FREDERICKSBURG, VIRGINIA

# *Comprehensive Annual Financial Report . . .*

*. . . for fiscal year ended* _____

JUNE 30, 2015

# CITY OF FREDERICKSBURG, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## FISCAL YEAR ENDED JUNE 30, 2015

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**Prepared By:**

Department of Fiscal Affairs
Clarence A. Robinson, Director of Fiscal Affairs

**CITY OF FREDERICKSBURG, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FISCAL YEAR ENDED JUNE 30, 2015**

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**Beverly R. Cameron**
City Manager

**D. Mark Whitley**
Assistant City Manager

City of Fredericksburg
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Telephone: 540 372-1010
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December 15, 2015

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

The City of Fredericksburg, Virginia (the "City") hereby issues the Comprehensive Annual Financial Report (the "CAFR") for the fiscal year ended June 30, 2015. This report complies with Generally Accepted Accounting Principles ("GAAP"), and has been audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with state law requirements that general-purpose governments, such as the City, publish within six months of the close of the fiscal year a complete set of financial statements that comply with GAAP.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of these financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits, and the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP.

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

**Sections of the CAFR**

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

*Introductory Section*

The Introductory Section consists of this transmittal letter, an organizational chart, and a listing of principal officials of the City. Also included is the City's Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officer's Association (GFOA) for the CAFR for the fiscal year ended June 30, 2014.

*Financial Section*

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

*Basic Financial Statements*

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

*Notes to the Basic Financial Statements*

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

*Required Supplementary Information*

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

*Other Supplementary Information*

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

*Statistical Section*

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

## Sections of the CAFR (Continued)

*Compliance Section*

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

## City of Fredericksburg Profile

The City was incorporated as an independent city in 1782, after being initially established as a town in 1728. In 1912, the City became one of the first cities in the nation to adopt the Council-Manager form of government, and its current Charter was granted in 1942. The City is located at the geographic center of the "Chesapeake Golden Crescent"; the area between Baltimore, Maryland and Norfolk-Virginia Beach, Virginia. The City is approximately an hour's drive from the nation's and state's capitals and serves as the commercial hub of a rapidly growing region in northern central Virginia. The City currently has a land area of 10.4 square miles and serves a population of 28,213.

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

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

## Economic Condition and Outlook

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

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

## Economic Condition and Outlook (Continued)

The City's economy also benefits from the presence of a major higher-education institution, the University of Mary Washington (UMW). Founded in 1908, UMW is a state-supported, coeducational residential university with an enrollment of approximately 4,000 undergraduate students. The university offers over 40 different majors and programs of study as well as several different Master's degree programs.

The City's nationally recognized 40-block Historic District continues to be a significant component of the local economy. The "Old Town" District, with its historical attractions, antique shops, a variety of charming restaurants, specialty retail shops and beautifully restored homes, is an attractive tourist destination.

While tourism has been a mainstay of the City's economy, visionary downtown revitalization efforts in the form of various mixed-use developments continue to reflect economic potential for the City. Several projects which combine housing, retail, and office uses have been recently completed or are in various stages of development. The most notable projects include Amelia Square, Park View, and Liberty Place. These projects include multiple luxury townhomes combined with several thousand square feet of commercial space. These developments will produce significantly higher property values and help support the vitality of the downtown business climate.

Overall the City has experienced an economic turnaround the past few fiscal years, compared to the onset and immediate aftermath of the Great Recession. Current trends to reduce federal government spending through items such as the federal budget sequestration or reduced funding for federal contractors will bear monitoring, as they may negatively affect the overall economy of northern Virginia. However, the City's strategic location at the center of one of the fastest growing regions in the Commonwealth, coupled with strong commercial centers and stable institutional employers, provide optimism that the City's economic base can remain stable moving forward.

## Major Capital Initiatives

During fiscal year 2015 the City continued to maintain its capacity to provide a high level of service to its residents. The following narrative highlights the City's major capital initiatives during fiscal year 2015.

The most significant capital endeavor for the City is the construction of a new courthouse building and the renovation of various court facilities. The primary components of this project are the temporary relocation of the Juvenile and Domestic Relations Court to the Executive Plaza building, the construction of a new 78,000-square-foot courthouse building, which will house the Circuit Court, the General District Court and the Sheriff's Department, and the renovation of the existing General District Court building for the permanent use by the Juvenile and Domestic Relations Court. Renovation at the Executive Plaza building for temporary relocation of the Juvenile and Domestic Court was completed during fiscal year 2012. The new courthouse was completed and operational in August 2014. Renovation work at the former General District Court building for the permanent location of the Juvenile and Domestic Relations Court finished in September 2015. The total cost of all three projects is approximately $33,860,000.

**Major Capital Initiatives (Continued)**

The primary roadway project in the City involves Fall Hill Avenue, a primary feeder road for the City's two main commercial areas, Central Park and Celebrate Virginia. The two major components of the project will be widening Fall Hill Avenue from two lanes to four between Carl D. Silver Parkway to an area just west of the newly constructed bridge over the Rappahannock Canal and the replacement of the Fall Hill Avenue bridge over Interstate 95. This project will also involve extending Mary Washington Boulevard to intersect with a roundabout, which will provide a new connection point between Route 1 and Fall Hill Avenue. An additional feature of the project will be a sidewalk and path which will run along Fall Hill Avenue from Central Park to the canal bridge. The path will link to the City's Rappahannock Heritage Trail, thus providing a safe transportation alternative for residents who wish to walk or bicycle to restaurants and stores. The Department of Transportation will construct this project, which is scheduled for completion in January 2017 at a total estimated cost of $44,400,000.

Implementation of the City's comprehensive bicycle/foot trail plan continued during fiscal year 2015. Fredericksburg Pathways is designed to improve the overall transportation system in and around the Fredericksburg area by developing a network of routes for bicycle and pedestrian traffic. These routes will reduce traffic congestion by providing non-motorized transportation and recreation connections between neighborhoods, shopping areas, and popular destinations. One phase of the project, the Rappahannock Heritage Trail, was completed during fiscal year 2013 at a cost of $2,053,222 and extends 1.6 miles along the Rappahannock River past Old Mill Park.

Two sections of a second component of the trail plan, the Virginia Central Railway (VCR) Trail, were completed and opened to pedestrian and bicycle use in September 2014 at a cost of $2,537,575. The first two sections go from the trail head in the downtown area, run through scenic Alum Spring Park, and end at Jefferson Davis Highway. Phase III of the VCR trail was opened in July 2015 at a cost of $1,253,245. This section of the VCR trail connects Jefferson Davis Highway to a point east of I-95 and provides a final link for pedestrians and cyclists between newer residential areas of the City and the downtown historic district.

Finally, work to replace and upgrade the City's water and sewer system continues. The City signed a comprehensive agreement for major utility line replacements and upgrades for various areas within the City. Several components of the agreement were completed during the current fiscal year for sanitary line work on Charles and William Streets and the Normandy Village area of the City. The cost of these projects totaled $2,397,000. Work was also completed in the College Heights neighborhood with the installation of water lines totaling $1,007,595.

**Key Financial Policies**

*Budgetary Control*

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

**Key Financial Policies (Continued)**

The annual budgets are prepared by fund and department. All appropriations lapse at year end; however, the unexpended funds may be reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the New Court Construction Fund this comparison is presented in Exhibit 13 and Exhibit 19, respectively. For all other governmental funds with appropriated annual budgets, this comparison is presented in Exhibit 29.

*Fund Balance Policy*

The City's adopted Financial Management Policy establishes guidelines aimed at maintaining the financial health of the City. The Financial Management Policy identifies the Unassigned General Fund balance as a source that will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The policy establishes a goal of maintaining a 12 percent unassigned General Fund balance, but not less than 7 percent, of the actual General Fund revenues for the preceding fiscal year. The current level of Unassigned Fund Balance in the General Fund well exceeds the 12 percent target, at 26.1% of the fiscal year 2014 revenue total.

*Long-Term Financial Planning*

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

*Cash Management Policies and Practices*

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

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

**Key Financial Policies (Continued)**

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

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

**Pension and Other Post-Employment Benefits**

The City and Component Unit School Board participate in the Virginia Retirement System pension plans. Effective for fiscal year 2015 the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement establishes improved accounting and financial reporting requirements by state and local governments for pensions. The City is now required to accrue and report liabilities based on actuarially determined pension costs. A description of the plan and details of the actuarial report for both the City and Component Unit School Board can be found in Note 11 in the Notes to Basic Financial Statements section of this report.

