NEW ISSUE
BOOK-ENTRY

Ratings: Fitch: AA+
Moody's: Aa1/Aa2
Standard & Poor's: AA+
(*See* Section Two "Ratings" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under current law and subject to the conditions described herein in the section entitled "Tax Matters", interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. For tax years beginning after December 31, 2022, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia. See "**TAX MATTERS**" *herein.*

$74,930,000
CITY OF FREDERICKSBURG, VIRGINIA
General Obligation Public Improvement Bonds, Series 2022A

Dated: Date of issuance
Due: October 1, as shown below

Interest Payable: April 1 and October 1
First Interest Payment: April 1, 2023

The City of Fredericksburg, Virginia (the "City') is issuing its $74,930,000 General Obligation Public Improvement Bonds, Series 2022A (the "Bonds") to fund certain public capital improvement projects. The Bonds will be issued in fully registered form without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry form only in denominations of $5,000 or multiples thereof. Beneficial owners of the Bonds will not receive physical delivery of Bond certificates.

The Bonds mature on October 1 in each of the years and amounts set forth below. Interest on the Bonds is payable at the rates specified herein on each April 1 and October 1, commencing April 1, 2023. Interest on the Bonds will be calculated on the basis of a 30-day month and a 360-day year.

The Bonds are general obligations of the City to the payment of which its full faith and credit are pledged. The City Council of the City (the "City Council") is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect at the same time and in the same manner as other taxes of the City are assessed, levied and collected an ad valorem tax, over and above all other taxes authorized or limited by law, unlimited as to rate or amount, upon all property within the City subject to taxation by the City sufficient to pay the principal of and premium, if any, and interest on the Bonds.

The Bonds are subject to redemption, in whole or in part, before their stated maturities as more fully described herein.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

(Base CUSIP* Number: 355856)

Maturity (October 1)	Amount	Interest Rate	Yield or Price	CUSIP Suffix	Maturity (October 1)	Amount	Interest Rate	Yield or Price	CUSIP Suffix
2023	$2,130,000	5.000%	2.830%	PJ8	2036	$2,685,000	5.000%	3.300†%	PX7
2024	2,245,000	5.000	2.850	PK5	2037	2,805,000	4.000	3.830†	PY5
2025	2,350,000	5.000	2.870	PL3	2038	2,915,000	4.000	3.860†	PZ2
2026	2,475,000	5.000	2.900	PM1	2039	3,035,000	4.000	3.910†	QA6
2027	2,605,000	5.000	2.910	PN9	2040	3,165,000	4.000	3.980†	QB4
2028	2,735,000	5.000	2.920	PP4	2041	3,290,000	4.000	4.020	QC2
2029	2,870,000	5.000	2.940	PQ2	2042	3,425,000	4.000	4.060	QD0
2030	3,020,000	5.000	2.960	PR0	2043	3,570,000	4.000	4.090	QE8
2031	3,175,000	5.000	2.970	PS8	2044	3,715,000	4.000	4.120	QF5
2032	3,345,000	5.000	3.010†	PT6	2045	3,870,000	4.000	4.140	QG3
2033	2,315,000	5.000	3.060†	PU3	2046	4,025,000	4.000	4.180	QH1
2034	2,425,000	5.000	3.160†	PV1	2047	4,190,000	4.125	4.200	QJ7
2035	2,550,000	5.000	3.240†	PW9					

†Yield to the call date of October 1, 2031.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as, and if issued, subject to the approving legal opinion of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, to be furnished upon delivery of the Bonds. Additional matters will be passed upon for the City by Kathleen Dooley, City Attorney. The Bonds are expected to be delivered on or about December 7, 2022, through the facilities of DTC.

Dated: November 16, 2022

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* CUSIP is a registered trademark of the American Bankers Association, used by S&P in its operation of the CUSIP Service Bureau for the ABA. CUSIP (Committee on Uniform Securities Identification Procedures) numbers used in this Official Statement have been assigned by an organization not affiliated with the Transportation Board, and the Transportation Board is not responsible for the selection or use of the CUSIP numbers. CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Transportation Board has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

CITY OF FREDERICKSBURG, VIRGINIA

MAYOR
MARY KATHERINE GREENLAW

VICE-MAYOR
CHARLIE L. FRYE, JR.

COUNCIL MEMBERS
KERRY P. DEVINE
DR. TIMOTHY P. DUFFY
JONATHAN A. GERLACH
JASON N. GRAHAM
MATTHEW J. KELLY

OTHER CITY OFFICIALS

City Manager ..... Timothy J. Baroody
Assistant City Manager ..... Mark Whitley
Assistant City Manager ..... David Brown
City Attorney ..... Kathleen A. Dooley
Director of Finance ..... Robyn E. Shugart
City Treasurer ..... Brenda A. Wood
Commissioner of the Revenue ..... Lois B. Jacob

PAYING AGENT
U.S. BANK TRUST COMPANY NATIONAL ASSOCIATION
Richmond, Virginia

BOND COUNSEL
KUTAK ROCK LLP
Richmond, Virginia

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Richmond, Virginia

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the City or the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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OFFICIAL STATEMENT

$74,930,000
City of Fredericksburg, Virginia
General Obligation Public Improvement Bonds, Series 2022A

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to set forth information with respect to the City of Fredericksburg, Virginia (the "City") and the issuance by it of $74,930,000 General Obligation Public Improvement Bonds, Series 2022A (the "Bonds").

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in the Official Statement, reference to which is hereby made for all purposes. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer

The issuer of the Bonds is the City of Fredericksburg, Virginia, located in the northeastern portion of Virginia, approximately mid-way between Richmond and Washington, D.C. The City had a 2021 estimated population of 27,596. A more complete description of the City is provided in Sections Three and Four.

The Bonds

The Bonds will be dated the date of their issuance and will have principal payments annually on October 1 from 2023 through 2047. The Bonds will be issued in authorized denominations of $5,000 and multiples thereof and will be held in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC"), as securities depository with respect to the Bonds. A more complete description of the Bonds is provided in Section Two.

Interest on the Bonds will be payable on April 1 and October 1, commencing April 1, 2023, until the earlier of maturity or redemption. As long as the Bonds are held by DTC or its nominee, interest will be paid to DTC or its nominee, in next day funds on each interest payment date.

Use of Proceeds

The proceeds of the Bonds will be used to fund certain public capital improvement projects and to pay costs related to issuance of the Bonds. A more complete description of the use of proceeds is provided in Section Two.

Optional Redemption

Bonds maturing on or after October 1, 2032, will be subject to redemption beginning October 1, 2031, in whole or in part, at the option of the City. A more complete description of the redemption features of the Bonds is provided in Section Two.

Sale at Competitive Bidding

The Bonds were offered for sale at competitive bidding at 10:45 a.m., Eastern Time, on Wednesday, November 16, 2022. The Bonds were awarded to the winning bidder, Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields of the Bonds as set forth on the cover. If all of the Bonds are resold to the public at such yields, the Underwriter has informed the City that it anticipates a total underwriting compensation of $243,522.50. The Underwriter may change the public offering yields from time to time.

Delivery

The Bonds are offered for delivery, when, as, and if issued, subject to the approval of validity by Kutak Rock LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, Kathleen Dooley. It is expected that the Bonds will be available for delivery, at the expense of the City, through the facilities of DTC, on or about December 7, 2022.

Ratings

Ratings have been received from Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings. See the caption **"Ratings"** in Section Two. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by one or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

Additional Information

Any question concerning the content of this Official statement should be directed to the City Manager's Office, City Hall, 715 Princess Anne Street, Fredericksburg, Virginia 22401 (540-372-1010), or the City's Financial Advisor, PFM Financial Advisors LLC, 3200 Lauderdale Drive, Suite 102, Richmond, Virginia 23233 (804-780-2850).

SECTION TWO: THE BONDS

The Bonds are issued pursuant to an ordinance adopted on November 8, 2022 (the "Ordinance") by the Council of the City (the "City Council"), and the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

Plan of Financing

The Bonds are issued (a) to finance general capital improvement undertakings of the City, including replacement of the City's computer aided emergency dispatch system, improvements to the City's stormwater management and water and sewer systems, design and construction of a new middle school, and design and related work on the construction of a new fire station, and (ii) to pay issuance and other costs related to or incurred in connection with the issuance of the Bonds.

Sources and Uses

The following table summarizes the anticipated application of proceeds of the Bonds for the purposes described above.

Sources of Funds	
Principal Amount of Bonds	$74,930,000.00
Net Original Issue Premium	3,866,932.75
Total Sources	$78,796,932.75
Uses of Funds	
Project Costs	$78,275,000.00
Financing Costs[1]	521,932.75
Total Uses	$78,796,932.75

[1] *Includes underwriting discount (see the caption **"Sale at Competitive Bidding"** in Section Five), and other estimated costs of issuance.*

Description of the Bonds

The Bonds will be held in book-entry form through the facilities of DTC, as defined herein, as securities depository with respect to the Bonds, in the name of Cede & Co., as nominee of DTC.

The Bonds will be dated the date of their issuance and will bear interest from their date, payable initially on April 1, 2023 and semiannually on April 1 and October 1 thereafter. The Bonds will mature on October 1 in years and amounts set forth on the front cover page of this Official Statement, subject to prior redemption, as described herein. Principal of the Bonds will be paid to registered owners at maturity upon presentation and surrender of the Bonds at a designated corporate trust office of U.S. Bank Trust Company, National Association, as registrar and paying agent (the "Registrar"). Interest on the Bonds will be paid to the registered owners by check, draft or wire transfer, as of the interest payment date. Registered owners are those persons shown on the registration books of the Registrar on the 15th day of the month preceding the month in which any interest payment occurs.

Purchases of the Bonds may be made in principal amounts of $5,000 and integral multiples thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. Transfer of the Bonds and payment of the principal of and interest on the Bonds will be effected as described below in this section. If

the book entry system is discontinued, bond certificates will be delivered as described in the bond ordinance and beneficial owners ("Beneficial Owners") will become registered owners of the Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner of all the Bonds, references to the registered owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners.

Optional Redemption

The Bonds which mature on or before October 1, 2031, are not subject to redemption before maturity. The Bonds which mature on or after October 1, 2032 may be redeemed, at the option of the City, before their respective maturities, on or after October 1, 2031, in whole or in part (in integral multiples of $5,000) at any time, upon payment of the redemption price equal to the principal amount of Bonds to be redeemed plus accrued interest to the redemption date.

Manner of Redemption

If less than all of the Bonds are called for redemption, the Bonds shall be selected by the City in such manner as may be determined to be in the best interest of the City. If less than all of the Bonds of any maturity shall be called, the Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by lot by the Registrar.

If any Bond shall be called for redemption, notice of the redemption thereof, specifying the Bonds or portions thereof to be redeemed, the redemption date and price and the place where Bonds are to be surrendered for payment shall be given not more than 60 nor less than 30 days before the date fixed for redemption to the registered owner thereof as appears on the books of registry kept by the Registrar, but failure to give such notice shall not affect the validity of the proceeding for redemption. If notice of the redemption of any Bond shall have been given as aforesaid, and payment of the principal amount of such Bond (or the portion of the principal amount thereof to be redeemed) and of the accrued interest payable upon such redemption shall have been duly made or provided for, interest thereon shall cease to accrue from and after the date so specified for the redemption thereof.

Book-Entry System

A description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Direct Participants and Indirect Participants (all as defined therein) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other transactions by and between DTC, DTC Participants and Beneficial Owners is attached as **Appendix C** hereto and is based on information furnished by DTC.

The City has no responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as bondholder, including the effectiveness of any action taken pursuant to an omnibus proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Ordinance.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

Security for the Bonds

The Bonds are general obligations of the City for the payment of which the City's full faith and credit is pledged. While the Bonds remain outstanding and unpaid, the City Council is authorized and required, unless other funds are lawfully available and appropriated for the timely payment of the Bonds, to levy and collect an annual ad valorem tax, unlimited as to rate or amount, upon all property in the City subject to local taxation sufficient to pay when due the principal of and interest on the Bonds, which tax shall be in addition to all other taxes authorized to be levied in the City.

The City has never defaulted in the payment of either principal of or interest on any indebtedness.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon an affidavit filed with the Governor of the Commonwealth by petition of any owner of or paying agent for a general obligation bond or note in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the locality issuing such general obligation bond or note and apply the amount so withheld to payment of the defaulted principal, premium and interest. Section 15.2-2659 also provides for notice to the registered owners of such bonds or notes of the default and the availability of withheld funds. The State Comptroller advises that, to date, no order to withhold funds pursuant to Section 15.2-2659, or its predecessor provisions, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although neither Section 15.2-2659 nor its predecessor provisions, Sections 15.1-225 and 15.1-227.61, has been approved by a Virginia court, the Attorney General of Virginia has determined that appropriated funds can be withheld pursuant to its predecessor section. In the fiscal year ended June 30, 2022, total direct appropriations paid by the Commonwealth of Virginia to the City in support of general governmental fund activities amounted to approximately $13,334,444 (unaudited), of which $9,505,866 was recorded in the City's General Fund.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to bondholders if the City defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of the bondholders upon the occurrence of such default. Upon any default in the payment of principal or interest, a bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the holders of the Bonds, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings, and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds,

such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approving opinion of Kutak Rock LLP Richmond, Virginia, Bond Counsel, in substantially the form set forth as **Appendix D** hereto, which will be furnished at the expense of the City upon delivery of the Bonds (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described under the caption **"Tax Matters."** Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Ratings

As noted on the cover of this Official Statement, the Bonds have been rated "AA+" by Fitch Ratings ("Fitch"), "Aa1/Aa2" by Moody's Investor Service ("Moody's"), and "AA+" by S&P Global Ratings, a division of McGraw-Hill Financing, Inc.("S&P"). The Moody's rating of "Aa1" gives effect to the state-aid intercept program described in above "Bondholders' Remedies in the Event of Default" in this Section Two. The Moody's rating and the S&P and Fitch ratings are based solely on the creditworthiness of the City. The City requested that the Bonds be rated and furnished certain information to such rating agencies, including certain information that may not be included in this Official Statement.

Such ratings reflect only the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the respective rating agency. These ratings are not a recommendation to buy, sell or hold the Bonds. The ratings are subject to review and change or withdrawal at any time if, in the judgment of the respective rating agency, circumstances so warrant. There is no assurance that any such rating will continue for any period of time or that it will not be revised or withdrawn. Neither the City nor the Financial Advisor has undertaken to bring to the attention of the registered owners of the Bonds any proposed revision or change in or withdrawal of a rating of the bonds. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Tax Matters

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. For tax years beginning after December 31, 2022, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

Bond Counsel is also of the opinion that, under existing statutes of the Commonwealth, interest on the Bonds, their transfer and income from them and any profit made on their sale, are exempt from taxation by the Commonwealth and its political subdivisions.

Original Issue Discount. The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Internal Revenue Service Audits. The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations such as the Bonds to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the Authority as the issuer of the Bonds as a taxpayer, and the registered owners of the Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related Bonds until the audit is concluded, regardless of the ultimate outcome.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

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SECTION THREE: FREDERICKSBURG

The City of Fredericksburg was incorporated as an independent city in 1782, having been initially established as a town in 1728. The City became one of the first cities in the nation to adopt the Council-Manager form of government in 1912.

