
Capital grants and contributions	4,595,323	2,011,484	1,460,003	3,192,416	2,643,606	25,072,392	499,364	810,642	550,770	2,311,327
Total governmental activities program revenues	\$ 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	\$ 26,190,236
Business-type activities:										
Charges for services:										
Water	\$ 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	\$ 4,509,099
Sewer	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	7,664,481
Transit	423,081	403,921	470,343	307,579	333,462	304,830	241,356	136,666	91,898	40,313
Parking	328,385	353,532	283,741	247,274	276,452	282,249	210,485	120,401	221,094	353,063
Operating grants and contributions	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	5,938,599
Capital grants and contributions	2,307,225	145,599	410,573	1,682,639	-	5,526,154	1,333,615	177,875	373,459	1,786,748
Total business-type activities program revenues	\$ 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	\$ 20,292,303
Total primary government program revenues	\$ 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	\$ 46,482,539
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (89,302,078)
Business-type activities	2,996,284	143,660	1,276,328	1,190,546	273,473	6,175,489	2,254,877	1,157,957	2,149,862	3,843,839
Total primary government net expense	\$ (68,729,841)	\$ (74,312,638)	\$ (77,758,576)	\$ (77,313,003)	\$ (79,968,698)	\$ (51,219,515)	\$ (88,580,383)	\$ (85,219,297)	\$ (92,715,511)	\$ (85,458,239)

## CITY OF FREDERICKSBURG, VIRGINIA

Table 2  
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Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 54,388,578
Local sales and use taxes	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	15,781,634
Consumer utility taxes	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	1,616,977
Business license taxes	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	8,283,896
Hotel/Lodging taxes	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	1,746,141
Meals taxes	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	15,081,582
Other local taxes	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	4,115,108
Unrestricted grants and contributions	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	3,401,589
Use of Property	-	-	-	-	-	-	-	-	-	141,488
Revenues from use of money and property	462,109	405,457	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(687,172)	4,598,052
Gain(loss) on disposal of capital asset	-	-	-	-	-	-	-	-	-	1,241,857
Miscellaneous	287,916	403,665	329,387	664,489	552,057	761,832	660,061	1,039,022	1,270,683	763,795
Transfers	604,393	603,480	619,545	619,355	605,665	606,172	635,157	630,000	1,068,993	(1,422,904)
Total governmental activities	\$ 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	\$ 109,737,793
Business-type activities:										
Taxes:										
Other local taxes	\$ 961,084	\$ 743,502	\$ 687,620	\$ 1,154,538	\$ 725,117	\$ 730,000	\$ 779,657	\$ 552,918	\$ 518,361	\$ 430,050
Revenues from use of money and property	70,392	65,812	111,862	62,519	47,630	335,748	359,852	29,292	(182,076)	136,344
Miscellaneous	529,219	655,766	587,859	571,373	545,583	564,595	581,834	539,437	454,435	433,944
Transfers	(604,393)	(603,480)	(619,545)	(619,355)	(605,665)	(606,172)	(635,157)	(630,000)	(1,068,993)	1,422,904
Total business-type activities	\$ 956,302	\$ 861,600	\$ 767,796	\$ 1,169,075	\$ 712,665	\$ 1,024,171	\$ 1,086,186	\$ 491,647	\$ (278,273)	\$ 2,423,242
Total primary government	\$ 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	\$ 112,161,035
<b>Change in Net Position</b>										
Governmental activities	\$ 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	\$ 20,435,715
Business-type activities	3,952,586	1,005,260	2,044,124	2,359,621	986,138	7,199,660	3,341,063	1,649,604	1,871,589	6,267,081
Total primary government	\$ 7,274,642	\$ 3,767,548	\$ 2,437,173	\$ 4,684,237	\$ 5,037,773	\$ 37,589,401	\$ (773,693)	\$ 5,760,119	\$ 7,578,863	\$ 26,702,796