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. A description of the City's post-employment benefits program can be found in Note 18 in the Notes to Basic Financial Statements section of this report.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the twenty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

**Awards and Acknowledgements (Continued)**

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

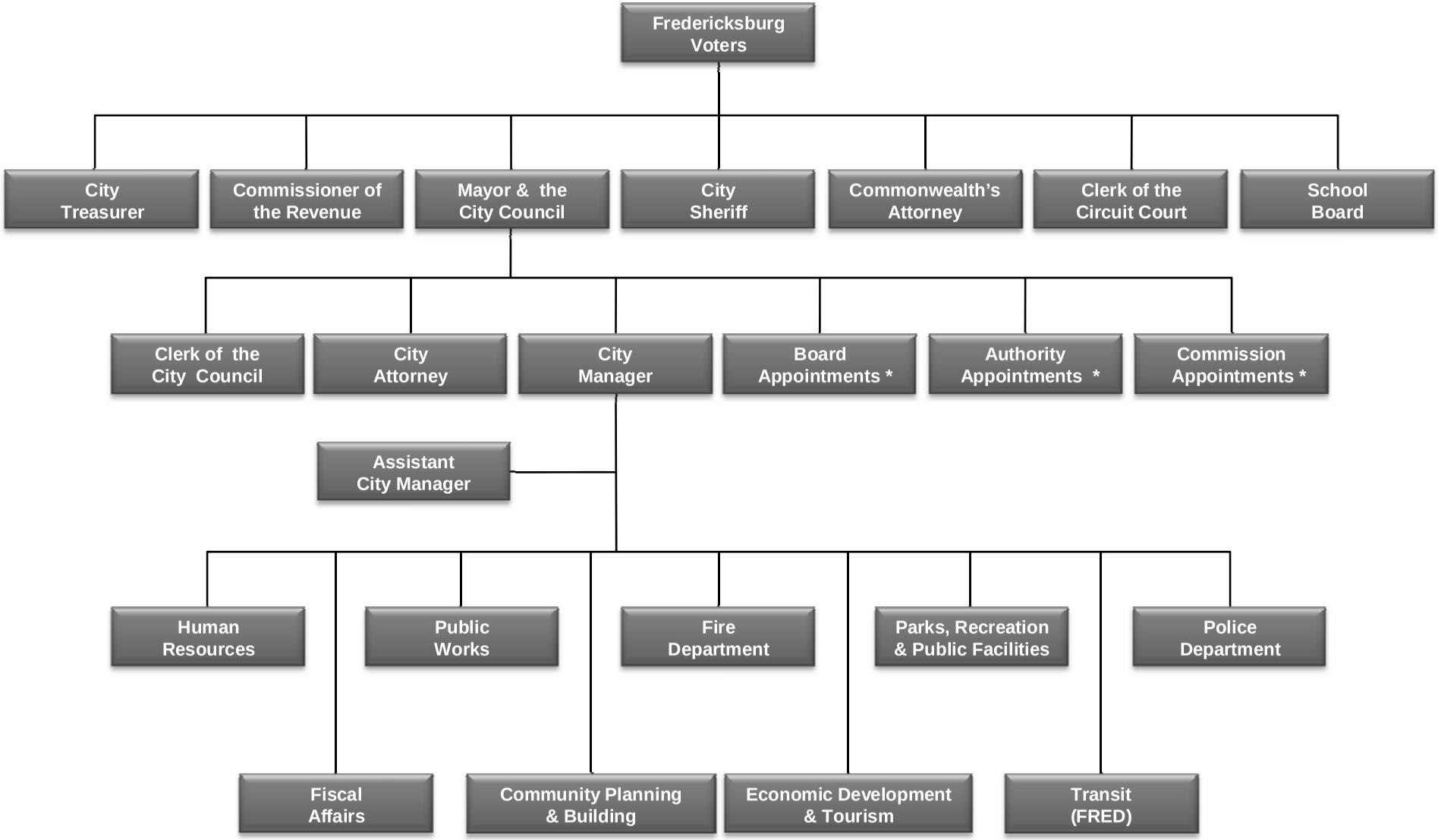
Sincerely,

Beverly R. Cameron
City Manager

Clarence A. Robinson
Director of Fiscal Affairs

## CITY OF FREDERICKSBURG, VIRGINIA

# ORGANIZATIONAL CHART




** The City Council appoints citizens to 37 authorities, boards and commissions*

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# CITY OF FREDERICKSBURG, VIRGINIA
# PRINCIPAL OFFICIALS
# JUNE 30, 2015

## CITY COUNCIL

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

## CONSTITUTIONAL OFFICERS

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

## CITY ADMINISTRATIVE OFFICERS

Beverly R. Cameron ..... City Manager
D. Mark Whitley ..... Assistant City Manager
Kathleen A. Dooley ..... City Attorney
Tonya B. Lacey ..... Clerk of the City Council
Edwin L. Allen, Jr. ..... Chief, Fire Department
David W. Nye ..... Chief, Police Department
Clarence A. Robinson ..... Director, Fiscal Affairs
Karen H. Hedelt ..... Director, Economic Development and Tourism
Robert F. Bell, Jr. ..... Director, Human Resources
Suzanne L. Tills ..... Chief Information Officer, Information Technology
Robert K. Antozzi ..... Director, Parks, Recreation and Public Facilities
Charles R. Johnston. ..... Director, Community Planning and Building
P. Douglas Fawcett ..... Director, Public Works
Christen C. Gallik ..... Director, Social Services
Juanita D. Pitchford ..... General Registrar
Wendy L. Kimball ..... Director, Transit

## SCHOOL BOARD

Patricia B. Green ..... Chairperson, At-Large
Jarvis E. Bailey ..... Vice Chairperson, At- Large
Elizabeth R. Rehm ..... Ward 1
Barbara A. Miller-Richards ..... Ward 2
Jannan W. Holmes ..... Ward 3
Malvina Rollins Kay ..... Ward 4

## SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. David G. Melton ..... Superintendent

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Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Fredericksburg Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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## Independent Auditors' Report

**To the Honorable Members of the 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, 2015, 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, 2015, 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 2015, the City adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.* 27 and 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.* 68. 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, 111-116, and 117-121 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.

*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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

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

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

**Other Reporting Required by** *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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 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 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 15, 2015

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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, 2015. 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 $94,384,642 at the end of fiscal year 2015. This figure is based on assets and deferred outflows of resources totaling $220,864,760 and liabilities and deferred inflows of resources of $126,480,118. Of the total net position amount, $6,205,397 (*unrestricted net position*) related to the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

- Total net position for business-type activities was $64,199,533 at the end of fiscal year 2015. The largest portion of this total is related to the water, sewer, and transit enterprise operations valued at $21,645,469, $18,104,039, and $20,114,311, respectively.

- Total net position for the primary government totaled $158,584,175. Current assets were $82,039,473 as compared to total current liabilities of $20,626,139. The resulting net working capital of $61,413,334 represents a favorable liquidity position for the City.

- At the end of the fiscal year, the City's unassigned fund balance for the General Fund was $20,988,745, or 28.7% of total General Fund expenditures amount of $73,070,746.

- The City has an established Financial Management Policy which 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 2015 unassigned General Fund balance was 26.1% of the fiscal year 2014 General Fund revenue total of $80,445,182.

- General Fund revenues increased $3,600,182 as revenue from general property taxes increased $2,222,820 or 6.3% compared to the preceding fiscal year.

- General Fund expenditures increased $2,145,920 or 3.0% compared to fiscal year 2014. Much of the increase occurred in the areas of public safety, courthouse operations, and social services.

- Governmental activities general obligation bond debt had an overall increase of $503,084. The balance at the end of the fiscal year was $80,284,192. Of this amount, $35,665,000 is related to the construction of two schools and $33,560,000 is associated with the construction and renovation of court facilities.

- Business-type activities general obligation debt increased $11,802,901 to a total outstanding balance of $27,490,808. During fiscal year 2015 approximately $12,000,000 of a $15,865,000 general obligation debt issuance was allocated to fund various water and sewer infrastructure improvement projects.

### Overview of the Financial Statements

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

**Overview of the Financial Statements: (Continued)**

**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).

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 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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund and the New Court Construction Fund, which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Overview of the Financial Statements: (Continued)**

The City adopts an annual appropriated budget for its General Fund and New Court Construction Fund. A budgetary comparison statement has been provided for each of these two funds 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 devise used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its healthcare activities. These services have been included within *governmental activities* in the government-wide financial statements as they predominantly benefit governmental rather than business-type activities.

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

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

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

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

**Notes to the financial statements**. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-107 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 $158,584,175 at the close of fiscal year 2015.

A large portion of the City's net position, $135,332,754 or 85.3%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are generally not sold or otherwise disposed of during their useful lives. The $23,251,421 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.

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

**Statement of Net Position: (Continued)**

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.

The following table presents the condensed Statement of Net Position:

**TABLE 1**
**Summary of Net Position**
**As of June 30, 2015**
**(in millions)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units (1) | |
|---|---|---|---|---|---|---|---|---|
| | FY 15 | FY 14 | FY 15 | FY 14 | FY 15 | FY 14 | FY 15 | FY 14 |
| **Assets:** | | | | | | | | |
| Current and other assets | $ 52.21 | $ 60.75 | $ 32.08 | $ 23.43 | $ 84.29 | $ 84.18 | $ 9.26 | $ 9.54 |
| Capital assets | 164.86 | 158.78 | 66.49 | 63.63 | 231.35 | 222.41 | 24.34 | 23.49 |
| **Total assets** | $ 217.07 | $ 219.53 | $ 98.57 | $ 87.06 | $ 315.64 | $ 306.59 | $ 33.60 | $ 33.03 |
| **Deferred Outflow of Resources:** | | | | | | | | |
| Pension contributions subsequent to the measurement date | $ 3.48 | $ - | $ 0.34 | $ - | $ 3.82 | $ - | $ 3.61 | $ - |
| Change in proportionate share of net pension liability | - | - | 0.19 | - | 0.19 | - | 0.52 | - |
| Deferred charge on refunding | 0.31 | - | 0.63 | - | 0.94 | - | - | - |
| **Total Deferred Outflows of Resources** | $ 3.79 | $ - | $ 1.16 | $ - | $ 4.95 | $ - | $ 4.13 | $ - |
| **Liabilities:** | | | | | | | | |
| Current and other liabilities | $ 14.00 | $ 18.50 | $ 6.63 | $ 6.21 | $ 20.63 | $ 24.71 | $ 5.03 | $ 5.11 |
| Long-term liabilities | 106.67 | 84.60 | 28.36 | 15.38 | 135.03 | 99.98 | 38.51 | 5.34 |
| **Total Liabilities** | $ 120.67 | $ 103.10 | $ 34.99 | $ 21.59 | $ 155.66 | $ 124.69 | $ 43.54 | $ 10.45 |
| **Deferred Inflows of Resources:** | | | | | | | | |
| Unavailable revenue - property taxes | $ 0.63 | $ 0.60 | $ - | $ - | $ 0.63 | $ 0.60 | $ - | $ - |
| Change in proportionate share of net pension liability | 0.16 | - | 0.02 | - | 0.18 | - | - | - |
| Items related to the measurement of the net pension liability | 5.02 | - | 0.52 | - | 5.54 | - | 5.15 | - |
| **Total Deferred Inflows of Resources** | $ 5.81 | $ 0.60 | $ 0.54 | $ - | $ 6.35 | $ 0.60 | $ 5.15 | $ - |
| **Net assets:** | | | | | | | | |
| Net invested in capital assets | $ 88.18 | $ 84.96 | $ 47.15 | $ 47.69 | $ 135.33 | $ 132.65 | $ 20.92 | $ 19.89 |
| Unrestricted | 6.20 | 30.87 | 17.05 | 17.78 | 23.25 | 48.65 | (31.88) | 2.69 |
| **Total net position** | $ 94.38 | $ 115.83 | $ 64.20 | $ 65.47 | $ 158.58 | $ 181.30 | $ (10.96) | $ 22.58 |