The City had a U.S. Census population in 2020 of 27,982, and an estimated population in 2021 of 27,596. Its land area is approximately 10.4 square miles, and is located approximately midway between Washington D.C. and Richmond, Virginia. The City serves as a commercial focus for the surrounding counties, and more than 250,000 visitors annually are directly served at the City's Visitor Center in the heart of its 40-block National Historic District. The City estimates there are over 1 million visitors per year to the City and the surrounding region, enjoying the colonial, Revolutionary War and Civil War sites and battlefields, the City Historic District, and the scenic Rappahannock River.

Fredericksburg is an independent city with sole government taxing power within its boundaries. There is no overlapping debt or taxing power with other political subdivisions. The City's water and sewer enterprise funds are operated on a self-supporting basis.

City Administration

The City operates under the Council-Manager form of government established by charter granted by the Virginia General Assembly. The Council is comprised of seven members, including a Mayor and Vice-Mayor. All members are elected to staggered four-year terms, with the Mayor and two Council members elected-at-large and the other four members elected by wards. The Council is vested with local legislative powers. The City Council also appoints members to certain boards, commissions and authorities as it deems necessary to the operation of the City.

The six-member School Board, elected by City voters, governs the operation of the public school system. Under Virginia law all operations of the School Board are independent of the Council and the City administration. There are four board members representing four specific wards and two at-large members. All board members serve a four-year term. The Council makes an annual appropriation to the school system, but has no direct authority over how the appropriation is to be spent.

Administrative Staff

The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for appointing other top administrative staff including the Assistant City Manager and the Director of Finance. Current individuals in such positions are:

City Manager – Timothy Baroody joined the City of Fredericksburg staff on June 27, 2016. Prior to that he served for almost 13 years as the Director of Economic Development and Legislative Affairs and then as Deputy County Administrator for Stafford County, Virginia. In that role he oversaw Economic Development, Tourism, Legislative Affairs, Military Affairs, Parks and Recreation, Information Technology and served as a member of the County Administrator's Executive Budget Team. Before joining Stafford, he was the Deputy Chief of Staff and Legislative Director for the late U.S. Congresswoman Jo Ann Davis (2000-2003) and the Senior Legislative Aide to U.S. Congressman Bud Shuster of Pennsylvania (1996-2000).

Mr. Baroody grew up in Virginia and graduated from T.C. Williams High School in the City of Alexandria. He earned a B.S. in Political Science with a minor in History from Frostburg State University

and his Master of Public Administration degree from Virginia Tech. Tim is also a graduate of the University of Virginia's Senior Executive Institute.

Assistant City Manager – On September 20, 2021, City Manager Tim Baroody named Mr. David Brown as Assistant City Manager. Mr. Brown oversees Public Works, Parks & Recreation, Transportation, and FREDericksburg Regional Transit, as well as all City capital and transportation projects. He is a licensed professional engineer in multiple states with more than three decades of public service in local and state governments. His career includes serving as a City Engineer, as a VDOT Resident Engineer, and as a Public Works Director (Ohio, Texas, and Virginia). Mr. Brown graduated from the Pennsylvania State University with a B.S. degree in Civil Engineering and also earned a Certification in Municipal Administration from the University of North Carolina's Institute of Government.

Assistant City Manager – Mark Whitley has served as Assistant City Manager since November 2009. Prior to appointment as Assistant City Manager, Mr. Whitley served the City as Budget Manager from November 2005 through November 2009, and as a Senior Budget and Management Analyst from November 2004 through November 2005. Prior to coming to the City, Mr. Whitley served as the Director of Municipal Services for the Town of South Hill, Virginia from November 1997 through October, 2004 and began his career as an Administrative Services Intern for the Town of Garner, North Carolina, from July 1995 through October 1997. Mr. Whitley holds a Bachelor of Arts in Political Science from the University of North Carolina at Chapel Hill and a Master's in Public Administration from the University of Georgia.

City Attorney – Kathleen Dooley has served as City Attorney since September 2004. Prior to coming to the City, Ms. Dooley was the Town Attorney in Blacksburg, Virginia from February 1995 to September 2004. She was an Assistant City Attorney with the City of Chesapeake, Virginia from 1989 to 1995. Ms. Dooley holds the degree of Bachelor of Arts from Wells College in Aurora, New York and her Juris Doctor is from the State University of New York at Buffalo.

Director of Finance – Robyn E. Shugart has been with the City as the Director of Finance since August 2018. Prior to coming to the City, Mrs. Shugart was the Finance Division Director in Hanover County, Virginia. Mrs. Shugart was with the County of King George, Virginia from 2005-2017 and served as the Finance Director for the last four years of her career with the County. Prior to working in King George County, Mrs. Shugart worked for Orange County, Virginia as an Accountant in the Finance Department. Mrs. Shugart holds a Bachelor of Science Degree in Finance from Old Dominion University.

Constitutional Officers

The City of Fredericksburg, as an independent city in the Commonwealth of Virginia, has five officers that are elected independently of the City Council to provide a variety of services to the community. These offices are specifically set aside in this fashion by the Constitution of Virginia. The officers are:

Sheriff – The City Sheriff is responsible for the provision of court security and serves as an officer of the court, responsible for serving papers, handling juries, and similar tasks. Law enforcement is provided by the Police Department, which is unlike neighboring counties, where the Sheriff is responsible for both court security and law enforcement.

Clerk of the Circuit Court – The Clerk of the Circuit Court is elected to provide a wide-variety of record-keeping duties for the Circuit Court of the City, including records relating to court cases and land transfers.

Commonwealth's Attorney – the Commonwealth's Attorney is the prosecuting attorney for criminal cases in Virginia.

Commissioner of the Revenue – the Commissioner of the Revenue is generally responsible for the assessment of local taxes in the Commonwealth.

Treasurer – the Treasurer is generally responsible for the collection of local taxes in the Commonwealth. The Treasurer for the City also collects other fees and charges, and processes deposits and payments.

Governmental Services Provided by City

The City of Fredericksburg provides a full range of local government services, reflecting its status as an independent city under Virginia law and its largely urban character. The following discussion outlines the primary services and facilities which the City provides to its citizens. As of June 30, 2022, total authorized City full-time employment (not including public school or fiscal agencies) was 509 employees.

Education. The City public school system is comprised of five school buildings. The administrative offices are housed in the Walker-Grant Center. The buildings are listed below:

School	Grades	Year Constructed/Renovated
Walker-Grant Center	Pre-K & Administration	2017
Hugh Mercer Elementary	K-5	2014
Lafayette Upper Elementary	K-5	2006
Walker-Grant Middle School	6-8	1988
James Monroe High School	9-12	2006

Prior to the 2021-2022 School Year, the Fredericksburg City Schools reorganized the grade and attendance at the two elementary schools so that both Hugh Mercer and Lafayette house grades K-5. Before that time, Hugh Mercer Elementary School housed grades K-2 and Lafayette Elementary School (then known as Lafayette Upper Elementary School) housed grades 3-5

The following table shows school enrollment by school for the last five years, as measured in the September enrollment reports provided by the Virginia Department of Education. The Pre-K student population housed at the Walker-Grant Center is included in this table.

School	2017	2018	2019	2020	2021
Hugh Mercer Elementary School	857	916	978	138	140
Lafayette Upper Elementary School	865	835	788	866	*873*[1]
Walker-Grant Middle School	722	763	794	784	*802*
James Monroe High School	1,003	1,011	1,014	797	782
Walker-Grant Center - Pre-Kindergarten	193	185	181	960	1027
Total	**3,640**	**3,710**	**3,755**	**3,545**	**3,624**

[1] September 2021 enrollment reports reflect the transition of Hugh Mercer ES and Lafayette ES to house K-5 as opposed to holding Grades K-2 and 3-5.

The COVID-19 pandemic impacted the September 2020 and September 2021 reports.

Parks, Recreation, and Events. The Department of Parks, Recreation, and Events provides a wide-range of facilities and activities to residents of Fredericksburg and surrounding communities. The Department's mission is to maintain the City's parks and provide a diverse package of recreation activities and park opportunities.

Major parks and recreation facilities include the following:

Alum Springs Park – includes picnic areas and playgrounds;

City Dock – boat ramp access to Rappahannock River, plus picnic areas;

Dixon Park – includes multi-use fields, walking trails, picnic areas, and a state-of-the-art outdoor pool open during summer months;

Dorothy Hart Community Center – multi-purpose community center for meetings, exercise classes, and general use; also houses offices of the Department.

Hurkamp Park – open area for downtown events and farmer's market;

Memorial Park – includes tennis courts, pickle ball courts, basketball court, picnic areas, and playgrounds;

Motts Run Recreational Area –located on reservoir – boating and fishing, nature center, hiking trails;

Old Mill Park – includes picnic areas, multi-use fields, a playground area, and access to Rappahannock River;

Riverfront Park – open area for downtown events on Rappahannock River; and

Snowden Park – baseball / softball fields.

Pathways System – The City also maintains 23 miles of recreational trails. The Canal Pathway runs along Rappahannock Canal between Princess Anne Street and Fall Hill Avenue; the Rappahannock River Heritage Trail runs along the Rappahannock River and connects the two parts of the Canal Path to make a loop; the Virginia Central Railway Trail extends from near the downtown railroad station along Lafayette Blvd across the Blue Gray Parkway, behind Alum Springs park, across Rt. 1 and ends behind the Idlewild Community.

Public Works. The City Public Works Department is responsible for street maintenance, refuse collection, public facilities and public utilities for the community.

In Virginia, localities in the urban street maintenance program, such as the City, are responsible for the maintenance and upkeep of city streets and highways, with the exception of Interstates which are maintained by the Virginia Department of Transportation. For the City this amounts to responsibility for 206 lane miles of streets and highways. Maintenance responsibilities include bridges and culverts, 54 traffic signals, sidewalks, streetlights, and storm drainage systems. Maintenance activities include street cleaning, patching, snow removal, as well as repaving or reconstructing streets as necessary. The Commonwealth

shares maintenance funds with the City to assist with this function, which in fiscal year ended June 30, 2022 totaled $3.23 million.

The Public Works Department also provides fleet maintenance to most City vehicles, exclusive of FRED Transit, fire trucks or Fredericksburg City School buses.

The Department also provides refuse collection services to the City, which the City accounts for in its General Fund. The City charges all subscribers a fee for refuse collection services, which is included in the billing for water and sewer services. In FY 2022, the City collected $1.22 million in solid waste fees to help support the cost of the City's refuse collection program. In addition, in order to offset the cost of the City's curbside recycling program, the City Council in FY 2021 implemented a small per-account fee for recycling customers of $1.50 per month. This fee raised $99,600 in revenue to offset recycling expenditures in FY 2022.

The City of Fredericksburg and Stafford County established the Rappahannock Regional Solid Waste Management Board (the "R-Board") 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 consists of six members, three appointed by each jurisdiction. The current agreement expires December 31, 2024. The Landfill site consists of approximately 700 acres in Stafford County owned jointly by the City and County.

Public Facilities. The Public Facilities Division is responsible for the operational and logistical support of building management and facility maintenance activity for 30 City-owned and operated buildings.

Utilities. The City owns and operates the water utility and the sewer (wastewater) collection and treatment utility. Customers are billed bi-monthly based upon a "base rate plus consumption" fee schedule. The base rate increases based upon the size of the water meter and is added to a consumption charge based upon metered water consumption. The utilities are self-supporting, and accounted for separately from the City's General Fund. Operating and debt service costs for the water and wastewater utilities are paid for through system fee revenue. The Public Works Department oversees the day-to-day operation of the system, while the Department of Finance oversees the customer billing function.

Water – The City purchases finished water from Spotsylvania County, primarily from the Motts Run Water Treatment Plant completed in 2000. The primary source for raw water for this plant is the Rappahannock River with the Motts Run Reservoir and Hunting Run Reservoir as the backup source. The City's current consumption is 2.5-3 million gallons per day ("MGD"), depending on time of year and weather conditions. Peak demand is approximately 3.5 MGD. The City's water system serves a population of approximately 29,144 persons through approximately 8,165 connections within the City.

The City has a long-term use agreement with Spotsylvania County for the Motts Run Water Treatment Plant. The plant is operated by the County, and has a current production capacity of 12 MGD. Under the agreement, the City has purchased 5 MGD of the plant's capacity. The Motts Run Plant can be expanded to 24 MGD, and the City has the right to purchase additional capacity up to a total of 7 MGD.

Sewer (Wastewater) – The City owns and operates its own sanitary sewer collection system. The system serves the entire City. There is a small part of the Spotsylvania County system that ties into the City's Hazel Run Interceptor by agreement between the two localities, but the customers served by this arrangement remain Spotsylvania County customers. The City's treatment capacity consists of the City's own 4.5 MGD treatment plant, plus an additional 1.5 MGD of contractually reserved capacity in one of Spotsylvania County's sewage treatment plants

Police Protection. The Fredericksburg Police Department provides residents, businesses, and visitors exceptional service 24-hours a day. Their mission is to provide outstanding service through innovative policing techniques and community partnerships to improve the quality of life for everyone.

The agency is comprised of three Divisions: the Patrol Division, Detective Division, and Support Services, which includes a 24-hour E-911 Communications Center and civilian support staff. The E-911 Center dispatches calls for fire, medical emergencies, and law enforcement. The agency has 74 Department of Criminal Justice Services certified police officers, 17 communications officers, nine administrative professionals, and seven part-time employees.

In addition to patrol officers and detectives, the agency has several unique details, including community police officers, mental health crisis response team, a school resource officer, k-9 officers, a river steward, a crisis negotiation team, a special equipment tactical team, a traffic unit, an unmanned aircraft system team, a firearms training unit, an honor guard, a vice/narcotics unit, a domestic violence detective, and a parking enforcement unit.

The City currently has a force of 74 law enforcement officers, approximately 2.5 officers per 1,000 residents.

Since 2009, the Fredericksburg Police Department has been a nationally accredited law enforcement agency through the Commission on Accreditation for Law Enforcement Agencies (CALEA.) In 2015, the Department was awarded Advanced Accreditation, which is the highest rating a law enforcement agency can obtain from CALEA and sets the benchmark for public safety professionalism.

City Court System. The City of Fredericksburg provides operational support for three separate courts: the Circuit Court, the Juvenile and Domestic Relations Court (J&DR), and the General District Court. The courts are housed in two separate facilities. The Fredericksburg Courthouse houses the Circuit Count and the General District Court. A new courthouse was opened in August of 2014. The Circuit Court is the trial court of general jurisdiction, and hears all types of cases, including all felony criminal cases, civil cases. The General District Court hears most traffic cases, misdemeanor cases, preliminary hearings for felony cases, and civil cases involving claims for amounts under a certain threshold.

Renovation of building which houses the J&DR court was completed in September 2015. The J&DR court handles cases involving juvenile delinquents, juvenile traffic violations, child abuse and neglect cases, domestic violence cases, custody, visitation and support cases, juvenile mental commitment hearings, and Juvenile Drug Treatment Court.