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

## CITY OF FREDERICKSBURG, VIRGINIA

Table 3

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nonspendable	\$ 480,656	\$ 370,237	\$ 387,695	\$ 427,347	\$ 349,361	\$ 461,923	\$ 120,928	\$ 173,478	\$ 447,475	\$ 436,186
Restricted	-	-	327,422	100,466	-	-	-	-	-	-
Committed	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	16,763,359
Assigned	769,149	47,997	1,306,350	996,272	1,326,619	1,896,004	3,896,004	3,691,004	2,646,004	2,281,009
Unassigned	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	21,693,799
Total general fund	\$ 27,285,105	\$ 28,138,016	\$ 25,704,455	\$ 24,275,393	\$ 25,835,189	\$ 28,166,244	\$ 27,836,403	\$ 34,931,323	\$ 39,394,417	\$ 41,174,353
All other governmental funds										
Nonspendable, reported in:										
Special revenue funds	\$ 4,569	\$ 4,876	\$ 581	\$ 9,710	\$ 1,767	\$ 9,576	\$ 12,473	\$ 4,662	\$ 18,028	\$ 14,221
Capital projects funds	-	-	-	-	-	-	641,479	-	1,779,476	1,928,449
Restricted, reported in:										
Special revenue funds	336,280	332,993	-	100,000	100,000	95,250	95,250	95,250	95,250	251,447
Capital projects funds	-	-	-	-	-	-	-	-	-	1,556,984
Committed, reported in:										
Special revenue funds	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	5,081,896
Capital projects funds	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	2,808,788
Debt service Funds	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	4,811,998
Assigned, reported in:										
Capital projects funds	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	84,724,743
Unassigned	-	-	-	-	-	-	-	-	-	(4,000)
Total all other governmental funds	\$ 19,800,905	\$ 15,007,176	\$ 24,744,158	\$ 14,122,878	\$ 11,224,868	\$ 23,136,466	\$ 20,624,278	\$ 20,829,776	\$ 21,409,952	\$ 101,174,526

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

## CITY OF FREDERICKSBURG, VIRGINIA

Table 4

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
General property taxes	\$ 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	\$ 52,552,470
Other local taxes	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	46,625,338
Permits, privilege fees and regulatory licenses	598,444	726,685	691,636	700,197	823,463	1,125,519	1,063,717	836,452	918,778	882,608
Fines and forfeitures	477,161	523,547	350,564	312,851	460,046	661,837	473,741	260,986	405,155	487,441
Revenue from use of money and property	462,109	405,457	554,699	468,252	545,326	2,163,744	2,072,245	385,329	(483,148)	5,090,454
Charges for services	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	3,322,573
Miscellaneous	274,259	273,284	248,557	644,920	530,385	729,375	582,125	1,027,644	637,430	892,800
Recovered costs	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	857,625
Intergovernmental:										
Contribution from Component Unit School Board	-	-	-	-	-	-	-	-	-	3,400,376
Commonwealth	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	16,450,227
Federal	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	8,032,375
Total revenues	\$ 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	\$ 138,594,287
<b>Expenditures</b>										
General government administration	\$ 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	\$ 9,854,433
Judicial administration	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	6,195,286
Public safety	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	29,563,615
Public works	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	9,937,154
Health and welfare	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	10,256,352
Education	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	30,234,291
Parks, recreation and cultural	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	5,370,278
Community development	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	3,721,318
Capital projects	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	11,779,131
Nondepartmental	-	-	-	-	-	-	-	-	-	150,000
Debt service	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	6,447,131
Principal	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	4,654,996
Interest and other fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 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	\$ 128,163,985
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (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	\$ 10,430,302
<b>Other financing sources (uses)</b>										
Transfers in	\$ 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	\$ 22,463,842
Transfers out	(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)	(24,186,746)
Refunding bonds issued	-	5,714,176	-	-	-	-	(28,193,417)	-	-	-
Bonds issued	-	3,832,391	14,820,000	-	-	10,329,145	25,067,540	-	-	68,045,000
Premium on bonds issued	-	-	2,490,218	-	-	720,544	3,473,999	-	-	3,279,770
Payments to refunded bond escrow agent	-	(5,698,218)	-	-	-	-	-	-	-	-
Issuance of other debt	-	-	-	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-	459,880	-	-
Sale of capital assets	13,658	130,381	80,830	19,569	15,416	32,457	77,936	11,378	19,824	231,013
Total other financing sources (uses)	\$ 618,051	\$ 4,582,210	\$ 18,010,593	\$ 638,924	\$ 621,081	\$ 11,688,318	\$ 1,061,215	\$ 1,101,258	\$ 1,088,817	\$ 71,114,208
Net change in fund balances	\$ (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	\$ 81,544,510
Debt service as a percentage of noncapital expenditures	8.44%	8.84%	7.88%	8.52%	8.84%	8.57%	8.99%	6.76%	7.82%	9.59%