(1) Includes both the School Board and the Economic Development Authority (EDA). The discussion below relates only to the School Board operations. EDA amounts are minimal and shown in the financial statements (Exhibit 1).

Note: FY2015 was the first year of implementation of GASB 68, and prior year comparative information was unavailable. As a consequence, Table 1 above has not been restated to reflect the requirements of GASB.

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

**Changes in Net Position:**

Governmental Activities

Generally, net position changes are the result of the difference between revenues and expenses. During fiscal year 2015 the net position of the governmental activities increased as total revenues outpaced total expenses by $2,762,288. Revenues from governmental activities increased $947,462 over fiscal year 2014. Much of the increase occurred in general property taxes, which increased $2,320,080 or 6.6%, primarily due to a real estate tax rate increase. Revenues from local sources exhibited an increase of $1,529,671 or 4.7%, as a result of favorable revenue growth in business license tax and meals tax. Revenue from grants and contributions decreased $3,410,203 during the fiscal year due to the City receiving $1,751,130 less in grant revenue under the Virginia Department of Transportation Revenue Sharing Program. This reduction can be attributed to the fact that substantial portions of various infrastructure and trail projects, which received Revenue Sharing Program support, were completed during the prior fiscal year.

A further reduction situation impacting the grants and contribution category in fiscal year 2015 was related to a favorable experience that occurred in fiscal year 2014. In fiscal year 2014 the City opted to take advantage of a one-time savings opportunity totaling $1,703,739. The savings was related a refunding of the 2004A General Obligation School Bonds. Unfortunately, the impact of the City's good fortune in fiscal year 2014 created a significant revenue variance when a comparative review was completed in fiscal year 2015.

The total governmental expenses of the City increased a modest $1,506,317 or 1.7% during the fiscal year. Education continues to be the City's largest program, with education expenses totaling $28,803,904. The appropriation for school operational needs increased $350,000 for fiscal year 2015 as the City's school system continues to grow in response to City's expanding population and the relative increase in student enrollment. City services provided for public safety and public works continue to be high priority areas for the City as expenses in these programs totaled $20,645,685 and $13,162,173, respectively.

**Business-type Activities**

The positive growth in the net position in the Water Fund of $394,239 and Sewer Fund of $615,825 represent the most notable changes to the City's enterprise operations. Although modest, these increases continue the reversal of a trend of sub-par operating results and a corresponding erosion of net position experienced in past years. A primary factor in reversing the trend was the implementation of a series of rate increases in recent years. The financial stability in these funds has shown improvement, which has afforded the City the opportunity to more effectively meet operational costs and fund needed improvements to an aged infrastructure system.

In direct correlation with the rate increases, charges for services in the Water Fund and Sewer Fund increased 7.3% and 5.9%, respectively. Operating expenses in the Water fund grew at a slower pace of 4.8% while operating expenses in the sewer fund were $52,725 less as compared to fiscal year 2014.

Water and sewer availability and connection fees helped to boost the growth in net position, although showed a decrease as compared to the prior fiscal year. These fees dropped $152,982 in the Water Fund and $218,464 in the Sewer Fund as the construction of residential housing units tapered off during the fiscal year.

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

**Changes in Net Position: (Continued)**

**Component Units**

During the fiscal year the School Board's net position increased $1,128,422. In fiscal year 2015, in compliance with the GASB 68 reporting requirement regarding net pension liability reporting, a pension liability amount totaling $32,995,000 was reflected in the financial statements. As a result of the recognition of net pension liability, a year end deficit net position of $12,066,696 has been reflected in the financial statements for the School Board.

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, 2015**
**(in millions)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | FY 15 | FY 14 | FY 15 | FY 14 | FY 15 | FY 14 | FY 15 | FY 14 |
| **Revenues:** | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for services | $ 3.92 | $ 3.48 | $ 8.94 | $ 8.44 | $ 12.86 | $ 11.92 | $ 0.75 | $ 0.70 |
| Operating grants and contributions | 10.90 | 9.98 | 3.51 | 4.78 | 14.41 | 14.76 | 45.17 | 42.79 |
| Capital grants and contributions | 2.01 | 4.59 | 0.14 | 2.31 | 2.15 | 6.90 | - | - |
| General Revenues: | | | | | | | | |
| Property taxes | 37.57 | 35.25 | - | - | 37.57 | 35.25 | - | - |
| Other local taxes | 34.43 | 32.89 | 0.74 | 0.96 | 35.17 | 33.85 | - | - |
| Grants not restricted | 3.82 | 5.56 | - | - | 3.82 | 5.56 | - | - |
| Use of property | 0.12 | 0.12 | - | - | 0.12 | 0.12 | - | - |
| Investment earnings | 0.28 | 0.34 | 0.07 | 0.07 | 0.35 | 0.41 | 0.03 | 0.02 |
| Miscellaneous | 0.40 | 0.29 | 0.66 | 0.52 | 1.06 | 0.81 | 0.30 | 0.21 |
| **Total Revenues** | $ 93.45 | $ 92.50 | $ 14.06 | $ 17.08 | $ 107.51 | $ 109.58 | $ 46.25 | $ 43.72 |
| **Expenses:** | | | | | | | | |
| General government | $ 6.29 | $ 6.40 | $ - | $ - | $ 6.29 | $ 6.40 | $ - | $ - |
| Judicial administration | 4.48 | 4.39 | - | - | 4.48 | 4.39 | - | - |
| Public safety | 20.65 | 20.62 | - | - | 20.65 | 20.62 | - | - |
| Public works | 13.16 | 12.68 | - | - | 13.16 | 12.68 | - | - |
| Health and welfare | 7.28 | 6.59 | - | - | 7.28 | 6.59 | - | - |
| Education | 28.80 | 28.80 | - | - | 28.80 | 28.80 | 44.82 | 42.59 |
| Parks, recreation, and cultural | 4.79 | 4.77 | - | - | 4.79 | 4.77 | - | - |
| Community development | 2.69 | 2.19 | - | - | 2.69 | 2.19 | 0.28 | 0.18 |
| Interest | 3.15 | 3.34 | - | - | 3.15 | 3.34 | - | - |
| Water | - | - | 2.93 | 2.75 | 2.93 | 2.75 | - | - |
| Sewer | - | - | 4.80 | 4.87 | 4.80 | 4.87 | - | - |
| Transit | - | - | 4.27 | 4.44 | 4.27 | 4.44 | - | - |
| Parking | - | - | 0.45 | 0.47 | 0.45 | 0.47 | - | - |
| **Total Expenses** | $ 91.29 | $ 89.78 | $ 12.45 | $ 12.53 | $ 103.74 | $ 102.31 | $ 45.10 | $ 42.77 |
| **Excess (deficiency) of revenues over expenses before transfers** | $ 2.16 | $ 2.72 | $ 1.61 | $ 4.55 | $ 3.77 | $ 7.27 | $ 1.15 | $ 0.95 |
| **Transfers** | 0.60 | 0.60 | (0.60) | (0.60) | - | - | - | - |
| **Change in net position** | $ 2.76 | $ 3.32 | $ 1.01 | $ 3.95 | $ 3.77 | $ 7.27 | $ 1.15 | $ 0.95 |