Correctional Facilities. The City has partnered with other jurisdictions throughout the region to provide jail facilities for both adult and juvenile offenders. The City is a member, along with King George County, Stafford County and Spotsylvania County, of the Rappahannock Regional Jail Authority, which governs the operations of the Rappahannock Regional Jail, located in Stafford County. The City appoints three (3) of the twelve (12) members of the Board. No one locality contributes more than 50% of the Authority's funding. The City provided $4.89 million in operating and other funds to the Authority in FY 2022. The FY 2023 budget is $4.58 million.

The City is a member, along with King George, Stafford, Spotsylvania, Louisa, Madison, and Orange Counties, of the Rappahannock Juvenile Center Commission. The Rappahannock Juvenile Center Commission governs the operations of the Rappahannock Juvenile Center, which houses juvenile offenders in a 80-bed facility located adjacent to the Rappahannock Regional Jail in Stafford County. As with the Rappahannock Regional Jail, the City pays a proportion of the operating costs roughly commiserate with

the use of the facility by the City's law enforcement / judicial system. The City provided operating funds of $306,676 to the Center in FY 2022. The FY 2023 budget is $310,323.

Fire Protection. The City operates two fire stations. The Fire Suppression Division of the City Fire Department, operating from the two stations, fields five fire trucks, three class A pumper trucks, one 105-foot aerial ladder truck, and one 100-foot tower/basket truck. The Fire Department is staffed by 47 paid firefighters, including administrative staff. The Fire Department (including EMS) staffs three operational shifts providing round-the-clock public safety services for the community. The Insurance Services Office currently rates the City of Fredericksburg a "three" on Fire Suppression Rating Schedule, on a scale of one (best) to ten (below minimum standards). The City maintains an aggressive on-going fire inspection program, led by a full-time Fire Marshal. The Fire Department also provides a Hazardous Materials Response team for the region, using two hazardous materials trucks with four trailers.

The City also provides, through a shared arrangement with the volunteer Fredericksburg Rescue Squad, Emergency Medical Services. City Fire Department EMS personnel, currently 18 full-time employees, provide 24/7 staffing at the Advanced Life Support (ALS) level for two ambulance units. Fredericksburg Rescue Squad provides protection through volunteers for weekday overnight periods and weekends. The Fire Department, through the Fire Suppression Division, provides a highly trained ALS-level paramedic available during overnight and weekend shifts to assist the volunteer coverage as necessary. Combined, the Fire Department and the Fredericksburg Rescue Squad respond to approximately 6,000 emergency medical calls and provide emergency medical transportation on approximately 3,000 of those calls per year.

The City also operates a public safety radio system through an agreement with Stafford County. Each jurisdiction brings certain items to the system to make the project work. The system is a 700-Mhz system with TDMA capability. The system is composed of about 15 radio frequencies in a trunked configuration with many talk groups. It also features 13 tower sites that are linked together via microwave. The system is continuously monitored by the vendor from a remote location for any potential issues with the system. The agreement between the City and Stafford is for a set term and provides for funds to maintain and enhance the system

Department of Social Services and Children's Services Act. The City Department of Social Services provides financial, medical, food, heating and cooling assistance, family services, protects the safety of children and adults, provides safe foster homes for children and provides adoption services to the neediest children in the community. Direction is provided to the Department through the local Board of Social Services, and the Department is responsible for the execution of a wide variety of state and federal mandates for social services programs. The Department of Social Services has a separate operating fund from the City's General Fund, and the majority of funding is provided by the federal and state governments. In FY 2022, the budget was $7.10 million with a local share of $1.27 million which includes a transfer of $880,000 from the City's General Fund. In FY 2023, the budget for Social Services is $7.6 million, and the local share is approximately $1.46 million. The Department had 39 authorized full-time employees as of June 30, 2022.

The Children's Services Act (CSA) is now the name for a law enacted in 1993 that establishes a single state pool of funds to support services for eligible youth and their families. State funds, combined with local community funds, are managed by local interagency teams who plan and oversee services to youth and their families. In FY 2022 the budget was $3.9 million with a local share of $1.4___ million which includes a transfer of $1 million from the City's General Fund. The FY 2023 budget for this function is slightly reduced at $3.76 million, with local support remaining the same at $1.4 million.

The City maintains separate operating funds for both the Department of Social Services and the Children's Services Act functions. Balances in those funds represent local support that may be re-appropriated by City Council for future needs in those areas.

Economic Development and Tourism. The Department of Economic Development and Tourism (EDT) works to increase tax revenues to the City through business expansion, retention, and development. Tourism development and marketing is recognized as an essential revenue generator for the City and receives emphasis beyond a traditional economic development program. The Department currently consists of five full-time employees and a budget in FY 2023 of approximately $1.2 million

Public Transportation. In December 1996, the City began operating a transit system with four routes and five vehicles. Since that time, the FREDericksburg Regional Transit System ("FRED Transit") has grown to an extensive system of 21 routes and 30 vehicles that serves the entire region, with routes serving the City as well as Spotsylvania, Stafford, and Caroline Counties. Core service routes run weekdays from 6:30 a.m. to 8:30 p.m., but special routes run on extended hours and weekends for the University of Mary Washington area and Virginia Railway Express commuters.

FRED Transit is supported mainly through federal and state transit funding. At the local level, each participating jurisdiction contributes local funding to the maintenance of the service. The system also partners with major public and private institutions to provide special service. The City recently received Transit grant support from the federal government related to the pandemic, and there is a grant that covers fares for riders so that riders are not currently paying fares to ride.

Parking Garage. The City's Sophia Street Parking Garage in downtown Fredericksburg, a 297-space facility, is heavily utilized by downtown employees and visitors, guests at a nearby hotel, and commuters riding the Virginia Railway Express. The parking garage is operated as an enterprise function by the City, with related debt service paid for through surplus motor fuels taxes and operations paid for through parking garage revenues.

Jointly Governed Organizations. In addition to the R-Board, the Rappahannock Regional Jail and the Rappahannock Juvenile Detention Center the City participates in other jointly operated 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 City's financial statements.

The Central Rappahannock Regional Library serves 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 total system includes over 460,000 books available for checkout, and earned a 4-star library rating from *Library Journal*. The City provided $1,364,006 in FY 2022 in operating funds to the Library, and $1,400,000 in FY 2023.

The Fredericksburg Branch, located in the City at 1201 Caroline Street, is a 37,000 square foot building that provides the majority of service to City residents. The City expanded the parking lot in 2018 to provide additional parking availability for library customers. The City is responsible for the maintenance of the Fredericksburg Branch building.

Rappahannock Area Community Services 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. The Board provides mental health, mental retardation and substance abuse services to residents of the participant localities. The City provided operating grants of $272,529 to the Board in 2019. Rappahannock Area Agency on Aging 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. The City contributed $286,306 in operating grants to the Agency in FY 2022, and in the FY 2023 budget the RACSB support is scheduled to be $302,359.

George Washington Regional 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 two (2) of the commissioners. The City contributed $34,073 in operating grants to the Commission in FY 2022, and the FY 2023 budget includes $35,113 in support.

The Rappahannock Area Office on Youth and Group Home 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 two (2) board members. The City provided $88,951 in operating funds to the Home in FY 2022, and the same in the FY 2023 budget.

Stafford Regional Airport Commission was created by City Council resolution pursuant to state statute, and it is legally separate from the City. The Council appoints one commissioner. The City provided $21,430 in operating funds to the Commission in FY 2022, and the same in the FY 2023 budget.

Multi-Purpose Stadium Agreement. The City entered into a Development and Shared Use Agreement for Multipurpose Stadium (the "Development Agreement") with Potomac Baseball, LLC and SAJ Baseball LLC (together, the "Club") dated July 1, 2019 related to the development, construction and operation of a multi-purpose stadium under which the City agreed to pay $1,050,000 annually for thirty years for the right to use the stadium for 183 calendar days each year. The payment will be made in quarterly installments and is subject to annual appropriation by the City Council. The City's obligation to make the first payment begins on the first day of the fourth month after a temporary operating permit has been issued for the stadium and the stadium is available to hold City events. The City anticipated the stadium being available in April 2020 and budgeted the first quarterly payment for August 1, 2020. If the City Council fails to appropriate funds, the Development Agreement permits the Club to demand payment by the City of a lump sum payment (the "Lump Sum Payment") equal the present value of certain tax receipts that the City is expected to receive from the stadium project during the remainder of the term of the Development Agreement. The Lump Sum Payment is the average of such annual tax receipts received by the City during the prior three fiscal years, discounted at an annual rate of 4%. The amount of the Lump Sum Payment may not exceed the aggregate sum of the remaining annual City payments, discounted at an annual rate of 4%. If the Lump Sum Payment is made during the first three years of the term of the Development Agreement, the payment will be calculated using actual tax receipts for each complete fiscal year after the date City payments begin and $700,000 for any other fiscal year. City payments to the Club under the Development Agreement have been assigned by the Club to support the payment of debt service on bonds issued by the City's Economic Development Authority on behalf of the Club to finance the development and construction of the stadium.

The privately financed and constructed stadium, now named Virginia Credit Union Stadium, opened in May of 2020, but because of the pandemic the 2021 season was the inaugural season of the Fredericksburg Nationals, the low-A affiliate of the major league Washington Nationals. Stadium operations in 2021 were very constrained because of health restrictions – although the baseball team drew well, attendance was restricted, and operations outside of the baseball team such as concerts were limited.

The 2022 season was the first full season conducted largely without health-related restrictions on attendance, and the Fredericksburg minor league franchise is second-highest in total attendance at the

Single-A baseball level, according to BallparkDigest.com.[1] Concerts and other events outside of the baseball team were still somewhat limited, but should increase over time as the stadium becomes more established as a venue. All of the City's financial obligations required under the agreement to date have been met.

Economic and Demographic Factors

The City of Fredericksburg was founded as an early colonial tobacco trading station at the fall line of the Rappahannock River. The river was the primary source of commerce and transportation during colonial and early American times, replaced by rail during the 1800's and then by U.S. Route 1 and eventually Interstate 95 in the 20th Century. Interstate 95, with over 160,000 vehicles per day traveling through the City, is the main north-south artery for the East Coast and is an essential factor in the City's economic health. Still, the Rappahannock River and the historic central business district that grew up at the fall line remain the heart of a city located in the center of one of the fastest growing regions in the state.

Population. The City of Fredericksburg grew 15.2% in population between 2010 and 2020, according to the U.S. Census. This rate of growth exceeded that of the Commonwealth as a whole, which was 8% over the same period. The City's growth in population reflects the attractiveness of the City's location and the strength of the regional economy. The following table provides information on population growth in the City:

Year	City Population
2010 Census	24,286
2017	28,297
2018	28,360
2019	29,144
2020 Census	27,982
2021	27,596

Source: Weldon Cooper Center For Public Service estimates for 2017-19 and 2021; U.S. Census Bureau 2020 population

The City is the central locality at the heart of one of the fastest-growing regions in Virginia and is heavily impacted by the rapid growth rates of the large neighboring counties. Stafford County, immediately adjacent to the north of the City, grew by 17.8% between the 2010 and 2020 Census, with a 2020 Census population of 156,927 and a 2021 estimated population of 159,247. Spotsylvania County, immediately adjacent to the south and west of the City, grew by 14.4% between the 2010 and 2020 Census, with a 2020 Census population of 140,032 and a 2021 estimated population of 141,652.

Median Household Income. The following table presents the most recent data on median household income for the City.

[1] "2022 MiLB Attendance by Classification" by Kevin Reichard, October 12, 2022.

	City of Fredericksburg	Virginia	United States
2016	$53,980	$66,149	$55,322
2017	57,258	68,766	57,652
2018	63,274	71,564	60,293
2019	65,641	74,222	62,843
2020	69,528	76,398	64,994

Source: U.S. Census Bureau (inflation adjusted dollars by year)

Transportation. The City is located on Interstate 95, approximately mid-way between Richmond, Virginia, 58 miles to the south, and Washington, D.C., 50 miles to the north. U.S. Routes 1 and 17 and State Route 3 also serve the City. Fredericksburg is the southernmost terminal of the Virginia Railway Express, a commuter rail system in operation since 1992 serving northern Virginia and Washington, D.C. Additional passenger rail service is provided by Amtrak, and freight rail service is provided by CSX Railroad. Reagan National Airport, Dulles International Airport and Richmond International Airport are 54, 68, and 52 miles away, respectively. General aviation in the region is supported by the Stafford Regional Airport in Stafford County and the Shannon Airport in Spotsylvania County.

Employment. The total employment in Fredericksburg as of March 2022 is 23,366. The most recent commuting patterns data show that commuters into the City to work far outnumber commuters from the City to other jurisdictions for employment. According to the Virginia Employment Commission, net in-migration into the City for work (in-commuters less out-commuters) totaled over 11,900. Over the next few years, there are likely to be changes in commuting patterns, as the global pandemic increased the utilization of telecommuting to appropriate work. The City's physical location lends itself well to both employees and employers in the northern Virginia region and the Richmond region working on a partial telecommuting basis.

Unemployment Rates[1]. The City's unemployment rate over the last five years has continued to improve as shown below. The impact of the global pandemic can be seen in 2020. However, the City, the Commonwealth, and the nation are now showing significant improvement in unemployment statistics.

Year	Fredericksburg	Virginia	United States
2017	4.4%	3.7%	4.4%
2018	3.5	2.9	3.9
2019	3.4	2.8	3.7
2020	7.1	6.2	8.1
2021	4.7	3.9	5.3

Source: U.S. Bureau of Labor Statistics

General Economic Discussion. The largest sector of employment in the City is healthcare and social assistance, which provides 24.4% of the jobs in the City. Mary Washington Healthcare is the largest employer in the City, with approximately 3,500 of its almost 5,000 total associates employed at the Mary Washington Hospital and its other facilities and offices in the City[1]. Its weekly payroll is over $4.5 million. Mary Washington Hospital was recognized by U.S. News & World Report as a best hospital for 2018-19; ranking No. 3 in the Washington DC Metro Area and No. 6 in the state of Virginia. In addition, a wide variety of medical offices cluster on the Mary Washington Hospital campus in the City.

[1] Virginia Employment Commission, *Fredericksburg City Community Profile*, as of October 22, 2022.

The retail, restaurant and lodging sectors, taken together, provide the next largest sector of the economy. The retail trade sector provides over 3,900 jobs, while the accommodation and food services sector provides over 4,200 jobs[1]. The major shopping complex known as Central Park, located just northwest of the intersection of Interstate 95 and State Route 3, is a large retail and restaurant complex housing more than 2.3 million square feet of commercial space serving both the City and the surrounding region. Central Park has held its own despite the trend toward online shopping and retains a healthy occupancy rate. Significant infrastructure investments (more than $100 million) at and near Exit 130 of Interstate 95 should continue to support Central Park. The City also has many small businesses located along both State Route 3 between Interstate 95 and U.S. Route 1 and along U.S. Route 1 between State Route 3 and the Rappahannock River.