## CITY OF FREDERICKSBURG, VIRGINIA

Table 5

## General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Business License Tax	Motor Vehicle License Tax	Bank Stock Tax	Recordation and Wills Tax	Tobacco Tax	Amusement Tax	Hotel Lodging Tax	Meals Tax	Total
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
2023	52,552,470	15,781,634	1,616,977	8,283,896	38,627	1,030,273	672,380	434,337	531,782	1,746,141	15,081,582	97,770,099



## CITY OF FREDERICKSBURG, VIRGINIA

Table 6

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

Fiscal Year	Real Estate	Direct Tax		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
		Rate	Rate												
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	4,020,641,352	0.94	\$ 4,020,641,352	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	4,054,527,056	0.99	4,054,527,056	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	4,082,029,658	1.02	4,082,029,658	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	4,391,875,119	0.96	4,391,875,119	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	4,540,022,076	0.99	4,540,022,076	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	4,506,807,115	1.00	4,506,807,115	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	4,603,642,303	1.02	4,603,642,303	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	5,174,647,646	1.04	5,174,647,646	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	5,304,773,711	1.11	5,304,773,711	5,304,773,711	100.00%
2023	4,703,973,200	0.86		483,905,786	3.40	13,059,539	0.80	105,520,469	4,393,500	5,310,852,494	5,310,852,494	1.10	5,310,852,494	5,310,852,494	100.00%

Source: Commissioner of Revenue.

CITY OF FREDERICKSBURG, VIRGINIA

Table 7

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

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Tax Rate
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
2023	0.86	3.40	0.86	0.80	1.10

(1) Source: Commissioner of Revenue.

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

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

## CITY OF FREDERICKSBURG, VIRGINIA

Table 8

## Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2023			Fiscal Year 2013		
		2022-2023 Assessed Valuation	Rank	% of Total Assessed Valuation (1)	2012-2013 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	66,340,300	2	1.44	-	-	-
The Apartments at Cobblestone	New home sales	61,649,500	3	1.34	-	-	-
Goldelm at Belmont LLC	Apartment complex	48,609,400	4	1.06	-	-	-
Virginia Electric & Power Co	Public Utility	48,527,600	5	1.05	53,981,497	2	1.48
Mid-America Apartments LP	Apartment complex	48,304,400	6	1.05	35,690,000	6	0.98
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	43,346,300	9	0.94	50,943,100	3	1.40
SREIT Riverside Fredericksburg LLC	Apartment complex	31,288,600	10	0.68	-	-	-
Central Park Marketplace Holdings LLC	Central Park property	-	-	-	37,749,500	5	1.04
Fredericksburg 35 LLC	Central Park property	-	-	-	98,375,000	1	2.71
Home Properties Cobblestone LLC	New Home Sales	-	-	-	50,142,900	4	1.38
Verizon Virginia, Inc.	Public utility	-	-	-	31,684,753	8	0.87
2520 Belmont Terrace Holdings	Apartment complex	-	-	-	32,848,600	7	0.90
Wal-Mart Real Estate Business	Retail	-	-	-	25,256,100	9	0.69
Hylton Venture LLC	Land development	-	-	-	-	-	-
Carol D. Silver Holdings, Co.	Various commercial	-	-	-	24,634,100	10	0.68
Total		\$ 508,698,400		11.05 %	\$ 441,305,550		12.13 %

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.