**Financial Analysis of the City's Governmental Funds**

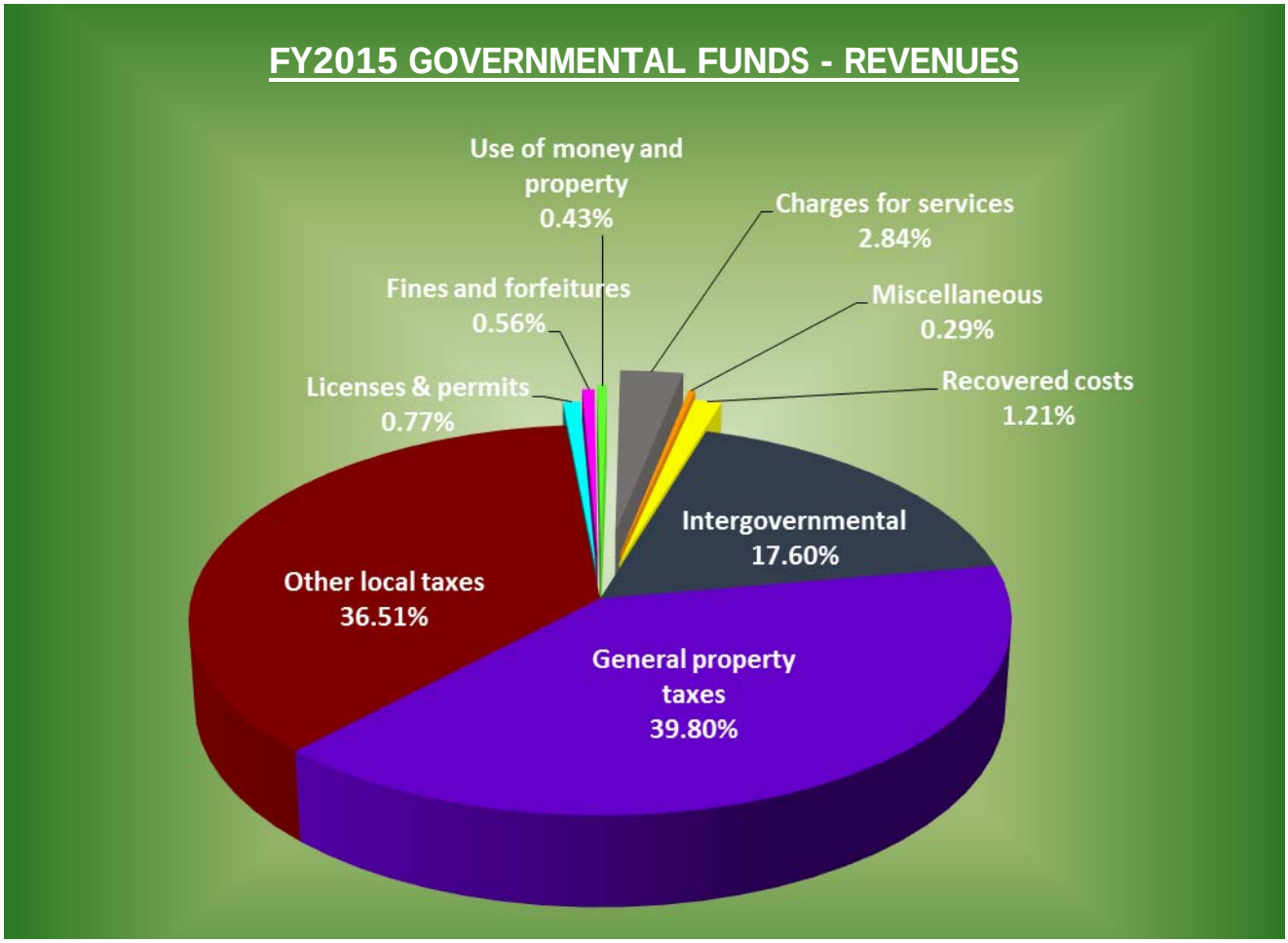
The City's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

**Revenues:**

A summary of the general revenue sources for the governmental funds for fiscal years 2015 and 2014 is presented below:

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

| | FY 2015 | FY 2014 | Percentage of Total Revenues FY 2015 | Increase (Decrease) from FY 2014 |
|---|---|---|---|---|
| General property taxes | $ 37,516,803 | $ 35,293,983 | 39.80% | $ 2,222,820 |
| Other local taxes | 34,418,369 | 32,888,698 | 36.51% | 1,529,671 |
| Licenses and permits | 726,685 | 598,444 | 0.77% | 128,241 |
| Fines and forfeitures | 523,547 | 477,161 | 0.55% | 46,386 |
| Use of money and property | 405,457 | 462,109 | 0.43% | (56,652) |
| Charges for services | 2,675,263 | 2,401,073 | 2.84% | 274,190 |
| Miscellaneous | 273,284 | 274,258 | 0.29% | (974) |
| Recovered costs | 1,143,810 | 959,739 | 1.21% | 184,071 |
| Intergovernmental | 16,591,303 | 19,435,742 | 17.60% | (2,844,439) |
| **Totals** | $ 94,274,521 | $ 92,791,207 | 100.00% | $ 1,483,314 |



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

**Revenues: (Continued)**

The City's total revenues from governmental activities were $94,274,521 in fiscal year 2015, an increase of $1,483,314 as compared to fiscal year 2014. Much of the increase can be attributed to general property taxes, which grew $2,222,820 as compared to fiscal year 2014. The City's real estate tax, the largest source of revenue in the General Fund, rose in fiscal year 2015 from $26,007,690 to $27,910,877, largely due to the impact of a real estate rate increase from $0.74 per $100 of assessed valuation to $0.79 per $100 of assessed valuation.

Another significant increase in General Fund revenues occurred in the category of other local taxes. Other local tax revenue in the General Fund grew $914,780. Two of the primary drivers of other local taxes, business license tax and meals tax, experienced the most significant increase of 5.4% and 3.7%, respectively. Business license tax has shown a somewhat inconsistent pattern the past few fiscal years. After decreasing $353,306 in fiscal year 2014, business license tax rebounded in fiscal year 2015 with a $302,128 increase.

Meals tax has proven to be the City's most consistent source of revenue growth in recent years, which is indicative of the City's well established and diverse dining options.

Sales tax, another major component of other local taxes in the General Fund, exhibited a slight increase of $117,494 during the fiscal year. In recent years sales tax revenue has modestly trended upward to a level approaching $11,000,000.

The Public Works Capital Fund reflects a local source tax revenue increase of $532,150. Gas tax receipts were the source of the revenue and were used to fund transportation related infrastructure improvement projects.

The $2,844,439 decrease in intergovernmental revenue primarily occurred in the Public Works and Public Facilities capital projects funds and the Education Debt Service Fund. Federal and state grant revenue received through the Virginia Department of Transportation Revenue Sharing Program decreased $697,482 in the Public Works Capital Fund and $1,053,648 the Public Safety Capital Fund due to substantial portions of various infrastructure and trail projects being completed during the prior fiscal year. Intergovernmental revenue decreased in the Education Debt Service Fund as a result of the City receiving a $1,703,739 debt service credit in fiscal year 2014 related to the refunding of 2004A General Obligation School Bonds.

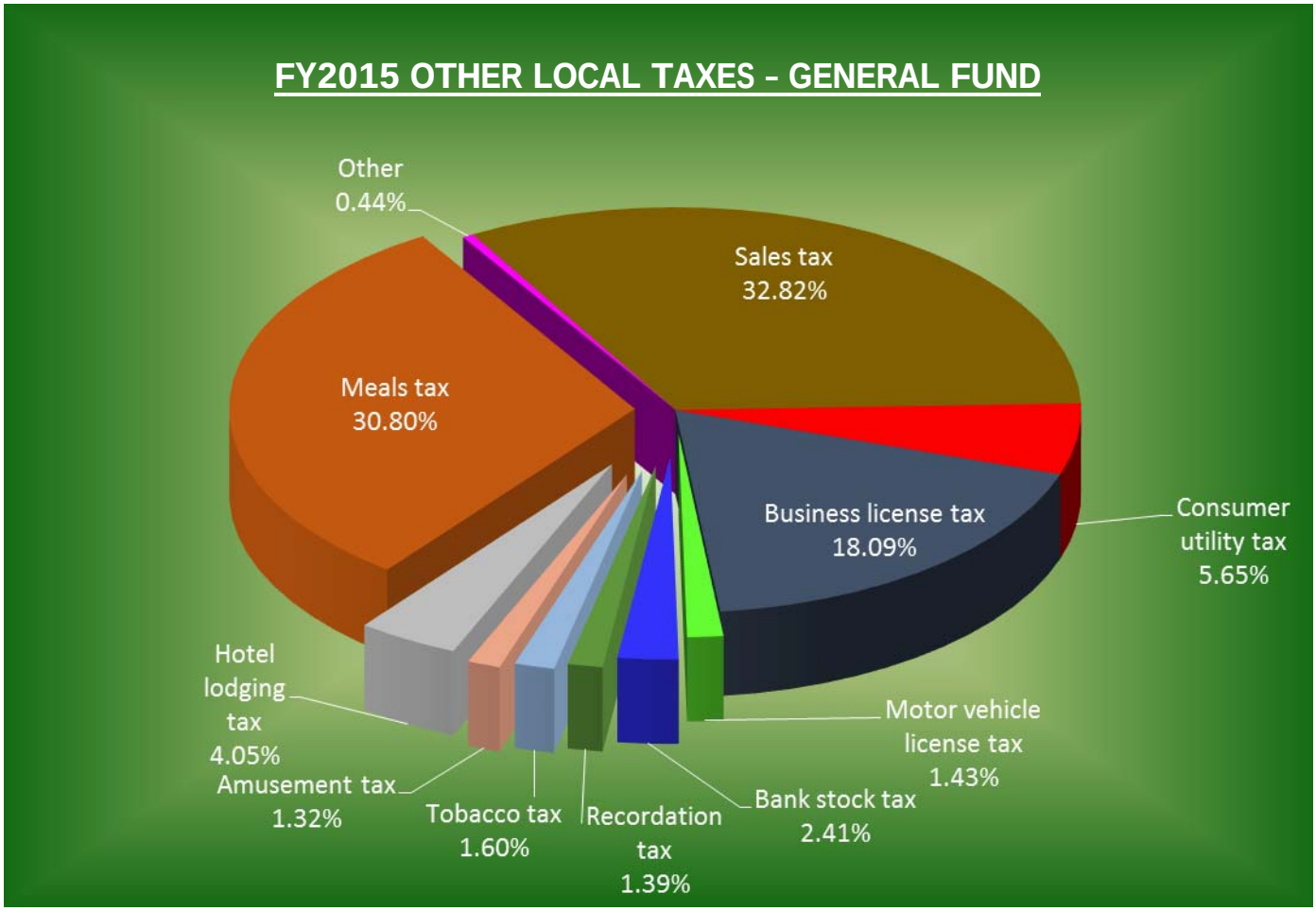
The following table reflects other local tax revenue for the General Fund for fiscal years 2015 and 2014:

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

| | FY 2015 | FY 2014 | Percentage of Total Revenues FY 2015 | Increase (Decrease) from FY 2014 |
|---|---|---|---|---|
| Sales and use tax | $ 10,780,677 | $ 10,663,183 | 32.82% | $ 117,494 |
| Consumer utility tax | 1,856,992 | 1,844,379 | 5.65% | 12,613 |
| Business license tax | 5,943,742 | 5,641,614 | 18.09% | 302,128 |
| Motor vehicle license tax | 471,438 | 455,246 | 1.44% | 16,192 |
| Bank stock tax | 792,451 | 700,378 | 2.41% | 92,073 |
| Recordation tax | 456,665 | 567,244 | 1.39% | (110,579) |
| Tobacco tax | 525,413 | 543,916 | 1.60% | (18,503) |
| Amusement tax | 432,380 | 367,554 | 1.32% | 64,826 |
| Hotel lodging tax | 1,329,542 | 1,149,906 | 4.05% | 179,636 |
| Meals tax | 10,115,765 | 9,752,120 | 30.80% | 363,645 |
| Other | 143,413 | 248,158 | 0.43% | (104,745) |
| **Totals** | $ 32,848,478 | $ 31,933,698 | 100.00% | $ 914,780 |

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

**Revenues: (Continued)**




**Expenditures:**

The expenditure of governmental funds in fiscal year 2015 totaled $102,797,549, a decrease of $8,023,183 or 7.2% from the preceding fiscal year. The majority of the decrease occurred in the New Court Construction Fund. An additional $11,574,823 was expended during fiscal year 2014 related to construction costs associated with the new courthouse facility and the General District Court building renovation.

Excluding courthouse projects, the governmental funds expenditure activity increased $3,551,640. This increase reflects the City's increasing investments in K-12 education and capital assets. The City population growth creates demand for governmental services, which is offset by the increases in revenue from property, excise, and other taxes. The City has also issued debt for the replacement of capital assets or construction of new assets, including the early stages of development of a Riverfront Park in the downtown area and a third Fire Station in the northwestern section of the City.

Significant expenditure increases occurred in the areas of public safety, health and welfare, judicial administration, and debt service. A majority of the $1,384,505 increase to public safety expenditures occurred in the General Fund, where costs for law enforcement, fire and rescue services, and the City's share of the Rappahannock Security Center's operational costs increased $441,275, $458,251, and $360,159, respectively. Much of the increased costs was related to a cost-of-living adjustment, increased costs for health insurance, and the addition of three Advanced Life Support Medics in the Fire Department. The new medics help the Fire Department extend coverage for Emergency Medical Services at the Advanced Life Support standard, while continuing the long-standing partnership for the provision of EMS with the Fredericksburg Rescue Squad.

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

**Expenditures: (Continued)**

The City experienced a significant increase in health and welfare expenditures in the Virginia Public Assistance and the Comprehensive Services Act special revenue funds during fiscal year 2105. These funds are mandate-driven and are affected by increases in program participation and service plans for individual families, depending upon the situation and the fund. The revenues in these funds are mostly federal and state, with required local match levels which vary depending upon the program. The increase in the Public Assistance Fund was $476,421, which represents 11.0% over the prior year's expenditures. The increase in the Comprehensive Services Act Fund was $449,568 or 28.9% over the prior year's expenditure level.

The expenditure increase for judicial administration primarily occurred in the General Fund, where these expenditures grew $323,917 or 8.4%. Much of the increase relates to operating the new courthouse facility.

The expenditures in the General Obligation Bond Debt Service fund increased $652,443 as a result of a $725,000 principal payment on a note due to the Economic Development Authority for the purchase of land associated with the Riverfront Park project.

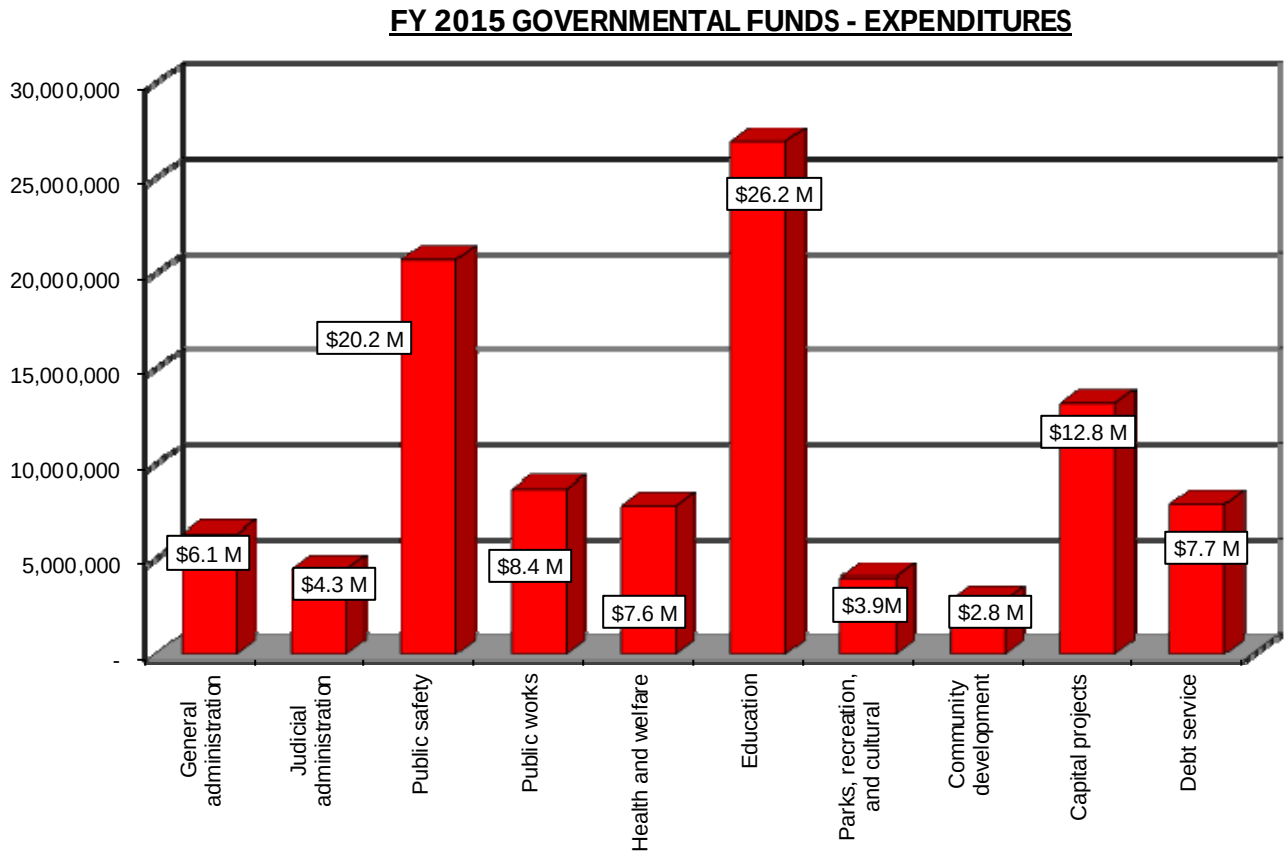
Excluding the increases in the areas noted above, the expenditure increases in the other functional areas, particularly in the General Fund, were generally related to greater personnel costs associated with a 2.0% cost-of-living salary increase and higher costs for retirement and health insurance benefits.

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

| | FY 2015 | FY 2014 | Percentage of Total Expenditures FY 2015 | Increase (Decrease) from FY 2014 |
|---|---|---|---|---|
| General administration | $ 6,309,106 | $ 6,178,075 | 6.14% | $ 131,031 |
| Judicial administration | 4,426,162 | 4,058,896 | 4.31% | 367,266 |
| Public safety | 20,738,813 | 19,354,308 | 20.17% | 1,384,505 |
| Public works | 8,680,717 | 8,719,453 | 8.44% | (38,736) |
| Health and welfare | 7,776,388 | 6,878,616 | 7.56% | 897,772 |
| Education | 26,883,825 | 26,853,825 | 26.15% | 30,000 |
| Parks, recreation, and cultural | 4,041,718 | 3,883,740 | 3.93% | 157,978 |
| Community development | 2,848,613 | 2,602,400 | 2.77% | 246,213 |
| Capital projects | 13,197,828 | 25,044,316 | 12.85% | (11,846,488) |
| Debt service | 7,894,379 | 7,247,103 | 7.68% | 647,276 |
| **Totals** | $ 102,797,549 | $ 110,820,732 | 100.00% | $ (8,023,183) |

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

**Expenditures: (Continued)**




**General Fund Budgetary Highlights**

Over the course of fiscal year 2015, 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.

Total final General Fund budgeted expenditures increased $3,780,996 for fiscal year 2015. Total final General Fund budgeted revenues increased $3,615,656 for fiscal year 2015.

Actual General Fund expenditures were $73,070,746 compared to the final budgeted expenditures totaling $75,604,117. This resulted in a favorable budget variance of $2,533,371.

Actual General Fund revenues were $84,045,364 in contrast to the final budgeted revenues totaling $82,709,660. This resulted in a favorable budget variance of $1,335,704. There were two major categories, general property taxes and other local taxes, which experienced the most significant favorable variances of $329,098 and $581,598, respectively.