Located adjacent to Central Park is the Celebrate Virginia South development, a 2,500-acre mix of office, commercial, and high-density residential uses. Major developments in Celebrate Virginia South include Wegmans grocery store, the Fredericksburg Expo & Conference Center, and three major hotels – a Hilton Garden Inn, a Homewood Suites, and a Hampton Inn and Suites. Celebrate Virginia South will be the site of the new 5,000-seat multi-purpose stadium that will serve as home to the Fredericksburg Nationals, a Class-A affiliate of the Washington Nationals. The stadium, which is just to the north of the Expo Center, was privately financed and is expected to bring in significant new activity.

Across U.S. Route 1 from the University of Mary Washington campus (the City's second-largest employer), the University's real estate foundation has made significant investments including the more than $100 million Eagle Village mixed-use project, a redevelopment of a 1960's-era strip shopping center. The newer section of the Eagle Village development now contains more than 30,000 square feet of retail, 34,000 square feet of Class-A office space, a 550-space parking garage, a 624-bed student apartment complex and a 93-room Hyatt Place Hotel.

The historic downtown central business district has seen significant momentum over the past few years as residents and visitors seek out its authentic, walkable attractions. Downtown has over 200 local small businesses, including restaurants, shops, museums, and art galleries, some of which have thrived in the same location for decades. William Street has become known as "Restaurant Row," contributing to a Meals Tax base that now brings in more than $1 million a month to the City. There are significant residential, municipal and commercial projects coming to downtown and its environs in the next few years that will bring more activity and tax revenue. These include Liberty Place, Riverfront Park, the redevelopment of The Free Lance-Star property, the Lofts at Frederick Street, One Hanover, the Mill District project, the redevelopment of the former Mary Washington Hospital building and more. Downtown's future is indeed bright.

While relatively few greenfield sites remain to be developed in the City, there are several that are likely to be highly impactful in the coming years. These include a 20-acre parcel to the North of the Spotsylvania Towne Centre property, about 150 acres in Celebrate Virginia South, and a 90-acre property just off Exit 130 owned by Dale City-based Hylton Group. The latter property is among the top candidates to land what could be the nation's largest Department of Veterans Affairs outpatient clinic. That project would bring many hundreds of jobs and more than $1 million in annual tax revenue to the City. There are also significant redevelopment opportunities in the City clustered along U.S. 1, State Route 3, Princess Anne Street and Lafayette Boulevard. The entire western half of the City has been designated for the federal Opportunity Zone program, which is likely to help attract new investments.

The following table sets forth recent taxable sales data for the City.

[1] Virginia Employment Commission, *Fredericksburg City Labor Market Information Profile*, as of July 2018.

Calendar Year	Taxable Sales	Per Capita
2017	$945,058,833	$34,186
2018	972,004,148	34,241
2019	1,007,272,303	34,561
2020	1,007,841,144	36,017
2021	1,150,453,738	41,689

Source: Weldon Cooper Center for Public Service

Government Sector. The government sector of the local economy provides another strong foundation of stable employment within the City. The presence of the University of Mary Washington, part of the Commonwealth's higher education system, provides the City a source of both quality employment and economic and cultural activity. Local government employment includes both the City, responsible for delivering a broad-range of local government services to the citizens, and the City public school system, which educates the children in the City. The federal government also provides employment opportunities within the region for both civilian and military jobs. The City is located in close proximity to military bases at Quantico, Fort Belvoir, Fort A.P. Hill, Dahlgren Naval Surface Warfare Center, and the Pentagon.

Industry. The City has one major industrial park: the Battlefield Industrial Park, located off State Route 3 south of the City's historic downtown. This diverse park includes a large commercial-printing plant (Print Innovators), recycling facilities, equipment-rental businesses, various light manufacturers and distribution companies, and even the City's only farm (Braehead Farm).

Building Permits. The City has experienced the following trends in building permits[1]:

Fiscal	Residential		Commercial	
Year	# Permits	Value	# Permits	Value
2016	742	$22,115,394	961	$36,675,380
2017	610	19,885,292	970	47,877,627
2018	701	14,826,543	864	80,408,792
2019	782	16,907,963	903	36,086,852
2020	745	18,715,183	862	91,668,846
2021	828	45,360,868	774	35,408,453

Higher Education. The University of Mary Washington is a state-supported, coeducational residential college with a current enrollment of approximately 4,000 undergraduate students at its main campus located in the City. The college offers Bachelor's degrees in over 40 different majors, as well as four different Master's degree programs. In 2010, the Schools of Business and Education were added. The University currently has over 1,000 employees. In recent years the University has invested nearly $200 million on a new convocation center, campus center and technology hub. The University's Master Plan envisions, over the next 15-20 years, approximately $750 million of capital improvements to the University campus as well as Eagle Village. These improvements include renovation of 15 of the 18 campus residence halls, a performing arts center, an additional parking deck, additional academic buildings and improved facilities at the athletic complex. The University and City have increasingly been working together on

[1] City of Fredericksburg Building Services Division

various initiatives, and the school's top students provide a constant stream of entrepreneurial ideas and energy to the City.

Healthcare. The City is a center for the provision of healthcare services to the north central Virginia region. The centerpiece of healthcare in the City is the City's largest employer, Mary Washington Healthcare. Mary Washington Hospital is a 450-bed, full-service hospital that provides over 45 different medical specialties. The emergency room facility at the hospital is the only Level II Trauma Center recognized by the Commonwealth of Virginia between Richmond and Fairfax County. A regional cancer center opened in 2011 with some of the most advanced diagnostic and surgical equipment in the country. The healthcare system benefitted from Virginia's recent decision to expand Medicaid, and it plans significant investments in the years to come.

There are other major medical facilities located in the City as well, many of which are clustered around the Mary Washington Hospital campus. HealthSouth operates a 58-bed acute inpatient rehabilitation facility in the City. The Surgi-Center Medical Office Building opened on Dixon Street in the City several years ago, representing an investment of $23 million. Many additional doctor offices are located in the City due to Fredericksburg's central location and the presence of Mary Washington Hospital.

Major Employers. The 10 largest employers located within or near the City are shown below:

Employer[1]	Service / Product	Number of Employees
Mary Washington HealthCare	Health Care	4,700
University of Mary Washington	Higher Education	865
City of Fredericksburg School Board	Public Education	784
City of Fredericksburg	Local Government	757
Medicorp Health System	Healthcare	500
Wal-Mart	Retail	499
Wegmans	Retail / Grocery	379
Snowden Services	Healthcare	360
Free Lance Star Publishing, Inc.	Newspaper & Media	350
RACSB	Social Service	249

[1]City of Fredericksburg

Cyber Security – Protection of City Information Technology. The use of electronic systems and information technologies are essential to conducting City operations and delivering services. The City strives to use best practices and has developed cyber security policies and procedures and uses various technologies to protect its data and related information technology infrastructure, prevent, respond to, and minimize impacts of cyber-attacks. Those policies and procedures are based on the National Institute of Standards and Technology's Cyber Security Framework, which conforms to regulatory requirements involving: Health Insurance Portability and Accountability, Payment Card Industry Security Standards, Virginia Government Data Collection and Dissemination Practices Act, Virginia HB 2178 Controls for Electronic Systems, and CJIS Security Policy. Annual audits are conducted by the State, City and third parties of various IT systems to ensure the security of the City's electronic systems. An Information

Technology security awareness training program was developed and implemented for all City staff members. E-mail alerts and security awareness reminders are sent to all City staff by the City's IT department when e-mail threats are identified. Additionally, the City recently amended the FY2020 budget to provide increased funding for cyber security upgrades and enhancements.

COVID-19 Impact and Response. The COVID-19 (Coronavirus) pandemic has significantly changed the economic conditions world-wide, including in the City. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, implemented a variety of different efforts aimed at mitigating the spread of COVID-19, including but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures.

In March 2020, the then Governor of the Commonwealth declared a state of emergency as a result of the COVID-19 pandemic. Following such declaration, the Governor imposed a series of public health restrictions designed to mitigate the spread of COVID-19 in the Commonwealth, including, at various times, statewide mask-wearing and social distancing guidelines, limitations on public and private in-person gatherings, the closure of certain businesses deemed non-essential, a statewide stay-at-home order, and the cancellation of in-person instruction at schools. As a result of the effectiveness of vaccines and other measures, the declaration of a state of emergency expired on June 30, 2021.

The City's economy and local revenues have at this point largely recovered from the effects of the pandemic and related closures due to health restrictions. Certain secondary or downstream impacts of the COVID-19 pandemic still impact City finances, particularly inflation in operations and capital projects caused at least in part by disruptions in manufacturing and the inability to obtain goods and equipment. The City is of the view that the resilience of the local economy and the support received from the federal and state governments leaves it in a strong position to handle residual challenges related to the pandemic crisis.

See CITY FINANCIAL INFORMATIOIN -Revenue Discussion and Preliminary Unaudited Results for Fiscal Year 2022, below.

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SECTION FOUR: CITY FINANCIAL INFORMATION

Auditors and Basis of Accounting

The City Charter requires an independent audit at the end of each fiscal year. The audit for the fiscal year ended June 30, 2021, was performed by the firm of Robinson, Farmer, Cox Associates, PLLC, Fredericksburg, Virginia. The combined financial statements and accompanying notes are attached as **Appendix A** hereto. Audited financial reports for prior years are available for inspection at the office of the City Manager.

The City's accounts are maintained in accordance with generally accepted accounting principles applicable to government accounts.

General Fund Revenues and Expenditures

The General Fund revenues are derived from ad valorem taxes, other local taxes, licenses, fees, permits, certain revenue from the Federal and State governments, interest earned on invested cash balances and other revenues. General Fund disbursements include the costs of general City Government, transfers to the School Operating Fund and transfers to the Debt Service Funds to pay principal and interest on the City's general obligation bonds and notes.

The financial data shown below presents a summary of Governmental Funds Revenues, Expenditures, and Changes in the Fund Balance for the five fiscal years ended June 30, 2017 through 2021 derived from the City's financial statements for such fiscal years.

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Governmental Funds Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ended June 30

	2017	2018	2019	2020	2021
REVENUES:					
Property taxes	$40,074,290	$42,480,519	$43,669,156	$44,111,793	$46,389,239
Other local taxes	35,329,244	36,280,205	37,156,088	35,423,281	38,665,411
Permits, privilege fees and regulatory licenses	700,197	823,463	1,125,519	1,063,717	836,452
Fines and forfeitures	312,851	460,046	661,837	473,741	260,986
Use of money and property	468,252	545,326	2,163,744	2,072,245	385,329
Charges for services	2,673,100	2,777,921	2,748,662	2,576,638	2,610,690
Miscellaneous	644,920	530,385	729,375	582,125	1,027,644
Recovered costs	1,119,710	1,393,098	1,337,404	1,379,306	1,341,410
Intergovernmental:					
Revenue from the Commonwealth	13,615,207	13,676,579	14,128,204	13,792,865	13,699,207
Revenue from the Federal Govt	3,161,316	3,543,527	3,284,464	3,736,166	8,344,464
Total revenues	$98,099,087	$102,511,069	$107,004,453	$105,211,877	$113,560,832
EXPENDITURES:					
General government administration	$7,016,265	$7,034,405	$7,761,417	$8,025,669	$8,989,502
Judicial administration	4,842,421	4,825,345	4,916,591	5,088,552	5,186,289
Public safety	21,862,258	22,571,905	21,708,907	23,290,931	23,339,013
Public works	10,799,421	9,407,885	9,309,156	9,579,697	9,770,892
Health and welfare	8,193,779	8,750,439	9,711,324	9,720,362	9,732,153
Education	28,350,929	29,088,569	30,309,183	30,458,501	28,933,557
Parks, recreation and cultural	4,354,413	4,384,188	4,455,929	4,347,256	4,210,394
Community development	2,817,023	2,784,571	2,936,606	3,167,415	4,413,373
Capital projects	14,332,314	7,031,684	4,763,583	7,392,210	5,931,715
Debt service:					
Principal payments	4,456,281	4,980,957	4,855,064	5,420,206	3,914,017
Interest and fiscal charges	3,763,249	3,610,416	3,722,358	3,950,857	2,940,767
Total expenditures	$110,788,353	$104,470,364	$104,450,118	$110,441,656	$107,361,672
Excess (deficiency) of revenues over expenditures	$(12,689,266)	$(1,959,295)	$2,554,335	$(5,229,779)	$6,199,160
OTHER FINANCING SOURCES (USES):					
Transfers in	$12,614,866	$13,448,403	$14,534,669	$15,092,237	$13,971,752
Transfers out	(11,995,511)	(12,842,738)	(13,928,497)	(14,457,080)	(13,341,752)
Refunding bonds issued	-	-	-	(28,193,417)	-
Bonds issued	-	-	10,329,145	25,067,540	-
Premium on bonds issued	-	-	720,544	3,473,999	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Long-term notes payable issued	-	-	-	-	-
Issuance of capital lease	-	-	-	-	459,880
Sale of capital assets	19,569	15,416	32,457	77,936	11,378
Total other financing sources (uses)	638,924	621,081	11,688,318	$1,061,215	$1,101,258
Net change in fund balance	(12,050,342)	(1,338,214)	14,242,653	$(4,168,564)	$7,300,418
Fund Balance at beginning of year, as restated	$50,448,613	$38,398,271	$37,060,057	$51,302,710	$47,134,146
Fund Balance at end of year	$38,398,271	$37,060,057	$51,302,710	$47,134,146	$50,834,564

Revenues Discussion

Ad valorem taxes are levied by the City on the assessed value of real property located within the City as of July 1 and on tangible personal property located within the City as of January 1. Real property taxes are the largest source of revenues. Tax rates are applied to the assessed valuation of property.

Real property is assessed at 100% of fair market value as required by state law. The ratio of assessed value of personal property to its fair market value is generally 90%, except that the assessment basis for business and rental property is original cost depreciated on the basis of economic depreciation. Machinery and tools are assessed at approximately 90% of fair market value, vehicles and boats are assessed at 90% of fair market value and mobile homes are assessed on the same basis as real property.

The City is authorized to levy real and personal property taxes without limitation as to rate or amount. A public hearing is required by state law before tax revenue may be increased either by an increase in the tax levy or when it is anticipated that tax revenue may be increased by more than 1% as a result of a general assessment. Tax rates are established by the City Council concurrent with the adoption of the budget for each fiscal year. Real estate taxes are levied on July 1 each year and are payable during the fiscal year of assessment in two equal installments, on November 15th and May 15th. Personal property, machinery and tools and mobile home taxes are levied on January 1 of each year and are payable on May 15th and November 15th of the calendar year assessed. The tax rates in effect for the first billing of FY 2022, for each $100 of assessed value were $0.83 for real property, $0.80 for machinery and tools, and $0.80 for mobile homes, and $3.40 for all classes of personal property. However, given the external forces impacting the market and values of vehicles, the City adjusted the personal property tax rate for property classified as motor vehicles for the second billing of FY 2022.