CITY OF FREDERICKSBURG, VIRGINIA

Table 9

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy				Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Amount (1) (3)		Percentage of Levy (2)	Amount (1) (3)		Percentage of Levy (2)	
2014 \$	37,507,994 \$	35,982,391 \$	95.93%	\$	1,428,437	\$ 37,410,828	99.74%	
2015	39,392,612	38,212,293	97.00%		1,051,756	39,264,049	99.67%	
2016	40,976,073	39,725,807	96.95%		1,082,229	40,808,036	99.59%	
2017	41,500,053	40,450,013	97.47%		913,087	41,363,100	99.67%	
2018	43,566,222	42,562,250	97.70%		876,696	43,438,946	99.71%	
2019	44,388,011	43,258,568	97.46%		942,054	44,200,622	99.58%	
2020	47,636,098	44,988,894	94.44%		2,353,128	47,342,022	99.38%	
2021	49,246,840	46,879,283	95.19%		2,094,696	48,973,979	99.45%	
2022	53,741,100	50,808,057	94.54%		2,211,734	53,019,791	98.66%	
2023	52,588,061	50,699,850	96.41%		-	50,699,850	96.41%	

(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		Lease Liabilities		General		Revenue Bonds								
	Obligation Bonds	Notes			Obligation Bonds	Notes									
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			-		121,128,761	9.64%	4,308
2017		88,724,301		-		-		1,853,884			-		114,240,195	8.70%	4,037
2018		83,569,255		-		-		1,599,850			-		106,777,324	7.97%	3,765
2019		89,595,891		-		-		1,342,703			-		115,946,629	8.15%	3,978
2020		84,068,448		-		-		1,082,771			-		107,990,780	7.45%	3,785
2021		79,840,127		-		-		819,359			-		101,735,782	6.48%	3,570
2022		75,336,299		-		24,282,903		552,794			-		119,446,550	7.29%	4,328
2023		140,830,205		-		23,446,364		279,510			-		189,434,340	10.93%	6,847

Note: Details regarding the City's outstanding debt can be found in Note 10 in the Notes to Basic Financial Statements section of this report.

(1) See the Schedule of Demographic and Economic Statistics - Table 15.

CITY OF FREDERICKSBURG, VIRGINIA

Table 11

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

Fiscal Year	Ratio of Net				Net Bonded Debt per Capita (3)
	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (1)	General Obligation Debt to Assessed Value (2)	
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	94,610,853	-	94,610,853	1.78%	3,428
2023	165,708,465	-	165,708,465	3.12%	5,989

- (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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 215,659,654	\$ 218,129,465	\$ 219,586,863	\$ 252,766,739	\$ 259,318,338	\$ 257,665,735	\$ 260,578,221	\$ 291,946,078	\$ 292,065,252	\$ 299,413,717
Total net debt applicable to limit	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	165,250,762
Legal debt margin	\$ 116,884,484	\$ 108,160,717	\$ 100,561,334	\$ 140,380,428	\$ 154,140,864	\$ 143,061,809	\$ 153,670,212	\$ 191,029,654	\$ 197,454,400	\$ 134,162,955
Total net debt applicable to the limit as a percentage of debt limit	45.80%	50.41%	54.20%	44.46%	40.56%	44.48%	41.03%	34.57%	32.39%	55.19%

Legal Debt Margin Calculation for Fiscal Year 2023:

Assessed value	\$ 4,809,493,669
Add back: exempt real property	1,428,292,100
Total assessed value	\$ 6,237,785,769
Debt limit (4.8% of total assessed value)	\$ 299,413,717
Net debt applicable to limit	165,250,762
Legal debt margin	\$ 134,162,955