The General Fund budget for fiscal year 2015 included a use of fund balance totaling $3,109,402. Due favorable financial results, the City did not have to use this balance, but instead added $852,911 to the General Fund's fund balance. It is important to note that approximately $700,000 of the addition is related to unspent bond proceeds.

## 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, 2014 | Net Additions/ Deletions | Balance June 30, 2015 |
|---|---|---|---|
| **Capital assets not being depreciated:** | | | |
| Land | $ 21,252,335 | $ 6,600 | $ 21,258,935 |
| Construction in progress | 32,165,682 | (24,847,759) | 7,317,923 |
| **Other capital assets:** | | | |
| Land improvements | 11,927,002 | 4,023,950 | 15,950,952 |
| Buildings and building improvements | 32,520,060 | 24,102,196 | 56,622,256 |
| Joint tenancy assets | 37,210,000 | (1,545,000) | 35,665,000 |
| Machinery, equipment, and vehicles | 17,222,384 | 3,204,410 | 20,426,794 |
| Infrastructure | 75,967,416 | 4,804,114 | 80,771,530 |
| Accumulated depreciation | (69,489,838) | (3,668,453) | (73,158,291) |
| **Totals** | $ 158,775,041 | $ 6,080,058 | $ 164,855,099 |

The net increase in capital assets during the fiscal year was $6,080,058. The increase in revenues in the General Fund and capital projects funds combined with debt issuances and a strategic use of fund balance has provided the City an opportunity to address a variety of capital needs. Some of the more notable increases in capital assets were $5,582,590 related to the court projects, $1,281,940 associated with the completion of the Central Virginia Railway Trail, $1,141,791 for the new Fall Hill Avenue bridge, $1,922,000 for vehicle and equipment to include $623,760 for a fire truck, and $2,137,666 related to the annual pavement rehabilitation program. The largest decrease to capital assets was $6,252,671 recognized for depreciation expense in fiscal year 2015.

Additional information regarding capital assets is presented in the Notes to Financial Statements section of this report (Note 7).

## Long-term Debt

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

The fiscal year 2015 increase in long-term debt is attributed to the issuance of $15,865,000 general obligation bonds, Series 2015A. Approximately $3,865,000 of the bond proceeds is for public works equipment and to design a riverfront park and new fire station. The remaining bond proceeds, approximately $12,000,000, were earmarked to fund various water and sewer enterprise projects.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2015 the City's outstanding general obligation bonds totaled $107,775,000. After an adjustment to reflect the reserve of $2,308,258 for the 2004A General Obligation School Bonds, the remaining net debt applicable to the debt limit of $105,466,742 is far below the legal debt limit of $218,129,465.

The table below reflects a summary of the City's long-term debt outstanding for fiscal years 2015 and 2014:

**Capital Asset and Debt Administration: (Continued)**

**Long-term Debt: (Continued)**

**TABLE 7**
**Long Term Debt**
**As of June 30, 2015**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | FY 2015 | FY 2014 | FY 2015 | FY 2014 | FY 2015 | FY 2014 |
| General obligation bonds | $ 44,619,192 | $ 42,571,108 | $ 27,490,808 | $ 15,687,907 | $ 72,110,000 | $ 58,259,015 |
| General obligation school bonds | 35,665,000 | 37,210,000 | - | - | 35,665,000 | 37,210,000 |
| Note Payable | - | 725,000 | - | - | - | 725,000 |
| **Total long-term debt** | $ 80,284,192 | $ 80,506,108 | $ 27,490,808 | $ 15,687,907 | $ 107,775,000 | $ 96,194,015 |

Additional information regarding long-term debt is presented in the Notes to Financial Statements section of this report (Note 9).

**Economic Factors**

The City government continues to maintain a stable financial condition as reflected by the financial statements and schedules in this report. Through fiscally responsible budget oversight, cost containment monitoring, and a stable economic base, the City has continued to expand services to its citizens while maintaining appropriate General Fund reserves. The City's economy has stabilized since the economic downturn in 2008 as reflected in the moderate upward trending of various local revenue sources. 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.

While tourism has been a mainstay of the City's economy, visionary downtown revitalization efforts in the form of various mixed-use developments continue to reflect economic potential for the City. Several projects which combine housing, retail, and office uses have been recently completed or are in various stages of development. The most notable projects include Amelia Square, Park View, and Liberty Place. These projects include multiple luxury townhomes combined with several thousand square feet of commercial space. These developments will produce significantly higher property values and help support the vitality of the downtown business climate.

**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 Office of the Director of Fiscal Affairs, 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, 2015

| | Governmental Activities | Business-Type Activities | Total | Component Units: School Board | Component Units: Economic Development Authority |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash and cash equivalents | $ 42,663,740 | $ 27,548,944 | $ 70,212,684 | $ 6,337,969 | $ 1,109,486 |
| Receivables, net of allowance for uncollectibles | 1,226,514 | 1,650,318 | 2,876,832 | 5,610 | - |
| Due from other governments | 6,339,886 | 1,945,257 | 8,285,143 | 1,417,282 | - |
| Inventory, at cost | 26,810 | 278,496 | 305,306 | - | - |
| Prepaid items | 348,303 | 11,205 | 359,508 | 208,116 | - |
| Investment in joint venture | 1,609,227 | - | 1,609,227 | - | - |
| Net pension asset | - | - | - | 184,238 | - |
| Restricted: | | | | | |
| Cash and cash equivalents | - | 645,207 | 645,207 | - | - |
| Capital assets: | | | | | |
| Land, construction in progress and other | 28,576,858 | 6,954,008 | 35,530,866 | 497,679 | - |
| Other capital assets, net of accumulated depreciation | 136,278,241 | 59,539,255 | 195,817,496 | 23,840,447 | - |
| Capital assets, net | $ 164,855,099 | $ 66,493,263 | $ 231,348,362 | $ 24,338,126 | $ - |
| Total assets | $ 217,069,579 | $ 98,572,690 | $ 315,642,269 | $ 32,491,341 | $ 1,109,486 |
| **Deferred Outflows of Resources:** | | | | | |
| Pension contributions subsequent to the measurement date | $ 3,483,173 | $ 338,875 | $ 3,822,048 | $ 3,611,111 | $ - |
| Change in proportionate share of net pension liability | - | 190,305 | 190,305 | 523,000 | - |
| Deferred charge on refunding | 312,008 | 635,407 | 947,415 | - | - |
| Total deferred outflows of resources | $ 3,795,181 | $ 1,164,587 | $ 4,959,768 | $ 4,134,111 | $ - |
| **Liabilities:** | | | | | |
| Accounts payable | $ 2,471,513 | $ 1,575,953 | $ 4,047,466 | $ 530,468 | $ 6,451 |
| Accrued liabilities | 3,277,224 | 507,384 | 3,784,608 | 3,681,674 | - |
| Unearned revenue | 111,642 | 1,805,989 | 1,917,631 | 24,134 | - |
| Claims payable | 416,971 | - | 416,971 | - | - |
| Amounts held for others | 1,475,948 | - | 1,475,948 | - | - |
| Liabilities payable from restricted assets | - | 645,207 | 645,207 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year: | | | | | |
| Compensated absences | 1,980,901 | 139,543 | 2,120,444 | 588,802 | - |
| General obligation bonds | 4,171,389 | 1,953,325 | 6,124,714 | - | - |
| Accrued landfill post-closure costs | 93,150 | - | 93,150 | - | - |
| Capital lease | - | - | - | 200,000 | - |
| Due in more than one year: | | | | | |
| Compensated absences | 1,214,100 | 74,159 | 1,288,259 | 543,509 | - |
| Net OPEB obligation | 5,015,167 | 473,283 | 5,488,450 | 1,761,391 | - |
| General obligation bonds | 78,186,023 | 25,658,011 | 103,844,034 | - | - |
| Capital lease | - | - | - | 3,217,000 | - |
| Net pension liability | 20,757,786 | 2,159,547 | 22,917,333 | 32,995,000 | - |
| Accrued landfill post-closure costs | 1,498,426 | - | 1,498,426 | - | - |
| Total liabilities | $ 120,670,240 | $ 34,992,401 | $ 155,662,641 | $ 43,541,978 | $ 6,451 |
| **Deferred Inflows of Resources:** | | | | | |
| Deferred revenue - property taxes | $ 625,614 | $ - | $ 625,614 | $ - | $ - |
| Change in proportionate share of net pension liability | | | - | - | - |
| Items related to the measurement of the net pension liability | 162,789<br>5,021,475 | 22,930<br>522,413 | 185,719<br>5,543,888 | 5,150,170 | - |
| Total deferred inflows of resources | $ 5,809,878 | $ 545,343 | $ 6,355,221 | $ 5,150,170 | $ - |
| **Net Position:** | | | | | |
| Net investment in capital assets | $ 88,179,245 | $ 47,153,509 | $ 135,332,754 | $ 20,921,126 | $ - |
| Unrestricted | 6,205,397 | 17,046,024 | 23,251,421 | (32,987,822) | 1,103,035 |
| Total net position | $ 94,384,642 | $ 64,199,533 | $ 158,584,175 | $ (12,066,696) | $ 1,103,035 |