The global COVID-19 pandemic has disrupted the supply chain associated with motor vehicles, which in turn has led to a shortage of supply in these categories of new motor vehicles and an increase in the value of used motor vehicles. The increase in the value of used motor vehicles is reflected in the recognized pricing guides which form the basis for personal property tax valuation; this increase in value for used motor vehicles is contrary to the general trend of personal property values depreciating over time. Per HB1239 signed into law on March 22, 2022 by Governor Youngkin, localities are now temporarily able to create a separate classification within tangible personal property for vehicles. This emergency legislation was passed with the intent to assist taxpayers with the unprecedented rise in vehicle valuations caused by supply chain issues and new car inventory shortages. Given the factors mentioned above, Fredericksburg City Council adopted a rate of $2.95 for personal property designated with a motor vehicle classification for the May 2022 billing.

Charges are levied on real estate owned by University Mary Washington that is used for faculty housing. The service charges cannot exceed the real estate tax rate and are payable in one installment annually on May 15. A service charge of $0.85 per $100 of value was charged in fiscal year 2022.

The tax rates in effect for FY 2023, for each $100 of assessed value are $0.86 for real property, $3.40 for personal property with the exception of motor vehicles which have received a temporary adjusted rate of $2.95, $0.80 for machinery and tools, and $0.80 for mobile homes.

In the event any installment of taxes on real property is not paid on or before the due date a penalty of 10% of the amount due or $2.00, whichever is greater, will be added to the installment. The unpaid installment shall bear interest at the rate of 10%. Unpaid annual personal property taxes are subject to the same dollar amount and interest rate penalties.

Revenues for the general government functions (accounted for in the governmental fund types including component units) totaled $113,560,832 in FY 2021, an increase of 7.94% over fiscal year 2020. General property taxes produced 40.85% of the total revenue for governmental fund types. This increase in revenue is primarily attributable to intergovernmental revenues and other local taxes increasing $4,514,640 and $3,242,130, respectively, over fiscal year 2020. These tax increases are related to the City's growing commercial development. The amounts of revenue from various sources and the respective increases and decreases are reflected in the following table:

Revenues For General Government Functions

	FY 2021	FY 2020	Percentage of Total Revenues FY 2021	Increase (Decrease) from FY 2020
General property taxes	$46,389,239	$44,111,793	40.85%	$2,277,446
Other local taxes	38,665,411	35,423,281	34.05	3,242,130
Licenses and permits	836,452	1,063,717	0.74	(227,265)
Fines and forfeitures	260,986	473,741	0.23	(212,755)
Use of money and property	385,329	2,072,245	0.34	(1,686,916)
Charges for services	2,610,690	2,576,638	2.30	34,052
Miscellaneous	1,027,644	582,125	0.90	445,519
Recovered costs	1,341,410	1,379,306	1.18	(37,896)
Intergovernmental	22,043,671	17,529,031	19.41	4,514,640
Totals	$113,560,832	$105,211,877	100.00%	$8,348,955

Expenditures Discussion

Expenditures for governmental funds in FY 2021 totaled $107,361,762, a decrease of $3,079,894 from the preceding year. The capital spending decreased by $1,460,495. Educational and Parks, Recreation, and Cultural expenditures decreased by $1,524,944 and $136,862, respectively. The decrease in Education was due to an influx of federal dollars related to the pandemic offsetting funding that the City would normally supply. Whereas Community Development expenditures increased by $1,245,958 with the largest increase due to a full year of expenses related to the Multi-Purpose Stadium Fund.

Changes in the levels of expenditures for general governmental functions of the City over the preceding year are shown in the following table:

Expenditures for General Government Functions

	FY 2021	FY 2020	Percentage of Total Expenditures FY 2021	Increase (Decrease) from FY 2020
General administration	$8,989,502	$8,025,669	8.37%	$963,833
Judicial administration	5,186,289	5,088,552	4.83	97,737
Public safety	23,339,013	23,290,931	21.74	48,082
Public works	9,770,892	9,579,697	9.10	191,195
Health and welfare	9,732,153	9,720,362	9.06	11,791
Education	28,933,557	30,458,501	26.95	(1,524,944)
Parks, recreation, and cultural	4,210,394	4,347,256	3.92	(136,862)
Community development	4,413,373	3,167,415	4.11	1,245,958
Capital projects	5,931,715	7,392,210	5.53	(1,460,495)
Debt service	6,854,784	9,371,063	6.39	(2,516,279)
Totals	$107,361,762	$110,441,656	100%	($3,079,894)

Preliminary Unaudited Results for Fiscal Year 2022

The unaudited results of fiscal year 2022 are positive with the General Fund continuing to reflect a strong recovery from the peak of the pandemic in FY 2020 and FY 2021. After property taxes, the City's most significant sources of revenue are dependent on consumption expenditures. The consumption driven revenue sources during FY 2022 saw extremely strong revenue collections. Through the end of the fiscal year the City has seen an increase of 23.66% in Meals Tax collections in comparison to the prior fiscal year. This positive trend is maintained throughout other consumption based tax sources, with Sales Tax and Business License Tax seeing increases of 12.48% and 10.43%, respectively. These increases are due to the combination of the lifting of pandemic related restrictions and increased cost of goods and services due to inflation. City collection rates for both personal property and real estate taxes have matched or exceeded pre-pandemic levels.

The FY 2022 amended budget is $108,305,846, with preliminary General Fund revenues at June 30, 2022 at $109,430,071 and budgeted use of fund balance at $6,815,623 – most of which is represented by $4,113,409 of Fund Balance Assigned to Capital that was transferred for one-time capital projects. The preliminary General Fund expenditures at June 30, 2022 are $104,815,551 not including $1,364,377 of encumbrances that will be carried forward into FY 2023. The positive variance at the close of FY 2022 allowed for additional assignments and an increase to unassigned fund balance.

The favorable results at the end of FY 2022 will allow the City to prudently assign some of the fund balance for future needs. Some of these assignments include funds for City and School Capital projects, Economic Development projects, and the City's Blight Abatement program. These assignments will help offset future debt requirements. After the above assignments are made the City will add approximately $1.7 million to the unassigned fund balance at the end of FY 2022.

The chart below shows some of the major revenue sources for the City including unaudited FY 2022 results:

Revenue	FY 2022	FY 2021	FY 2020	FY 2019
Real Estate Taxes	$ 36,168,610	$ 33,886,235	$ 33,079,665	$ 30,916,106
Personal Property Taxes	$ 10,794,911	$ 9,331,468	$ 8,250,143	$ 9,190,688
Local Sales and Use Taxes	$ 15,569,291	$ 13,842,064	$ 11,986,572	$ 11,925,147
Business License Taxes	$ 7,545,057	$ 6,914,851	$ 6,815,816	$ 6,301,232
Hotel Lodging Taxes	$ 1,661,182	$ 1,183,455	$ 1,181,901	$ 1,547,989
Meals Taxes	$ 13,849,223	$ 11,199,108	$ 10,415,720	$ 11,918,714

Budget for Fiscal Year 2023

The City presented the recommended budget for FY 2023 to City Council on March 8, 2022, with a total general fund budget of $110,954,755. Within this recommendation, City management has taken action in a wide variety of areas to ensure that the City of Fredericksburg maintains its strong foundation moving forward. Highlights from this recommendation include a $30.5 million transfer to Fredericksburg City Public Schools, a 4% salary increase for City employees, $3.077 million transfer to fund City capital projects.

After the initial recommendation, there were propositions made by both City staff and City Council to ensure the FY 2023 budget captured all potential expenses and revenues. Items of note included: an additional transfer of $4 million to Fredericksburg City Public Schools to help cash fund the potential new middle school project on the horizon and removing the vehicle license fee for both FY 2022 and 2023 in tandem with the adjustment to the personal property tax rate for the property with a motor vehicle classification to alleviate the tax burden on citizens. On May 10th, 2022, City Council adopted the FY 2023 Capital and Operating Budget of approximately $321.114 million, including $114,954,755 for the general fund.

Tax Data

The following data are presented to illustrate the trends and characteristics of the assessed value of taxable property in the City, property tax rates, tax collection experience and the ten largest City taxpayers.

Assessed Value of Taxable Property

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service	Service Charge Property	Total
2017	$3,956,381,500	$312,718,088	$15,692,250	$103,541,921	$3,541,360	$4,391,875,119
2018	3,996,438,900	324,731,053	15,334,580	119,976,183	3,541,360	4,460,022,076
2019	4,033,008,800	341,306,676	14,446,339	114,503,940	3,541,360	4,506,807,115
2020	4,099,237,700	379,124,411	12,787,003	108,951,829	3,541,360	4,603,642,303
2021	4,543,901,400	470,179,053	45,050,585	111,975,248	3,541,360	5,174,647,646

Property Tax Rates Per $100 Assessment

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2017	0.77	3.40	0.77	0.80
2018	0.80	3.40	0.80	0.80
2019	0.80	3.40	0.80	0.80
2020	0.80	3.40	0.85	0.80
2021	0.80	3.40	0.85	0.80

Property Tax Levies and Collections

Fiscal Year	Fiscal Year (1)	Collected in Fiscal Year (1) (3)	Percentage of Levy (2)	Collected in Subsequent Years (1) (3)	Amount (1) (3)	Percentage of Levy (2)
2017	$41,500,053	$40,450,013	97.47%	$904,528	$41,354,541	99.65%
2018	43,566,222	42,562,250	97.70%	841,032	43,403,282	99.63%
2019	44,388,011	43,258,568	97.46%	929,301	44,187,869	99.55%
2020	47,636,098	44,988,894	94.44%	2,380,202	47,369,096	99.44%
2021	49,246,840	46,879,283	95.19%	-	46,879,283	95.19%

(1) Exclusive of penalties and interest.

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

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

The following data show the assessed value of the real property of the ten principal taxpayers in the City as of June 30, 2021. The aggregate assessed value of real property owned by these ten taxpayers totals approximately 11.54% percent of the total assessed value of real property in the City.

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Ten Principal Taxpayers

Taxpayer	Property	Assessment	Percentage of Total Assessed
Central Park Retail LLC	Retail	$73,469,400	1.74%
The Apartments at Cobblestone	New home sales	59,887,100	1.42
Virginia Electric & Power Co.	Public utility	55,481,482	1.32
Mid-America Apartments LP	Apartment complex	45,494,600	1.08
Medicorp Properties, Inc.	Hospitals, office buildings, surgical center	42,050,800	1.00
Mach II MCB Silver Portfolio	Central Park property	34,697,400	0.82
Mid-America Apts. LP Seasons at Cel. VA.	Apartment complex	38,196,000	0.91
Goldelm at Belmont LLC	Apartment complex	33,667,000	0.80
Collection at Celebrate Virginia	Apartment complex	71,342,100	1.69
Central Park Marketplace Holdings LLC	Central Park property	31,914,100	0.76
		$486,199,982	11.54%

Debt Administration and Limitations

The Constitution of Virginia authorizes cities to issue bonds secured by a pledge of their full faith and credit, subject to a limitation of 10% of the assessed valuation of taxable real estate in the City as shown by the last preceding assessment for taxes. Excluded from the debt limit are, among others, certain short-term obligations issued in anticipation of the collection of revenues maturing in one year or less, referendum-approved general obligation bonds payable from a specified revenue producing undertaking for as long as the undertaking is self-supporting, and obligations payable solely from revenues of a specific undertaking. The City has a self-imposed policy debt limitation for General Fund supported debt of 4.8% of total assessed value of real estate. As of June 30, 2021, the legal debt margin and policy debt limitation of the City were as follows:

Legal Debt Margin		June 30, 2021
Total Assessed Value of Real Estate	$	6,082,209,998
Legal Debt Limit (10%)	$	608,221,000
Less: Amount of Debt Applicable to Debt Limit	$	100,916,421
Legal Margin for Creation of Additional Debt	$	507,304,579

Policy Debt Margin		June 30, 2021
Total Assessed Value of Real Estate	$	6,082,209,998
Policy Debt Limit (4.8%)	$	291,946,078
Less: Amount of Debt Applicable to Debt Limit	$	100,916,421
Policy Margin for Creation of Additional Debt	$	191,029,657

The City had $780,000 of solid waste revenue bonds outstanding at June 30, 2021 secured solely by revenues and not subject to the legal or policy debt limit. All other bonds issued by the City are general obligations of the City secured by a pledge of its full faith and credit for the payment of the principal of and the interest on such bonds. However, bonds issued for water and wastewater system capital improvements are self-supporting and paid from system revenues. The following table shows the City's net general obligation debt as of June 30, 2021:

General Obligation Debt	**June 30, 2021**
General Obligation Debt	$95,287,449
Less: Self-Supporting Indebtedness	
Water Enterprise Fund	$6,881,830
Wastewater Enterprise Fund	$12,787,020
Parking Enterprise Fund	$1,407,435
Net General Obligation Indebtedness	$74,469,700

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Bond Amortization Schedules

Total principal and interest payments required to retire general obligation bonded indebtedness of the City outstanding are shown below, before the issuance of the Bonds and after the issuance of the Bonds.

	Prior to Issuance of the Bonds*			After Issuance of the Bonds		
Year Ending 30-Jun	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2022	$5,617,732	$3,578,814	$9,196,546	$5,617,732	$3,578,814	$9,196,546
2023	6,935,345	3,323,579	10,258,924	6,935,345	4,391,280	11,326,625
2024	7,242,471	3,028,844	10,271,315	9,372,471	6,347,282	15,719,753
2025	7,545,386	2,720,185	10,265,571	9,790,386	5,929,248	15,719,634
2026	7,867,869	2,401,651	10,269,520	10,217,869	5,495,839	15,713,708
2027	7,214,263	2,087,118	9,301,381	9,689,263	5,060,681	14,749,944
2028	7,515,170	1,780,668	9,295,838	10,120,170	4,627,231	14,747,401
2029	7,001,170	1,480,089	8,481,259	9,736,170	4,193,152	13,929,322
2030	7,273,041	1,178,778	8,451,819	10,143,041	3,751,716	13,894,757
2031	3,730,000	947,678	4,677,678	6,750,000	3,373,366	10,123,366
2032	3,875,000	794,911	4,669,911	7,050,000	3,065,724	10,115,724
2033	4,035,000	642,387	4,677,387	7,380,000	2,750,200	10,130,200
2034	4,165,000	509,658	4,674,658	6,480,000	2,475,971	8,955,971
2035	4,155,000	393,447	4,548,447	6,580,000	2,241,260	8,821,260
2036	3,560,000	274,837	3,834,837	6,110,000	1,998,275	8,108,275
2037	3,655,000	168,134	3,823,134	6,340,000	1,760,697	8,100,697
2038	2,925,000	74,678	2,999,678	5,730,000	1,544,016	7,274,016
2039	975,000	1,767	976,767	3,890,000	1,356,705	5,246,705
2040				3,035,000	1,235,938	4,270,938
2041				3,165,000	1,111,938	4,276,938
2042				3,290,000	982,838	4,272,838
2043				3,425,000	848,538	4,273,538
2044				3,570,000	708,638	4,278,638
2045				3,715,000	562,938	4,277,938
2046				3,870,000	411,238	4,281,238
2047				4,025,000	253,338	4,278,338
2048				4,190,000	86,419	4,276,419
Total	$95,287,449	$25,387,223	$120,674,670	$170,217,447	$70,143,268	$240,360,715

* *As of June 30, 2021*

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Key Debt Ratios

Fiscal Year	Gross Bonded Debt (1)	Less: Amounts Reserved for Debt Service	Net Bonded Debt[1]	Ratio of Net GO Debt to Assessed Value	Net Bonded Debt per Capita
2017	$112,386,311	$2,000,490	$110,385,821	2.51%	$3,901
2018	105,177,473	1,846,606	103,330,867	2.28%	3,644
2019	114,603,926	2,006,420	112,597,506	2.50%	3,863
2020	106,908,421	1,890,800	105,017,621	2.28%	3,681
2021	100,916,421	1,862,449	99,053,972	1.91%	3,476

Note: As of June 30, 2021

(1) Excludes revenue bonds, capital leases, compensated absences, landfill post-closure costs, net OPEB liability, and net pension liability. Includes unamortized bond premium.