## CITY OF FREDERICKSBURG, VIRGINIA

Table 13

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	
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	0.86
2018	10,630,042	7,843,959	2,786,083	1,796,926	667,795	1.13
2019	11,686,088	8,081,142	3,604,946	1,668,889	650,465	1.55
2020	11,702,344	8,025,558	3,676,785	1,919,520	783,251	1.36
2021	11,506,724	8,190,917	3,315,807	1,422,651	615,480	1.63
2022	13,239,124	9,727,105	3,512,019	1,506,383	510,886	1.74
2023	13,713,013	10,111,872	3,601,141	1,541,888	578,420	1.70



CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Direct and Overlapping Debt  
As of June 30, 2023

	Debt Outstanding	Percentage	Share of Direct and Overlapping Debt
Direct Debt:			
Primary Government:			
General Obligation Bonds	\$ 140,830,205	100.00%	\$ 140,830,205
Lease Liabilities	23,446,364	100.00%	23,446,364
VRA Revenue Bonds	279,510	100.00%	279,510
Total Primary Government Direct Debt	\$ 164,556,079		\$ 164,556,079

The City has no overlapping debt.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita		School Enrollment (3)	Unemploy- ment Rate (4)
			Personal Income (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%
2023	27,667	1,732,424,539	62,617		3,602	3.4%

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

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

(3) Source: Fredericksburg School Board office.

(4) Source: Bureau of Labor Statistics.

CITY OF FREDERICKSBURG, VIRGINIA

Table 16

Principal Employers  
Current Year and the Period Nine Years Prior

Employer	Fiscal Year 2023			Fiscal Year 2014		
	Number of Employees (1)	Rank	Percentage of Total Employment	Number of Employees	Rank	
Mary Washington Healthcare System	4,384	1	30.04%	4,335	1	
University of Mary Washington	1,002	2	6.86%	840	2	
City of Fredericksburg School Board	679	3	4.65%	675	3	
City of Fredericksburg	677	4	4.64%	522	4	
Wal-Mart	343	5	2.35%	521	5	
Wegmans	276	6	1.89%	514	6	
Rappahannock Area Community Services Board	216	7	1.48%	300	8	
Favor Techconsulting, LLC	167	8	1.12%	-	-	
Encompass Health	163	9	0.92%	-	-	
OS Restaurant Services	135	10	0.00%	197	10	
Free Lance Star Publishing, Inc.		-		402	7	
Rappahannock Goodwill Industries		-		211	9	

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

## CITY OF FREDERICKSBURG, VIRGINIA

Table 17

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	44	51	52	51	50	55	54	58	60	57
Judicial administration	42	48	48	50	48	50	51	51	53	50
Public safety	156	165	159	161	164	165	170	158	164	175
Public works	78	72	73	80	82	81	76	73	70	74
Health and welfare	34	33	35	35	36	37	38	39	37	40
Parks and recreation	32	19	19	18	19	19	17	18	18	17
Community development	14	14	16	15	16	16	16	12	15	15
Water	6	11	12	12	12	13	12	12	13	9
Wastewater	12	20	21	18	18	18	15	16	14	14
Transit	15	15	14	15	17	21	20	22	29	33
Parking garage	1	1	1	1	1	1	1	1	1	2
Totals	434	449	450	456	463	476	470	460	474	486

Source: Department of Finance.