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

**CITY OF FREDERICKSBURG, VIRGINIA**

Statement of Activities
Year Ended June 30, 2015

| 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 | $ 6,285,041 | $ 152,025 | $ 285,306 | $ - |
| Judicial administration | 4,478,163 | 220,427 | 940,039 | - |
| Public safety | 20,645,685 | 2,087,775 | 2,079,064 | 40,899 |
| Public works | 13,162,173 | 967,752 | 2,612,444 | 1,809,750 |
| Health and welfare | 7,279,605 | - | 4,974,901 | - |
| Education | 28,803,904 | - | - | - |
| Parks, recreation and cultural | 4,790,452 | 497,253 | 5,000 | - |
| Community development | 2,694,020 | 263 | - | 160,835 |
| Interest on long-term debt | 3,150,988 | - | - | - |
| Total governmental activities | $ 91,290,031 | $ 3,925,495 | $ 10,896,754 | $ 2,011,484 |
| **Business-type activities** | | | | |
| Water | $ 2,933,514 | $ 3,035,359 | $ 239,920 | $ - |
| Sewer | 4,795,857 | 5,144,191 | 472,887 | - |
| Transit | 4,275,370 | 403,921 | 2,801,925 | 145,599 |
| Parking | 448,933 | 353,532 | - | - |
| Total business-type activities | $ 12,453,674 | $ 8,937,003 | $ 3,514,732 | $ 145,599 |
| **Total Primary Government** | $ 103,743,705 | $ 12,862,498 | $ 14,411,486 | $ 2,157,083 |
| **Component Units** | | | | |
| Fredericksburg City Public Schools | $ 44,822,191 | $ 524,174 | $ 17,243,915 | $ - |
| Fredericksburg Economic Development Authority | 280,364 | 227,924 | - | - |
| **Total Component Units** | $ 45,102,555 | $ 752,098 | $ 17,243,915 | $ - |

**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 |
| $ (5,847,710) | $ - | $ (5,847,710) | $ - |
| (3,317,697) | - | (3,317,697) | - |
| (16,437,947) | - | (16,437,947) | - |
| (7,772,227) | - | (7,772,227) | - |
| (2,304,704) | - | (2,304,704) | - |
| (28,803,904) | - | (28,803,904) | - |
| (4,288,199) | - | (4,288,199) | - |
| (2,532,922) | - | (2,532,922) | - |
| (3,150,988) | - | (3,150,988) | - |
| $ (74,456,298) | $ - | $ (74,456,298) | $ - |
| $ - | $ 341,765 | $ 341,765 | $ - |
| - | 821,221 | 821,221 | - |
| - | (923,925) | (923,925) | - |
| - | (95,401) | (95,401) | - |
| $ - | $ 143,660 | $ 143,660 | $ - |
| $ (74,456,298) | $ 143,660 | $ (74,312,638) | $ - |
| | | | $ (27,054,102) |
| | | | (52,440) |
| | | | $ (27,106,542) |
| $ 37,567,214 | $ - | $ 37,567,214 | $ - |
| 10,780,677 | - | 10,780,677 | - |
| 1,856,992 | - | 1,856,992 | - |
| 5,943,742 | - | 5,943,742 | - |
| 1,329,542 | - | 1,329,542 | - |
| 10,115,765 | - | 10,115,765 | - |
| 4,391,651 | 743,502 | 5,135,153 | - |
| - | - | - | 27,927,623 |
| 3,820,401 | - | 3,820,401 | - |
| 122,448 | - | 122,448 | - |
| 283,009 | 65,812 | 348,821 | 30,327 |
| 403,665 | 655,766 | 1,059,431 | 296,570 |
| 603,480 | (603,480) | - | - |
| $ 77,218,586 | $ 861,600 | $ 78,080,186 | $ 28,254,520 |
| $ 2,762,288 | $ 1,005,260 | $ 3,767,548 | $ 1,147,978 |
| 91,622,354 | 63,194,273 | 154,816,627 | (12,111,639) |
| $ 94,384,642 | $ 64,199,533 | $ 158,584,175 | $ (10,963,661) |

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# Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2015

| | General | New Court Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and cash equivalents | $ 28,282,591 | $ 3,417,951 | $ 10,501,428 | $ 42,201,970 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Property taxes | 616,319 | - | - | 616,319 |
| Accounts | 107,696 | - | - | 107,696 |
| Accrued revenue | 295,047 | - | 207,452 | 502,499 |
| Inventory, at cost | 26,810 | - | - | 26,810 |
| Prepaid items | 343,427 | - | 4,876 | 348,303 |
| Due from other governments | 3,070,701 | - | 3,269,185 | 6,339,886 |
| Total assets | $ 32,742,591 | $ 3,417,951 | $ 13,982,941 | $ 50,143,483 |
| **Liabilities:** | | | | |
| Reconciled overdraft | $ - | $ - | $ 82,741 | $ 82,741 |
| Accounts payable | 716,163 | 480,452 | 1,273,333 | 2,469,948 |
| Accrued liabilities | 1,235,656 | 321,883 | 212,362 | 1,769,901 |
| Amounts held for others | 1,475,948 | - | - | 1,475,948 |
| Unearned revenue | 88,697 | - | 22,945 | 111,642 |
| Total liabilities | $ 3,516,464 | $ 802,335 | $ 1,591,381 | $ 5,910,180 |
| **Deferred Inflows of Resources:** | | | | |
| Unavailable revenue - property taxes | $ 1,088,111 | $ - | $ - | $ 1,088,111 |
| **Fund Balances:** | | | | |
| Nonspendable | $ 370,237 | $ - | $ 4,876 | $ 375,113 |
| Restricted | - | - | 332,993 | 332,993 |
| Committed | 6,731,037 | 1,624,728 | 4,793,274 | 13,149,039 |
| Assigned | 47,997 | 990,888 | 7,260,417 | 8,299,302 |
| Unassigned | 20,988,745 | - | - | 20,988,745 |
| Total fund balances | $ 28,138,016 | $ 2,615,616 | $ 12,391,560 | $ 43,145,192 |
| Total liabilities, deferred inflows of resources and fund balances | $ 32,742,591 | $ 3,417,951 | $ 13,982,941 | $ 50,143,483 |

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, 2015

| | | |
|---|---|---|
| Total fund balances for governmental funds (Exhibit 3) | | $ 43,145,192 |
| 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 | $ 21,258,935 | |
| Construction in progress | 7,317,923 | |
| Land improvements, net of accumulated depreciation | 12,866,519 | |
| Buildings and improvements, net of accumulated depreciation | 43,107,998 | |
| Joint tenancy assets, net of accumulated depreciation | 29,473,818 | |
| Infrastructure, net of accumulated depreciation | 41,834,249 | |
| Machinery, vehicles, and equipment, net of accumulated depreciation | 8,995,657 | |
| Total capital assets | | 164,855,099 |
| 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. | | 125,975 |
| Other assets used in govenmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| Investment in joint venture | $ 1,609,227 | |
| Change in proportionate share of net pension liability | (162,789) | |
| Items related to measurement of net pension liability | (5,021,475) | (3,575,037) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | | 3,483,173 |
| 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. | | 462,497 |
| 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 | $ (1,507,323) | |
| Bonds and notes payable | (80,284,192) | |
| Premium on long-term debt, net of accumulated amortization | (2,073,220) | |
| Deferred charge on refunding | 312,008 | |
| Net pension liability | (20,757,786) | |
| Landfill post-closure costs | (1,591,576) | (105,902,089) |
| Compensated absences not reported as fund liabilities | | (3,195,001) |
| Net OPEB obligation not reported as fund liabilities | | (5,015,167) |
| Total net position of governmental activities (Exhibits 1 and 2) | | $ 94,384,642 |

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, 2015

| | General Fund | New Court Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 37,516,803 | $ - | $ - | $ 37,516,803 |
| Other local taxes | 32,848,478 | - | 1,569,891 | 34,418,369 |
| Permits, privilege fees and regulatory licenses | 635,195 | - | 91,490 | 726,685 |
| Fines and forfeitures | 411,999 | - | 111,548 | 523,547 |
| Use of money and property | 124,304 | 8,881 | 272,272 | 405,457 |
| Charges for services | 2,564,549 | 57,701 | 53,013 | 2,675,263 |
| Miscellaneous | 128,451 | - | 144,833 | 273,284 |
| Recovered costs | 691,554 | - | 452,256 | 1,143,810 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 9,084,750 | - | 3,744,619 | 12,829,369 |
| Revenue from the Federal Government | 39,281 | - | 3,722,653 | 3,761,934 |
| Total revenues | $ 84,045,364 | $ 66,582 | $ 10,162,575 | $ 94,274,521 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government administration | $ 6,309,106 | $ - | $ - | $ 6,309,106 |
| Judicial administration | 4,201,597 | - | 224,565 | 4,426,162 |
| Public safety | 20,165,820 | - | 572,993 | 20,738,813 |
| Public works | 8,633,313 | - | 47,404 | 8,680,717 |
| Health and welfare | 949,030 | - | 6,827,358 | 7,776,388 |
| Education - local community college and other | 43,325 | - | - | 43,325 |
| Education - public school system | 26,840,500 | - | - | 26,840,500 |
| Parks, recreation and cultural | 3,960,514 | - | 81,204 | 4,041,718 |
| Community development | 1,967,541 | - | 881,072 | 2,848,613 |
| Capital projects | - | 6,562,945 | 6,634,883 | 13,197,828 |
| Debt service: | | | | |
| Principal payments | - | - | 4,437,379 | 4,437,379 |
| Interest and fiscal charges | - | - | 3,457,000 | 3,457,000 |
| Total expenditures | $ 73,070,746 | $ 6,562,945 | $ 23,163,858 | $ 102,797,549 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ 10,974,618 | $ (6,496,363) | $ (13,001,283) | $ (8,523,028) |
| **Other financing sources (uses)** | | | | |
| Issuance of refunding bonds | $ - | $ - | $ 5,714,176 | $ 5,714,176 |
| Payment to refunded bonds escrow agent | - | - | (5,698,218) | (5,698,218) |
| Issuance of bonds | 700,043 | - | 3,132,348 | 3,832,391 |
| Proceeds from the sale of capital assets | 28,158 | - | 102,223 | 130,381 |
| Transfers in | 635,000 | - | 11,503,388 | 12,138,388 |
| Transfers out | (11,484,908) | - | (50,000) | (11,534,908) |
| Total other financing sources (uses) | $ (10,121,707) | $ - | $ 14,703,917 | $ 4,582,210 |
| Net change in fund balance | $ 852,911 | $ (6,496,363) | $ 1,702,634 | $ (3,940,818) |
| **Fund balances, beginning of year** | 27,285,105 | 9,111,979 | 10,688,926 | 47,086,010 |
| **Fund balances, end of year** | $ 28,138,016 | $ 2,615,616 | $ 12,391,560 | $ 43,145,192 |