Capital Improvements Plan

As part of the budget process, the City adopts an annual capital budget that includes capital improvements for education, public works, public facilities, public safety, and courts as well as improvements to the water and wastewater systems. The CIP includes an additional four years of projects and references certain projects beyond that time frame. The CIP reflects the substantial investment that is required to maintain and improve core public infrastructure, and to advance stated City Council priorities. Each year the CIP is reviewed and updated as new projects are identified and existing projects, cost estimates, and operating impacts are updated. The source of funding may also be updated. The City is actively pursuing state and federal grants for transportation improvements and anticipates less reliance on debt to fund the CIP.

The following table shows the City's Adopted FY 2023 - FY 2027 CIP. The FY 2023 CIP was appropriated as part of the FY 2023 budget process. Future years do not represent appropriations or commitments for funding projects. "Local" funding represents a combination of current revenues and balances available for capital expenditures.

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Capital Improvement Plan	FY2023	FY2024	FY2025	FY2026	FY2027	Total
General Government Projects						
Schools	$56,030,000	$6,410,948	$414,000	$3,420,000	$380,000	$66,654,948
Public Works	12,301,664	2,210,800	1,530,000	1,230,000	4,700,000	21,972,464
Public Facilities	3,035,350	7,336,745	2,344,000	2,684,500	1,140,000	16,540,595
Public Safety	14,726,186	995,186	1,592,965	1,631,535	7,107,965	26,053,837
Courts	150,000	75,000	-	500,000	-	725,000
TOTAL	$86,243,200	$17,028,679	$5,880,965	$9,466,035	$13,327,965	$131,946,844
General Government Funding						
Local	$11,101,876	$9,286,379	$5,450,965	$8,286,035	$5,237,965	$39,373,220
State & Federal	6,335,662	2,892,300	420,000	1,180,000	3,590,000	14,417,962
Debt	68,805,662	4,850,000	-	-	4,500,000	78,155,662
TOTAL	$86,243,200	$17,028,679	$5,880,965	$9,466,035	$13,327,965	$131,946,844
Enterprise Fund Projects						
Water System	$6,030,000	$4,460,000	$4,105,000	$6,840,000	$1,250,000	$22,685,000
Wastewater System	107,245,000	5,975,000	3,310,000	5,000,000	15,320,500	136,850,500
TOTAL	$113,275,000	$10,435,000	$7,415,000	$11,840,000	$16,570,500	$159,535,500
Enterprise Fund Project Funding						
State & Federal	$57,970,000	$4,620,000	$2,000,000	$2,000,000	$2,000,000	$67,590,000
Recovered Cost	5,000,000	-	-	4,500,000	6,610,250	16,110,250
System Revenues	1,775,000	2,145,000	2,680,000	1,200,000	1,350,000	9,150,000
Debt	49,530,000	3,670,000	2,735,000	4,140,000	6,610,250	66,685,250
TOTAL	$113,275,000	$10,435,000	$7,415,000	$11,840,000	$16,570,500	$159,535,500

Employee Benefits

All full-time, salaried permanent employees of the City and (non-professional) 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 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 the City of Fredericksburg, and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to the VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The Virginia Retirement System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these different benefit structures has different eligibility

criteria. The specific information for each plan and the eligibility for covered groups within each plan are detailed in Note 12 of Appendix A.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from the VRS Web site at http://www.varetire.org or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning in July 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% contribution. This could be phased in over a period of up to 5 years and the employer was required to provide a salary increase equal to the increase in the employee-paid member contribution. The City of Fredericksburg has completed this process, and all eligible employees pay the required 5.00% member contribution.

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

Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,858,174 and $3,713,243 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

See Note 12 in Appendix A for further information on the City's participation in the VRS defined benefit pension plan.

Post-Employment Benefits Other Than Pensions (OPEB). The Governmental Accounting Standards Board (GASB) adopted Statement #45 entitled "Accounting and Financial Reporting by Employers for Post-Retirement Benefits other than Pensions" that requires localities to recognize the post-retirement benefits other than pensions (such as healthcare and related costs) that localities provide their retired employees. The City and the City School Board have implemented GASB Statement #45 and incorporate such information into their financial statements.

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 (i.e., 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 (i.e., 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 five years of service and be eligible for both VRS and Social Security disability to be eligible for these benefits.

Effective January 1, 2022, the City offers employees in qualified public safety positions hired after July 1, 1996 will receive a credit of $650 per month upon unreduced retirement with the City. Once Medicare eligible the retired employees will receive a credit of $150 per month. To receive this benefit, employees must have served a total of fifteen years with the City of Fredericksburg in a qualified public safety position with the last five being consecutive.

In FY 2016 the City joined a Trust for OPEB Benefits that is administered by VML / VaCO Finance, and determines on an annual basis an appropriate level of contribution to the Trust to grow the Trust balance and offset future liabilities. During FY 2022, the City contributed $200,000 to the OPEB Trust. As of the most recent ACFR, FY 2021, the funded status of the plan as of July 1, 2021 is an actuarial accrued liability of $16,836,921. The City Plan's fiduciary net position is $2,180,527, and the City's net OPEB liability is $14,656,394.

The City school system does not participate in the City retirement plan. Employees of the school system participate in a plan administered by the City School Board, and under certain conditions may be entitled to benefits under the VRS plan and may be eligible for post-retirement healthcare benefits.

The City School Board provides post-retirement health care insurance benefits for employees who are eligible. The plan is administered by the School Board. 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.

See note 19, 20, and 21 in Appendix A for further information on the City's participation in Post-Employment Benefits Other Than Pensions (OPEB).

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SECTION FIVE: MISCELLANEOUS

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reasonable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. Any statements in this Official Statement involving matters of opinion, regardless of whether expressly so stated, are intended merely as such and not representations of fact. The financial statements of the City as of June 30, 2021, and for the fiscal year then ended, of the City in **Appendix A** have been audited to the extent set forth in the report of Robinson, Farmer, Cox Associates, independent certified public accountants, included therein and are included in this Official Statement in reliance on such report.

Litigation

The City is not currently involved in litigation of any kind that would restrain or enjoin the issuance or delivery of the Bonds or that would question in any manner the proceedings or authority under which the Bonds are issued or that would affect the ability of the City to levy or collect ad valorem taxes for payment of the Bonds.

During the normal course of business, the City and its employees have been named in various other claims which are being defended by the City. It is the opinion of the City Attorney that any possible losses in connection with such litigation will not have a material adverse effect on the City's financial condition.

Certificates of City Officials

Concurrently with the delivery of the Bonds the appropriate City officials will furnish (1) a certificate dated the date of delivery of the Bonds, stating that no litigation is then pending or, to their knowledge, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal or interest thereon or in any manner questioning the proceedings and authority under which the Bonds are issued and (2) a certificate dated the date of delivery of the Bonds, stating that the descriptions and statements in this Official Statement (except under the caption "Litigation") on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate.

The City Attorney will furnish concurrently with the delivery of the Bonds a certificate dated the date of delivery of the Bonds, stating that the statements under the caption entitled "Litigation" on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects and did not and do not contain any untrue statement of a material fact or omit to state therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

Sale at Competitive Bidding

The Bonds were offered for sale at competitive bidding at 10:45 a.m., Eastern Time, on Wednesday, November 16, 2022. The Bonds were awarded to the winning bidder, Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields of the

Bonds as set forth on the cover. If all of the Bonds are resold to the public at such yields, the Underwriter has informed the City that it anticipates a total underwriting compensation of $243,522.50. The Underwriter may change the public offering yields from time to time.

Continuing Disclosure

The City will execute and deliver to the purchasers of Bonds a Continuing Disclosure Agreement, the form of which is set forth as **Appendix B** hereto, pursuant to which the City will covenant and agree, for the benefit of the holders of the Bonds, consistent with Rule 15c2-12 of the Securities and Exchange Commission to provide: annual financial information and operating data for the City, including audited financial statement of the City for each fiscal year, beginning with the fiscal year ending on June 30, 2023; in a timely manner, notices of certain events provided for in Rule 15c2-12 as described in the Agreement. The notices of certain events referred to above will be provided to the Municipal Securities Rulemaking Board electronically via its EMMA system, as described in the Agreement.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds.

The City is a participant in a 2010 pool bond issue of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (the "Authority"). Based upon the amount borrowed by the City in the pool financing, the City was deemed a material participant and entered a continuing disclosure undertaking for the benefit of the holders of the Authority's 2010 bonds (the "2010 Authority Bonds") pursuant to which the City agreed to file or cause to be filed annually with EMMA certain financial information, including audited financial statements, and operating data concerning the City. The financial information is required to be filed annually within 270 days of the of end of the City's fiscal year for as long as the 2010 Authority Bonds are outstanding, and the City is considered a material participant. The City did not timely file annual financial information for the fiscal years ending June 30, 2017 and June 30, 2019. Such information was subsequently filed and posted on EMMA on May 7, 2020, and a late notice filing was filed and posted on EMMA on May 8, 2020. While the City did not timely file financial information for fiscal years 2017 and 2019 in a manner to associate the information with the 2010 Authority Bonds, the City did timely file financial information for its own bond issues for such fiscal years which included the information required to be filed for the 2010 Authority Bonds.

Financial Advisor

PFM Financial Advisors LLC, Richmond, Virginia, is the City's financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In assisting in the preparation of the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with the accounting standards.

Summaries and Descriptions

All summaries or descriptions of the provisions of the Bonds set forth in this Official Statement, and all other references in this Official Statement to other documents not purported to be quoted in full, are made subject to all detailed provisions thereof, to which reference is hereby made for further information. Such summaries or descriptions are only brief outlines of certain, of the provisions of such documents and materials, and do not purport to summarize or describe all of the provisions thereof.

This City has deemed this Official Statement final as of its date within the meaning of Rule 15c2-12 of the federal Securities and Exchange Commission.

The distribution of this Official Statement has been duly authorized by the City Council.

CITY OF FREDERICKSBURG, VIRGINIA

By: /s/ Timothy J. Baroody
City Manager

APPENDIX A

Audited Financial Statements

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Restatement of Beginning Balances

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-17, 134-139, and 140-158 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Other Matters: (Continued)

Supplementary and Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

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Management's Discussion and Analysis

As management of the City of Fredericksburg, Virginia (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- Total net position for governmental activities was $119,690,024 at the end of fiscal year 2021. This figure is based on assets and deferred outflows of resources totaling $268,180,839 and liabilities and deferred inflows of resources of $148,490,815.

- Total net position for business-type activities was $81,512,871 at the end of fiscal year 2021. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at $28,344,638; $26,413,277; and $21,755,818, respectively.

- Total net position for the primary government was $201,202,895 at the end of fiscal year 2021. Current assets were $112,585,313 as compared to total current and other liabilities of $30,163,124. The resulting net working capital of $84,422,189 represents a favorable liquidity position for the City.

- The City has an established Financial Management Policy that specifies a targeted goal of maintaining an unassigned General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2021 unassigned General Fund balance was 18.03% of the fiscal year 2020 General Fund revenue total of $94,894,154.

- General Fund revenues increased $4,631,334, or 5.0%, as compared to the preceding fiscal year.

- General Fund expenditures decreased $4,009,004 or 4.9% as compared to fiscal year 2020.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-131 of this report.

Government-wide Financial Analysis

Statement of Net Position:

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

A large portion of the City's net position, $153,400,479, or 76.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are generally not sold or otherwise disposed of during their useful lives. The $47,802,146 balance of *unrestricted net position* is a combination of both governmental activities and business-type activities and may be used to meet the City's ongoing obligations to citizens and creditors.

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

Government-wide Financial Analysis: (Continued)

Statement of Net Position: (Continued)

The following table presents the condensed Statement of Net Position:

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

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

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

Changes in Net Position:

Governmental Activities

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

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

Government-wide Financial Analysis: (Continued)

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

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

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

Business-type Activities

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

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

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

Component Units

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

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

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

Component Units: (Continued)

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

TABLE 2
Changes in Net Position
For the Fiscal Year ended June 30, 2021
(in millions)

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

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

Financial Analysis of the City's Governmental Funds

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

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

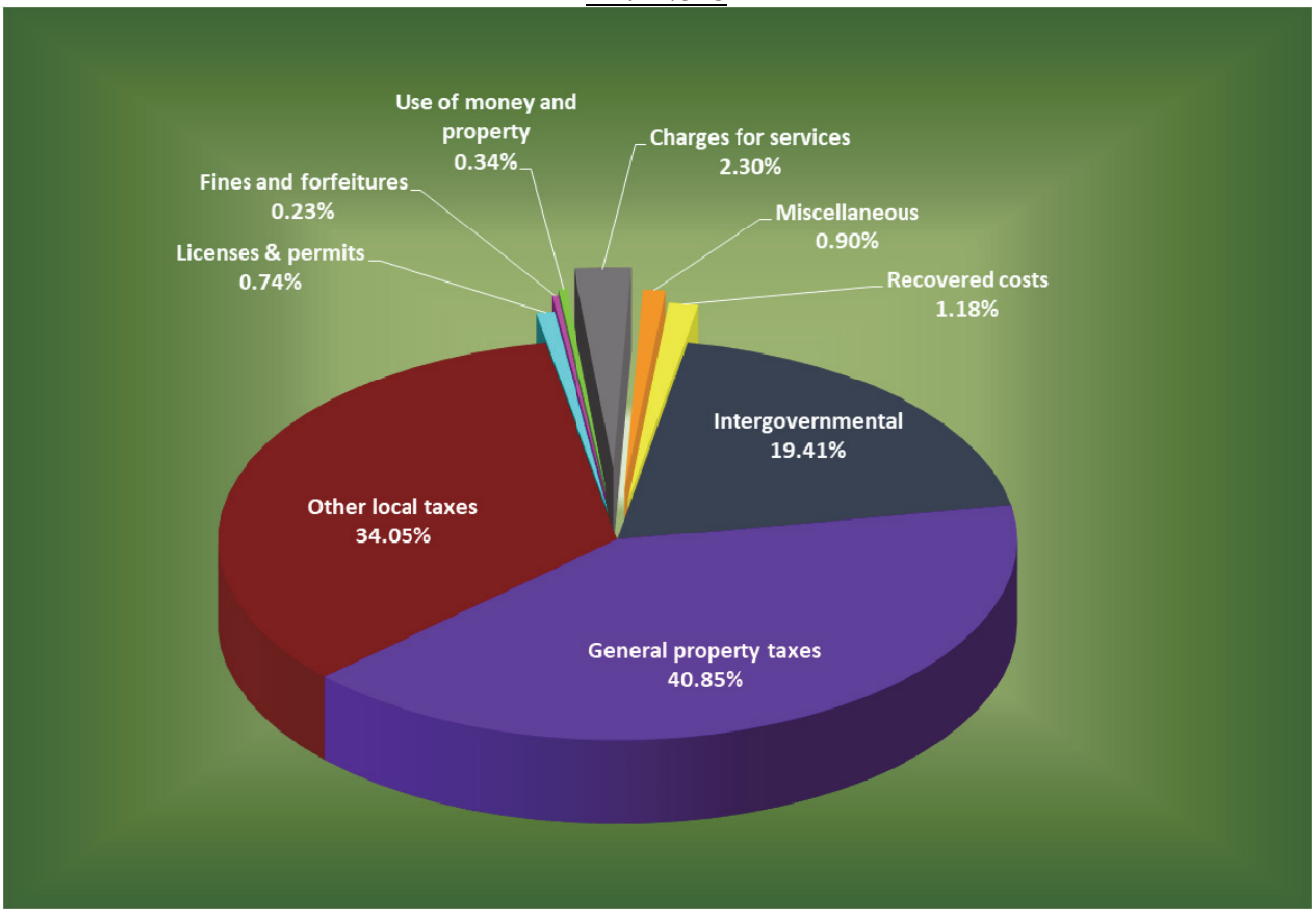
Revenues:

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

TABLE 3
Governmental Funds - Revenues

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

FY2021 GOVERNMENTAL FUNDS - REVENUES



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

Revenues: (Continued)

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

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

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

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

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

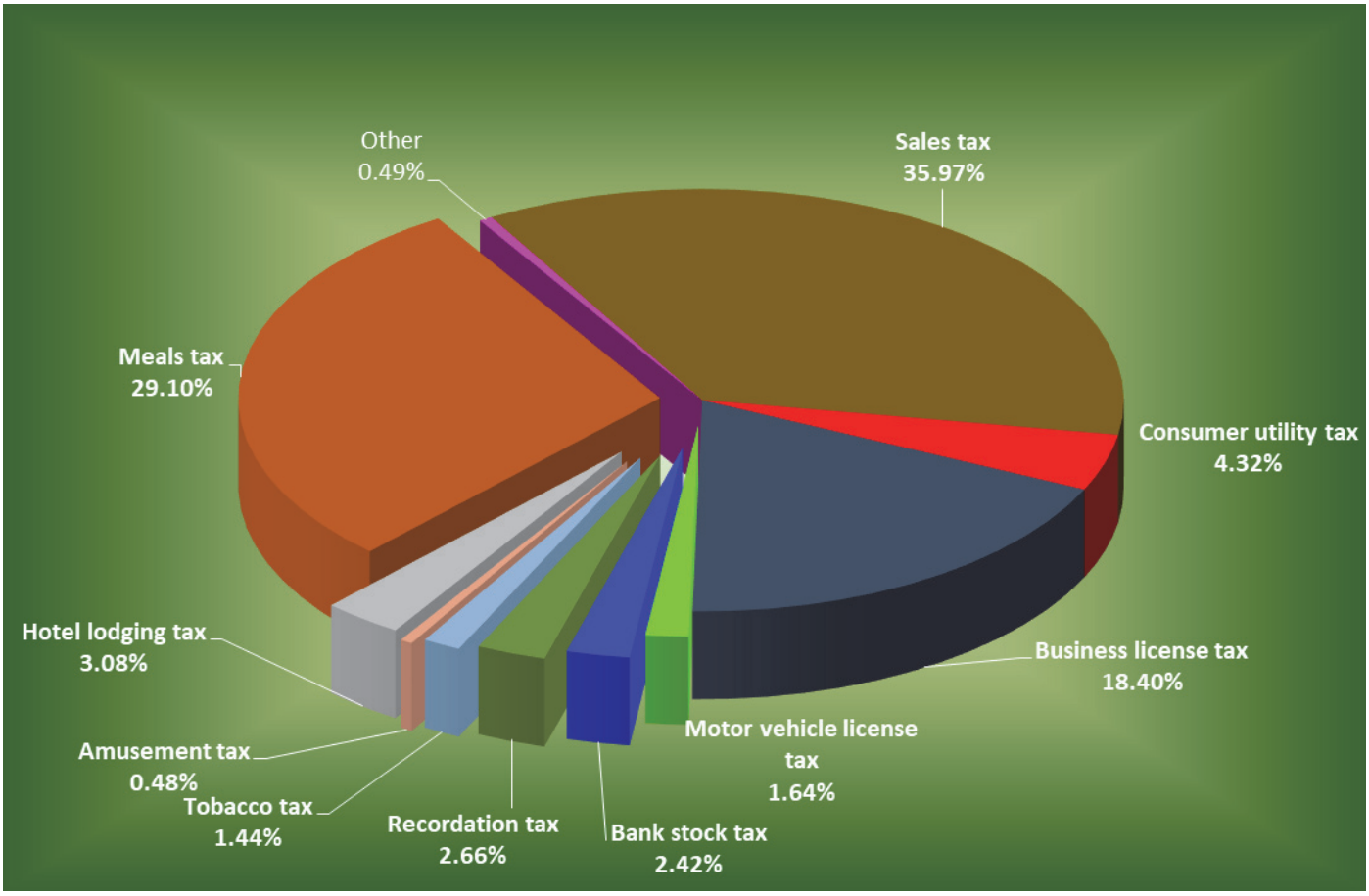
TABLE 4
Other Local Taxes - General Fund

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

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

Revenues: (Continued)

FY2021 OTHER LOCAL TAXES – GENERAL FUND



Expenditures:

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

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

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

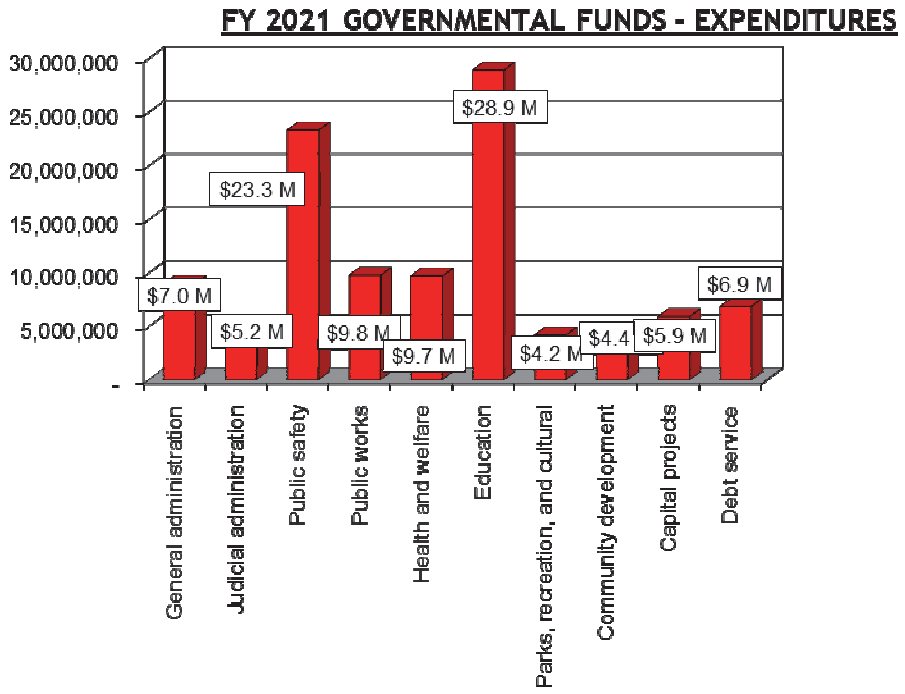
Expenditures: (Continued)

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

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

TABLE 5
Governmental Funds - Expenditures

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



General Fund Budgetary Highlights

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

- Amendments and appropriations approved after the beginning of the year to reflect prior year encumbrances that must be re-authorized for expenditure in the new budget year.

- Increases in appropriations for budget items occurring during the year that were not part of the original budget.

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

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

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

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

Capital Asset and Debt Administration

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

TABLE 6
Change in Capital Assets
City Governmental Funds

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

Capital Asset and Debt Administration: (Continued)

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

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

Long-term Debt

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

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

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

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

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

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

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

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

Economic Factors and Next Year's Budget

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

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

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

The fiscal year 2022 adopted budget includes expenditures of $103,916,388, a 10,2% increase over the fiscal year 2021 original adopted budget. The fiscal year 2022 budget is significantly higher than the adopted fiscal year 2021 budget due to the brighter economic outlook provided after the height of the COVID-19 pandemic.

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2021

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	$ 9,733,301	$ 111,040	$ 1,177,226	$ -
Judicial administration	6,393,909	114,866	1,017,856	-
Public safety	25,683,080	1,850,688	4,724,016	49,016
Public works	13,359,399	1,189,612	3,580,231	399,246
Health and welfare	9,749,342	-	6,804,811	-
Education	31,472,243	-	-	-
Parks, recreation and cultural	5,044,351	282,911	21,982	-
Community development	4,708,131	159,011	550,995	362,380
Interest on long-term debt	2,629,385	-	-	-
Total governmental activities	$ 108,773,141	$ 3,708,128	$ 17,877,117	$ 810,642
Business-type activities				
Water	$ 4,007,845	$ 3,548,785	$ 600,689	$ -
Sewer	4,889,931	6,051,806	947,085	50,220
Transit	4,832,837	136,666	3,709,661	127,655
Parking	404,398	120,401	-	-
Total business-type activities	$ 14,135,011	$ 9,857,658	$ 5,257,435	$ 177,875
Total Primary Government	$ 122,908,152	$ 13,565,786	$ 23,134,552	$ 988,517
Component Units				
Fredericksburg City Public Schools	$ 54,828,971	$ 71,354	$ 25,741,617	$ -
Fredericksburg Economic Development Authority	758,099	296,850	43,242	-
Total Component Units	$ 55,587,070	$ 368,204	$ 25,784,859	$ -

General Revenues
Taxes:
General property taxes, real and personal
Local sales and use taxes
Consumer utility taxes
Business license taxes
Hotel/lodging taxes
Meals taxes
Other local taxes
Payment from City of Fredericksburg:
Education
Grants and contributions not restricted to specific programs
Use of property
Interest and investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year, as restated
Net position, end of year

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

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

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2021

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

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

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

Total fund balances for governmental funds (Exhibit 3)		$ 55,761,099
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 26,373,125	
Construction in progress	6,734,312	
Land improvements, net of accumulated depreciation	15,020,076	
Buildings and improvements, net of accumulated depreciation	40,784,989	
Joint tenancy assets, net of accumulated depreciation	26,953,354	
Infrastructure, net of accumulated depreciation	49,995,719	
Machinery, vehicles, and equipment, net of accumulated depreciation	12,919,392	
Total capital assets		178,780,967
Internal service funds are used by the City to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		1,217,912
Other assets used in govenmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture		7,812,473
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding	$ 140,817	
Pension related items	7,895,295	
OPEB related items	1,642,541	9,678,653
Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures and, therefore, are reported as deferred revenue in the funds.		753,631
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:		
Accrued interest on debt	$ (1,252,280)	
Bonds and notes payable	(75,709,589)	
Premium on long-term debt, net of accumulated amortization	(5,409,786)	
Net pension liability	(27,728,843)	
Net OPEB liability	(16,003,418)	
Landfill post-closure costs	(1,416,981)	(127,520,897)
Compensated absences not reported as fund liabilities		(4,056,065)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (725,356)	
Deferred gain on refunding	(255,216)	
OPEB related items	(1,757,177)	(2,737,749)
Total net position of governmental activities (Exhibits 1 and 2)		$ 119,690,024

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

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

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

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

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

Net change in fund balances - total governmental funds (Exhibit 5)		$ 7,300,418
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 6,018,839	
Depreciation	(8,712,340)	(2,693,501)
Transfer of joint tenancy assets and other capital assets from Primary Government to the Component Unit School Board		(1,601,019)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		(553,600)
Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.		22,856
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in joint venture investment		266,759
Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued:		
Capital lease	$ (459,880)	
Amortization of premium on long-term debt	577,707	
Repayments of long-term debt:		
General obligation bonds	3,914,017	
Net adjustment		4,031,844
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:		
Compensated absences	$ 55,513	
OPEB expense	324,691	
Pension expense	(2,487,865)	
Accrued interest on bonds and loans	(253,748)	
Amortization of deferred charge/gain on refunding	(12,577)	
Accrued landfill post-closure costs	(16,803)	
Net adjustment		(2,390,789)
Internal service funds are used by the City to charge the cost of health insurance to individual funds. The net expense of the internal service fund is reported with governmental activities.		(272,453)
Change in net position of governmental activities (Exhibit 2)		$ 4,110,515

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

Statement of Net Position
Proprietary Funds
At June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
Component Units
Year Ended June 30, 2021

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

General revenues

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

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Exhibit 12

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

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Note 1—Summary of Significant Accounting Policies:

Narrative Profile

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

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

A. Financial Reporting Entity

Government-wide and Fund Financial Statements

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

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

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

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

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

A. Financial Reporting Entity: (Continued)

Statement of Activities: (Continued)

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

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

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

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

Inclusions in the Reporting Entity:

1. Component Units:

   a. Fredericksburg City School Board:

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

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

A. Financial Reporting Entity: (Continued)

Inclusions in the Reporting Entity: (Continued)

1. Component Units: (Continued)

b. Fredericksburg Economic Development Authority:

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

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

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

a. Rappahannock Security Center

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

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

b. Rappahannock Regional Library

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

c. Rappahannock Regional Solid Waste Management Board

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

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

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

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

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

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

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

d. Rappahannock Area Community Services Board

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

e. Rappahannock Area Agency on Aging

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

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

f. George Washington Regional Commission

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

g. Rappahannock Juvenile Detention Center

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

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

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

i. Stafford Regional Airport Commission

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

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

Obtaining of Financial Statements for Jointly Governed Organizations

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

1. Governmental Funds:

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

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

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

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

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

2. Proprietary Funds:

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

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

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

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

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

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

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

2. Proprietary Funds: (Continued)

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

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

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

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

3. Fiduciary Funds (Trust and Custodial Funds):

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

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

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

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

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

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

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

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

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

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

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

4. Component Units:

a. Fredericksburg City School Board:

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

Governmental Funds:

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

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

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

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

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

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

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

b. Economic Development Authority:

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

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

C. Basis of Accounting

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

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

D. Budgets and Budgetary Accounting: (Continued)

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Allowance for Uncollectible Accounts

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

H. Inventory

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

I. Prepaid Items

Prepaid expenses are reported on the consumption method.