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety:										
Police department:										
Physical arrests	3,660	3,974	3,522	3,435	5,336	4,914	4,157	3,955	2,398	2,572
Traffic violations	5,981	5,320	3,733	3,738	5,049	6,047	5,944	3,104	4,963	6,576
Parking violations	7,513	6,235	6,219	7,577	7,014	9,311	5,096	6,748	6,420	6,400
Sheriffs department:										
Civil papers	58,338	58,111	59,405	59,568	62,084	61,087	55,910	59,224	58,078	53,207
Fire and rescue:										
Number of calls answered	5,311	5,344	5,462	5,554	6,185	6,279	5,729	5,801	6,064	6,302
Inspections	1,673	2,072	2,015	1,762	1,699	2,011	2,045	2,095	1,874	1,919
Building inspections:										
Permits issued	1,618	1,640	1,703	1,580	1,558	1,685	1,647	1,502	1,695	1,672
Animal control:										
Number of calls answered	926	520	895	876	1,223	781	821	826	770	770
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	212	248	377	359	324	348	270	301	239	329
Waste removal:										
Refuse collected										
(thousands of pounds/day)	20.6	21.1	21.4	20.4	21.2	19.0	21.5	21.6	25.1	22.1
Recycling collected:										
Leaves (cubic yards)	5,336	5,027	4,218	4,820	4,155	6,022	4,535	5,245	2,200	4,784
General services:										
Buildings maintained										
(thousands of square feet)	551.2	551.9	604.2	550.8	550.8	550.8	550.8	553.7	553.7	551.9
Culture and recreation:										
Parks and recreation:										
Number of programs	414	397	377	394	402	424	198	214	356	577
Number of participants	14,177	13,966	8,421	12,576	13,656	13,817	3,317	3,792	18,278	27,953
Community development:										
Planning:										
Zoning permits issued (1)	309	367	365	364	293	383	358	345	298	300

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water:										
Number of connections	7,861	7,911	7,950	8,047	8,115	8,165	8,284	8,427	8,648	8,752
Average daily consumption (thousands of gallons)	2,537	2,650	2,544	2,561	2,485	2,413	2,444	2,386	2,669	2,491
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,833	3,290	3,350	2,720	2,770	3,180	2,260	2,580	2,570	2,450
Transit:										
Ridership per service area:										
City of Fredericksburg	259,790	238,024	214,439	193,786	160,249	151,219	122,207	81,211	107,931	190,422
UMW - Eagle Express	11,679	10,287	11,371	7,893	7,533	6,176	5,300	3,862	4,812	5,307
Spotsylvania County	114,162	114,417	94,740	79,935	69,560	62,710	47,641	22,957	27,532	36,318
South Stafford County	65,033	63,781	62,618	55,409	50,800	45,870	35,000	21,410	29,621	47,273
North Stafford County	33,751	38,495	34,036	32,622	29,422	24,778	20,115	12,600	9,978	9,029
Caroline County	11,094	12,168	10,192	7,397	7,216	5,879	-	-	-	-
Component Unit - School Board:										
Education:										
Number of students	3,214	3,300	3,356	3,546	3,567	3,649	3,773	3,545	3,591	3,602
Number of teachers (2)	267	265	269	304	295	299	311	306	307	296
Cost per pupil	\$ 14,235	\$ 13,771	\$ 13,849	\$ 13,582	\$ 13,997	\$ 13,911	\$ 13,730	\$ 15,115	\$ 17,428	\$ 19,715

Source: Individual city departments.

(1) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.

(2) Due to the teacher shortage in FY2023, Fredericksburg City Public Schools had a number of long-term teacher substitutes acting as teachers.

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	34	34	40	40	39	40	44	38	43	41
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	12	12	14	15	15	16	17	19	19	19
Sheriffs department:										
Patrol units	16	19	20	22	22	23	22	25	25	27
Building inspections:										
Vehicles	6	5	5	5	5	5	5	5	5	5
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	20	20	20	20	20	20	20	21	21	21
Streets (moving lane miles)	189	189	189	189	189	195	207	212	215	215
Traffic signals	60	61	61	56	55	56	55	54	54	54
Waste removal:										
Trucks/vehicles	7	7	7	6	6	6	9	9	13	13
Building maintenance:										
Trucks/vehicles	13	11	11	11	10	9	11	11	11	11
Health and welfare:										
Department of Social Services:										
Vehicles	6	6	6	6	6	6	7	7	6	6

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	13	15	15	15	15	16	16	16	17	15
Parks	19	19	19	19	19	19	19	20	20	20
Park acreage	1,085	1,085	1,085	1,085	1,090	1,173	1,173	1,181	1,181	1,181
Water:										
Water mains (miles)	66	66	66	66	66	66	66	131	131	132
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	116	120	122
Storm sewers (miles)	55	55	55	55	55	55	55	90	90	91
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	42	43	44	46	48	51	54	54	54

Source: Individual City departments.



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

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**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, 2023, 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 11, 2023.

**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 11, 2023

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

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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, 2023. 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, 2023.

***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 11, 2023

## CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit  
Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of the Interior:				
Direct Payments:				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	\$ 35,000	\$ -
Total Department of the Interior			\$ 35,000	\$ -
Department of the Treasury:				
Pass-through Payments:				
Virginia Department of Accounts:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	12110	\$ 3,584,107	\$ -
Virginia Department of Social Services:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	9122222	3,949	-
Virginia Department of Education:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	358,367	-
Total 21.019			\$ 3,946,423	\$ -
Total Department of the Treasury			\$ 3,946,423	\$ -
Department of Housing and Urban Development:				
Direct Payments:				
CDBG - Entitlement Grants Cluster:				
COVID-19 - Community Development Block Grant/Entitlement Grants	14.218	N/A	\$ 73,482	\$ 73,482
Community Development Block Grant/Entitlement Grants	14.218	N/A	344,952	90,821
Total CDBG - Entitlement Grants Cluster			\$ 418,434	\$ 164,303
Total Department of Housing and Urban Development			\$ 418,434	\$ 164,303
Department of Justice:				
Direct Payments:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 26,968	\$ -
Bulletproof Vest Partnership Program	16.607	N/A	12,461	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	35,810	-
Pass-through Payments:				
Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	120127	82,573	-
Total 16.738			\$ 118,383	\$ -
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	118072	67,304	-
Crime Victim Assistance	16.575	118457	90,314	-
Total Department of Justice			\$ 315,430	\$ -
Department of Transportation:				
Federal Transit Cluster:				
Direct Payments:				
Federal Transit - Formula Grants	20.507	N/A	\$ 932,771	\$ -
COVID-19 - Federal Transit - Formula Grants	20.507	N/A	2,730,027	-
Pass-through Payments:				
Potomac and Rappahannock Transportation Commission:				
Federal Transit - Formula Grants	20.507	N/A	72,037	-
Total 20.507			\$ 3,734,835	\$ -
Total Federal Transit Cluster			\$ 3,734,835	\$ -
Virginia Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	ENF-AL-2023-53110	7,680	-
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-2022-52141/ BSC-23-53109	26,220	-
National Priority Safety Programs	20.616	FM60T-2022-52142	1,426	-
Total Highway Safety Cluster			\$ 27,646	\$ -
Total Department of Transportation			\$ 3,770,161	\$ -

## CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit  
Year Ended June 30, 2023 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Health and Human Services:				
Head Start Cluster:				
Direct Payments:				
Head Start	93.600	N/A	\$ 1,454,035	\$ -
Total Head Start Cluster			\$ 1,454,035	\$ -
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922153	\$ 168,913	\$ -
Virginia Department of Social Services:				
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760123/0760122	\$ 68,946	\$ -
Total CCDF Cluster			\$ 68,946	\$ -
Temporary Assistance for Needy Families	93.558	0400123/0400122	\$ 290,104	\$ -
Medicaid Cluster:				
Medical Assistance Program	93.778	1200123/1200122	\$ 472,749	\$ -
Total Medicaid Cluster			\$ 472,749	\$ -
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150122/9150121	\$ 7,040	-
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9152121	6,855	-
Total 93.674			\$ 13,895	-
Chafee Education and Training Vouchers Program	93.599	9160120/9160121	\$ 3,271	-
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0960120/0960121/ 0950120/0950121	22,999	-
COVID-19 - Mary Lee Allen Promoting Safe and Stable Families Program	93.556	0950221	13,844	-
Total 93.556			36,843	-
Guardianship Assistance	93.090	1110123/1110122	173	-
Title IV-E Prevention Program	93.472	1140122/1140123	6,414	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500122/500121	33,898	-
Low-Income Home Energy Assistance	93.568	0600423/0600422	55,166	-
Adoption and Legal Guardianship Incentive Payments	93.603	1130120	7,402	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900121/900122	520	-
Foster Care - Title IV-E	93.658	1100123/1100122	360,137	-
Adoption Assistance	93.659	1120123/1120122	1,014,213	-
Social Services Block Grant	93.667	1000123/1000122	354,452	-
COVID-19 - Elder Abuse Prevention Interventions Program	93.747	8000321/8000221	7,503	-
Children's Health Insurance Program	93.767	0540123/0540122	6,548	-
Total Department of Health and Human Services			\$ 4,355,182	\$ -
Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	116193	78,162	-
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	120687	71,195	-
Emergency Management Performance Grants	97.042	120355	10,680	-
Total Department of Homeland Security			\$ 160,037	\$ -

## CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit  
Year Ended June 30, 2023 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
Department of Agriculture:				
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 - Pandemic EBT Administrative Costs	10.649	202222S900941	\$ 3,135	\$ -
Child Nutrition Discretionary Grants Limited Availability	10.579	Not Available	50,000	-
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010123/0040123	\$ 749,854	\$ -
Total SNAP Cluster			\$ 749,854	\$ -
Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution Service	10.555	202231N109941/ 202221N109941	\$ 92,811	\$ -
Virginia Department of Education:				
National School Lunch Program	10.555	202231N109941/ 202221N109941	1,848,768	-
Total 10.555			\$ 1,941,579	\$ -
School Breakfast Program	10.553	20223N109941/ 202221N109941	655,987	-
Summer Food Service Program for Children	10.559	202221N119941	\$ 84,715	\$ -
Total Child Nutrition Cluster			\$ 2,682,281	\$ -
Total Department of Agriculture			\$ 3,485,270	\$ -
Department of Education:				
Pass-through Payments:				
Virginia Department of Education:				
COVID-19 Education Stabilization Funds:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D	\$ 2,250,325	\$ -
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	S425U	2,284,643	-
Total COVID-19 Education Stabilization Funds			4,534,968	-
Title I Grants to Local Educational Agencies	84.010	S010A210046/ S010A220046	1,984,267	-
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	H027A220107/ H027A210107	\$ 889,200	\$ -
Special Education - Preschool Grants	84.173	H173A210112/ H173A200112/	56,278	-
Total Special Education Cluster (IDEA)			\$ 945,478	\$ -
English Language Acquisition State Grants	84.365	S365A200046/ S365A190046	105,834	-
Career and Technical Education - Basic Grants to States	84.048	V048A220046/ V048A210046	136,534	-
Student Support and Academic Enrichment Program	84.424	S424A200048	229,003	-
Supporting Effective Instruction State Grants	84.367	S367A200044/ S367A210044	171,113	-
Total Department of Education			\$ 8,107,197	\$ -
Total Expenditures of Federal Awards - Reporting Entity			\$ 24,593,134	\$ 164,303

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, 2023

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#### 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, 2023. 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	\$ 185,489
Special Revenue Funds:	
Virginia Public Assistance Fund	3,225,179
Children's Services Act Fund	159,025
State, Federal, and Local Grants Fund	704,786
COVID-19 Relief Fund	3,722,896
Capital Projects Funds:	
Public Facilities Construction Fund	35,000
Proprietary Funds:	
Transit Fund	3,734,835
Water Fund	733
Wastewater Fund	1,264
Total Primary Government	<u>\$ 11,769,207</u>

###### Component Unit School Board:

Special School Fund	\$ 12,823,927
Total Component Unit School Board	<u>\$ 12,823,927</u>

##### Total Federal Expenditures per the Schedule of Expenditures of Federal Awards

\$ 24,593,134

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

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Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	

Assistance Listing #	Name of Federal Program or Cluster
20.507	Federal Transit Cluster
84.010	Title I Grants to Local Educational Agencies
93.659	Adoption Assistance
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
84.425	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, 2023

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There were no prior year findings.