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

J. Capital Assets

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

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

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

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

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

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

K. Compensated Absences

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

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Pensions

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

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

N. Use of Estimates

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

O. Unbilled Revenue

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

P. Bond Premium

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

Q. Long-term Obligations

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

R. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

S. Net Position Flow Assumption

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

T. Fund Equity

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

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

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

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

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

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

T. Fund Equity: (Continued)

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

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

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

U. Other Postemployment Benefits (OPEB)

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

V. Adoption of Accounting Principles:

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

W. Restatement:

Beginning balances were restated as follows:

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

Note 2—Deposits and Investments:

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

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

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

Credit Risk of Debt Securities

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

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

City's Rated Debt Investments' Values

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

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)

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

External Investment Pool

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

Note 3—Fair Value Measurements:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

Note 3—Fair Value Measurements: (Continued)

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

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

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

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

Note 4—Real and Personal Property Tax Data:

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

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

Note 5—Receivables and Accrued Revenue:

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

Primary Government:

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

Component Units and Fiduciary Activities:

	School Board	Economic Development Authority
Other	$ 14,464	$ 71,802
Total	$ 14,464	$ 71,802
Allowance for uncollectibles	-	-
Net receivables	$ 14,464	$ 71,802

Note 6—Due From Other Governmental Units:

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

Note 7—Interfund Balances and Activity:

Primary Government:

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

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

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

Reconciliation of transfers:

Transfers out from governmental funds	$ 13,341,752
Transfers from enterprise funds to governmental funds	630,000
Total transfers	$ 13,971,752

Component Unit School Board:

Due to the Primary Government	$ 260,000

Note 8—Capital Assets:

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

Primary Government:

Governmental Activities:

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

Depreciation is allocated to:	
General government administration	$ 467,973
Judicial administration	997,844
Public safety	1,184,936
Public works	4,250,921
Health and welfare	100,560
Education	937,667
Parks and recreation	765,121
Community development	7,318
Total	$ 8,712,340

Note 8—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities:

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

Depreciation is allocated to:	
Water operations	$ 893,459
Wastewater operations	1,375,276
Parking garage operations	840,566
Transit operations	175,475
Total	$ 3,284,776

Note 8—Capital Assets: (Continued)

Component Unit School Board:

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

Note 9—Deferred/Unearned Revenue:

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

	Unearned Revenue	
	Government-wide Statements	
	Governmental Activities	Business-Type Activities
County of Spotsylvania share of wastewater improvements in exchange for continued wastewater capacity.	$ -	$ 1,464,615
Unspent grant funds and other items	6,136,393	305,704
Total unearned revenue	$ 6,136,393	$ 1,770,319

	Deferred/Unavailable Revenue	
	Balance Sheet	Government-wide Statements
	Governmental Funds	Governmental Activities
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	$ 1,168,611	$ 1,168,611
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	753,631	-
Total deferred/unavailable revenue	$ 1,922,242	$ 1,168,611

Note 10—Long-term Obligations:

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

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

Note 10—Long-term Obligations: (Continued)

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

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

The above schedule does not include premiums.

Note 10—Long-term Obligations: (Continued)

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

Details of Long-term Obligations:

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

Note 10—Long-term Obligations: (Continued)

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

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

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

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

Note 11—Compensated Absences:

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

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

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

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

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

Note 12—Pension Plan:

Plan Description

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

Benefit Structures

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

a. Employees with a membership date July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Contributions

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

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

Note 12—Pension Plan: (Continued)

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

Note 12—Pension Plan: (Continued)

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

Mortality rates:

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

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Note 12—Pension Plan: (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense of $6,017,417. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

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

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

Pension Plan Data

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

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

Employees Covered by Benefit Terms

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

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

Contributions

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

Net Pension Liability

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

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

Changes in Net Pension Liability (Asset)

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

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

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

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

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

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

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (nonprofessional): (Continued)

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

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

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

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

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

For the year ended June 30, 2021, the school division recognized pension expense of $4,562,653. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

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

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

Actuarial Assumptions

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

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

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

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

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

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

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

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

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

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

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

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

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

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

Pension Plan Fiduciary Net Position

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

Note 12—Pension Plan: (Continued)

Aggregate Pension Information

VRS Pension Plans:

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

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)

Environmental Matters

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

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

Construction Commitments

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

Note 15—Litigation:

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

Note 16—Landfill Post-closure Costs:

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

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

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

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

Note 17—Surety Bonds:

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

Note 18—Self Insurance/Risk Management:

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

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

Employee Health Insurance

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

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

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

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

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

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

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

Unemployment Insurance

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

Property and Casualty Insurance

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

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

Mortality Rates – Teachers

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

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

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

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

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

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

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

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

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

Actuarial Assumptions: (Continued)

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

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

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

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

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

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

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

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

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General

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

Discount Rate: (Continued)

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

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

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

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

Group Life Insurance Plan Fiduciary Net Position

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

Mortality Rates – Teachers

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

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

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

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

Actuarial Assumptions: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	$	1,304,516
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

Discount Rate: (Continued)

division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

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

Teacher Employee HIC OPEB Fiduciary Net Position

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

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

Plan Description

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

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

Benefits Provided

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

Plan Membership

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

Total active employees with coverage	484
Total retirees and surviving spouses with coverage	8
Total	492

Contributions

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

Total OPEB Liability

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

Actuarial Assumptions

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

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

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

Actuarial Assumptions: (Continued)

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

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

Discount Rate

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

Changes in Total OPEB Liability

Changes in Net OPEB Liability - School Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Plan Description

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

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

Plan Administration

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

Benefits Provided

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

Plan Membership

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

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

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

Contributions

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

Investment Policy

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

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

Rate of Return

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

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

Net OPEB Liability

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

Actuarial Assumptions

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

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

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

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

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

Discount Rate

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

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

Changes in Net OPEB Liability

Changes in Net OPEB Liability - Total City Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Plan Description

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

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

Eligible Employees

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

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

Benefit Amounts

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

HIC Plan Notes

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

Employees Covered by Benefit Terms

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

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

Contributions

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

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

Net HIC OPEB Liability

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

Actuarial Assumptions

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

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

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

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

Actuarial Assumptions: (Continued)

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

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

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

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

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

Changes in Net HIC OPEB Liability

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

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

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

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

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

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

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

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

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

HIC Plan Data

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

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

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

Note 25—Contributions-In-Aid of Construction:

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

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

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

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

Technology Zones

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

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

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

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

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

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

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

Tourism Zones

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

Eagle Village and Central Park/Celebrate Virginia South:

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

Downtown/Princess Anne Street:

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

- New businesses locating in the City: A minimum of ten jobs or at least a $250,000 capital investment.

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

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

Tourism Zones: (Continued)

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

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

Arts and Cultural District

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

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

Note 27—New Accounting Standards:

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

Note 27—New Accounting Standards: (Continued)

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

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

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

Note 28—Debt Refunding:

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

Note 29—COVID-19:

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

Note 29—COVID-19: (Continued)

CARES Act Funding

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

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

ARPA Funding

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

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

ESF Funding

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

Schedule of Employer Contributions - Pension
Pension Plans
Years Ended June 30, 2012 through June 30, 2021

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

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

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

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

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

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

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

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

Component Unit School Board - Professional Employees:

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

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

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

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

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

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

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

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

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

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

Date	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)
2021	$ 291,308	$ 291,308	$ -	$ 24,075,035	1.21%
2020	292,279	292,279	-	24,356,562	1.20%
2019	284,013	284,013	-	23,667,736	1.20%
2018	285,491	285,491	-	23,210,637	1.23%
2017	252,402	252,402	-	22,738,901	1.11%
2016	233,891	233,891	-	22,065,166	1.06%
2015	227,198	227,198	-	21,433,776	1.06%
2014	221,629	221,629	-	19,966,618	1.11%
2013	214,040	214,040	-	19,282,895	1.11%
2012	110,273	110,273	-	18,378,751	0.60%

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

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

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

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

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

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

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

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

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

Methods and assumptions used to determine OPEB liability:

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

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

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

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

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

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

Notes to Schedule

Valuation date: January 1, 2020

Methods and assumptions used to determine contribution rates:

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

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

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

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

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

CITY OF FREDERICKSBURG, VIRGINIA **Exhibit 30**

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

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

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

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2020 through June 30, 2021

Date	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)
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.

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

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

APPENDIX B

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December 7, 2022 (the "Disclosure Agreement") is executed and delivered by the City of Fredericksburg, Virginia (the "City") of the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the City of its $74,930,000 General Obligation Public Improvement Bonds, Series 2022A (the "Bonds"). The Bonds are being issued pursuant to the provisions of an ordinance adopted by the City Council of the City on November 8, 2022 (the "Ordinance"). The proceeds of the Bonds are being used to fund certain public capital improvement projects of the City and to pay issuance costs of the Bonds. The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. Definitions. In addition to definitions in the Ordinance which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean, initially, U.S. Bank Trust Company, National Association, paying agent for the Bonds, acting as Dissemination Agent hereunder, or any successor Dissemination Agent, including without limitation the City, designated in writing by the City and which has filed with the City and the paying agent with respect to the Bonds a written acceptance of such designation.

"EMMA" shall mean the MSRBs Electronic Municipal Market Access system, the internet address of which is http://emma.msrb.org/, and any successor thereto.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Participating Underwriters" shall mean any original underwriter initially purchasing the Bonds from the City that is required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports: Audited Financial Statements.

(a) Not later than 10 months following the end of each Fiscal Year of the City, commencing with the Fiscal Year ending June 30, 2023, the City shall, or shall cause the Dissemination Agent (if different from the City) to, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule.

(b) The annual financial statements of the City shall be prepared on the basis of generally accepted accounting principles and will be audited by a firm of independent certified public accountants. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be submitted to EMMA when they become publicly available.

(c) If the City fails to provide an Annual Report by the date required in subsection (a) hereof, or to file its audited annual financial statements when available as described in (b), the City shall send an appropriate notice to the Municipal Securities Rulemaking Board via EMMA in substantially the form attached hereto as Exhibit A or in such form as may be provided by the MSRB as the applicable form for filing such notice via EMMA.

Section 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting the Participating Underwriters in complying with the Rule:

(a) audited financial statements of the City, prepared in accordance with generally accepted accounting principles; and

(b) the financial information and operating data with respect to the City for each fiscal year of the type described in the City's Official Statement dated November 16, 2022, relating to the Bonds in the tables in Section Four of the Official Statement under the subsection "Tax Data".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City, which have been filed with each of the Municipal Securities Rulemaking Board or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Event Notices. The City will provide, or cause the Dissemination Agent (if different from the City) to provide, in a timely manner not in excess of 10 business days after the occurrence thereof, to the Municipal Securities Rulemaking Board via EMMA, notice of the occurrence of any of the following events (listed in subsection (b)(5)(i)(c) of the Rule) with respect to the Bonds to which the City has actual knowledge:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event with respect to the City;

(13) Consummation of a merger, consolidation or acquisition involving the City or sale of all or substantially all of the assets of the City, other than in the ordinary course of business, entry into a definitive agreement to undertake such an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee under the Indenture, if material;

(15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect holders of the Bonds, if material;

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties; and

(17) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties.

The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The City does not undertake to provide the above-described notice in the event of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the official statement for the Bonds, (ii) the only open issue is when Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the bondholders under the terms of the Indenture, and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the Securities and Exchange Commission, even if the originally scheduled amounts may be reduced by prior optional redemption or Bond purchases.

Section 6. <u>Termination of Reporting Obligation</u>. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 7. <u>Dissemination Agent</u>. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice described in Section 5 above, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice described in Section 5 above, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

Section 10. Default. Any person referred to in Section 11 (other than the City) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the City to file its Annual Report or to give notice as described in Section 5 hereinabove. In addition, the holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters, and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. EMMA. All filings made pursuant to the Rule under this Disclosure Agreement shall be made solely by transmitting such filings to the Municipal Securities Rulemaking Board via EMMA, as described in 1934 Act Release No. 59062. Should the Securities and Exchange Commission approve any additional or subsequent internet-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable Securities and Exchange Commission regulation or release approving such filing system.

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Agreement to be executed in its corporate name by its duly authorized officer, all as of the date first written above.

CITY OF FREDERICKSBURG, VIRGINIA

By:_____
City Manager

Attachment:

Exhibit A - Notice of Failure to File Annual Report [Audited Annual Financial Statements]

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

City of Fredericksburg, Virginia
General Obligation Public Improvement Bonds, Series 2022A
CUSIP NOS. 355856 PJ8 to QJ7

Dated Date: December 7, 2022
Issue Date: December 7, 2022

NOTICE IS HEREBY GIVEN that the City of Fredericksburg, Virginia (the "City") has not provided an Annual Report [Audited Annual Financial Statements] for the fiscal year ended _____ as required by the Continuing Disclosure Agreement dated as of _____, 2022 (the "Disclosure Agreement") as executed and delivered by the City.

The City anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.

Dated: _____, 20__.

CITY OF FREDERICKSBURG, VIRGINIA

By:_____
Name: _____
Title: _____

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APPENDIX C

Information Regarding The Depository Trust Company and its Book-Entry System

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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of, premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York ("DTC"), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information available on www.dtcc.com.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of _____. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

Form of Bond Counsel Opinion

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Kutak Rock LLP
901 East Byrd Street, Suite 1000, Richmond, VA 23219-4071
office 804.644.1700

December __, 2022

City of Fredericksburg, Virginia
715 Princess Anne Street
Fredericksburg, Virginia 22401

City of Fredericksburg, Virginia
$74,930,000 General Obligation Public Improvement Bonds, Series 2022A

Ladies and Gentlemen:

We have acted as bond counsel to the City of Fredericksburg, Virginia (the "City") in connection with issuance by the City of its $74,930,000 General Obligation Public Improvement Bonds, Series 2022A (the "Bonds"). We have examined applicable law and certified copies of such proceedings and other papers, including an ordinance adopted by the City Council of the City on November 8, 2022 ("Ordinance") and the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended). Reference is made to the Bonds for their terms, including payment and redemption provisions.

As to questions of fact material to our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), we have relied upon certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The City is a political subdivision of the Commonwealth of Virginia (the "Commonwealth") and has all necessary power and authority to enter into and perform its obligations under the Ordinance and the Bonds.

2. The Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth, including the Public Finance Act of 1991, as amended, and constitute valid and legally binding general obligations of the City, for the payment of which the City's full faith and credit have been irrevocably pledged. The City is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax over and above all the taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds when due.

3. Interest on the Bonds (including any original issue discount properly allocable to an owner of a Bond) is excludable from gross income for federal income tax purposes

and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. For tax years beginning after December 31, 2022, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

4. Interest on the Bonds is exempt from income taxation by the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights generally, heretofore or hereafter enacted, and by equitable principles, whether considered at law or in equity.

Our services as bond counsel to the City have been limited to a review of the legal proceedings required for the authorization of the Bonds and to deliver the opinions set forth above. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy, adequacy or completeness of any information, including the City's Preliminary Official Statement dated November 9, 2022 and its Official Statement dated November 16, 2022 relating to the Bonds, that may have been relied upon by anyone in making the decision to purchase Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds or any other matter except as expressly set forth herein.

Our opinions set forth above are based upon statutes, regulations, rulings and court decisions in effect on the date hereof. We undertake no obligation to update, revise or supplement this letter to reflect any facts or circumstances that hereafter may come to our attention, or any changes in law that hereafter may occur or become effective.

Very truly yours,