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, 2015

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (Exhibit 5) | | $ (3,940,818) |
| 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 | $ 13,474,314 | |
| Depreciation | (6,252,671) | 7,221,643 |
| Transfer of joint tenancy assets from Primary Government to the Component Unit School Board | | (1,028,454) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | | (113,131) |
| 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. | | 50,411 |
| 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 | $ (1,093,265) | |
| Change in deferred outflows - change in proportionate share of net pension liability | (162,789) | |
| Change in deferred inflows related to the measurement of the net pension liability | (5,021,475) | (6,277,529) |
| Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | | |
| Debt issued: | | |
| General obligation bonds | $ (3,832,391) | |
| Refunding bonds | (5,714,176) | |
| Amortization of premium on long-term debt | 229,810 | |
| Repayments of long-term debt: | | |
| General obligation bonds | 4,437,379 | |
| Payment to refunded bonds escrow agent | 5,698,218 | |
| Net adjustment | | 818,840 |
| 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 | $ (100,028) | |
| Net OPEB obligation | (408,697) | |
| Accrued interest on bonds and loans | 104,736 | |
| Net pension liability | 6,199,835 | |
| Deferred outflows related to pension payments subsequent to the measurement date | 738,885 | |
| Amortization of deferred charge on refunding | (28,534) | |
| Accrued landfill post-closure costs | (950,859) | |
| Net adjustment | | 5,555,338 |
| 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. | | 475,988 |
| Change in net position of governmental activities (Exhibit 2) | | $ 2,762,288 |

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

Statement of Net Position
Proprietary Funds
At June 30, 2015

| | 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 | $ 12,791,558 | $ 7,119,699 | $ 7,047,350 | $ 590,337 | $ 27,548,944 | $ 544,511 |
| Accounts receivable, net of allowance for uncollectibles | 608,335 | 1,007,187 | - | - | 1,615,522 | - |
| Accrued revenue | 5,427 | 6,979 | 5,344 | 17,046 | 34,796 | - |
| Inventory, at cost | 126,508 | 151,988 | - | - | 278,496 | - |
| Prepaid items | 52 | 52 | 11,046 | 55 | 11,205 | - |
| Due from other governments | - | 130,751 | 1,551,004 | 263,502 | 1,945,257 | - |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 645,207 | - | - | - | 645,207 | - |
| Total current assets | $ 14,177,087 | $ 8,416,656 | $ 8,614,744 | $ 870,940 | $ 32,079,427 | $ 544,511 |
| Capital Assets: | | | | | | |
| Land | $ 701,345 | $ 114,880 | $ 550,686 | $ 782,125 | $ 2,149,036 | $ - |
| Construction in progress | 4,479,341 | 92,130 | 233,501 | - | 4,804,972 | - |
| Land improvements | - | - | 976,403 | - | 976,403 | - |
| Dams and reservoirs | 663,536 | - | - | - | 663,536 | - |
| Buildings and systems | 16,209,553 | 42,061,111 | 9,867,983 | 6,631,862 | 74,770,509 | - |
| Furniture, machinery and equipment | 419,947 | 2,768,101 | 4,077,909 | 223,789 | 7,489,746 | - |
| Intangible assets | 5,391,778 | 1,556,496 | - | - | 6,948,274 | - |
| Total property, plant and equipment | $ 27,865,500 | $ 46,592,718 | $ 15,706,482 | $ 7,637,776 | $ 97,802,476 | $ - |
| Accumulated depreciation | (8,945,704) | (17,976,821) | (3,071,920) | (1,314,768) | (31,309,213) | - |
| Capital assets, net | $ 18,919,796 | $ 28,615,897 | $ 12,634,562 | $ 6,323,008 | $ 66,493,263 | $ - |
| Total assets | $ 33,096,883 | $ 37,032,553 | $ 21,249,306 | $ 7,193,948 | $ 98,572,690 | $ 544,511 |
| **Deferred Outflows of Resources:** | | | | | | |
| Pension contributions subsequent to the measurement date | $ 75,808 | $ 138,296 | $ 119,344 | $ 5,427 | $ 338,875 | $ - |
| Change in proportionate share of net pension liability | 110,056 | 80,249 | - | - | 190,305 | - |
| Deferred charge on refunding | 27,850 | 508,255 | - | 99,302 | 635,407 | - |
| Total deferred outflows of resources | $ 213,714 | $ 726,800 | $ 119,344 | $ 104,729 | $ 1,164,587 | $ - |
| **Liabilities:** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | $ 1,161,372 | $ 341,931 | $ 67,191 | $ 5,459 | $ 1,575,953 | $ 1,565 |
| Accrued liabilities | 72,097 | 157,869 | 44,346 | 666 | 274,978 | - |
| Interest payable | 42,272 | 190,134 | - | - | 232,406 | - |
| Compensated absences, current portion | 32,721 | 77,553 | 29,269 | - | 139,543 | - |
| Claims payable | - | - | - | - | - | 416,971 |
| Unearned revenue, current portion | 22,977 | 55,912 | - | - | 78,889 | - |
| General obligation bonds, current portion | 623,562 | 1,096,507 | - | 233,256 | 1,953,325 | - |
| Current liabilities payable from restricted assets: | | | | | | |
| Customer deposits | 645,207 | - | - | - | 645,207 | - |
| Total current liabilities | $ 2,600,208 | $ 1,919,906 | $ 140,806 | $ 239,381 | $ 4,900,301 | $ 418,536 |
| Noncurrent liabilites: | | | | | | |
| Unearned revenue, noncurrent portion | $ - | $ 1,727,100 | $ - | $ - | $ 1,727,100 | $ - |
| Compensated absences, noncurrent portion | 20,054 | 13,686 | 40,419 | - | 74,159 | - |
| Net OPEB obligation | 120,587 | 215,185 | 127,054 | 10,457 | 473,283 | - |
| Net pension liability | 467,506 | 911,282 | 745,163 | 35,596 | 2,159,547 | - |
| General obligation bonds, noncurrent portion | 8,343,679 | 14,647,708 | - | 2,666,624 | 25,658,011 | - |
| Total noncurrent liabilities | $ 8,951,826 | $ 17,514,961 | $ 912,636 | $ 2,712,677 | $ 30,092,100 | $ - |
| Total liabilities | $ 11,552,034 | $ 19,434,867 | $ 1,053,442 | $ 2,952,058 | $ 34,992,401 | $ 418,536 |
| **Deferred Inflows of Resources:** | | | | | | |
| Change in proportionate share of net pension liability | $ - | $ - | $ 20,636 | $ 2,294 | $ 22,930 | $ - |
| Items related to the measurement of the net pension liability | 113,094 | 220,447 | 180,261 | 8,611 | 522,413 | - |
| Total deferred inflows of resources | $ 113,094 | $ 220,447 | $ 200,897 | $ 10,905 | $ 545,343 | $ - |
| **Net Position:** | | | | | | |
| Net investment in capital assets | $ 15,875,277 | $ 15,121,240 | $ 12,634,562 | $ 3,522,430 | $ 47,153,509 | $ - |
| Unrestricted | 5,770,192 | 2,982,799 | 7,479,749 | 813,284 | 17,046,024 | 125,975 |
| Total net position | $ 21,645,469 | $ 18,104,039 | $ 20,114,311 | $ 4,335,714 | $ 64,199,533 | $ 125,975 |

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, 2015

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Transit Fund | Parking Fund | Total | Internal Service Fund |
| Operating revenues: | | | | | | |
| Charges for services | $ 3,035,359 | $ 5,144,191 | $ 403,921 | $ 353,532 | $ 8,937,003 | $ 6,272,045 |
| Operating expenses: | | | | | | |
| Personal services | $ 437,409 | $ 919,557 | $ 2,021,438 | $ 95,137 | $ 3,473,541 | $ - |
| Fringe benefits | 266,273 | 470,784 | 454,676 | 19,543 | 1,211,276 | 4,541,079 |
| Contractual services | 1,406,119 | 814,610 | 279,722 | 22,565 | 2,523,016 | - |
| Other operating expenses | 210,310 | 535,137 | 685,435 | 44,796 | 1,475,678 | 1,254,978 |
| Depreciation expense | 515,377 | 1,521,902 | 834,099 | 153,583 | 3,024,961 | - |
| Total operating expenses | $ 2,835,488 | $ 4,261,990 | $ 4,275,370 | $ 335,624 | $ 11,708,472 | $ 5,796,057 |
| Total operating income (loss) | $ 199,871 | $ 882,201 | $ (3,871,449) | $ 17,908 | $ (2,771,469) | $ 475,988 |
| Nonoperating revenues (expenses): | | | | | | |
| Interest income | $ 17,845 | $ 16,639 | $ 15,664 | $ 15,664 | $ 65,812 | $ - |
| Gasoline tax receipts | - | - | 480,000 | 263,502 | 743,502 | - |
| Availability/connection fees | 239,920 | 415,727 | - | - | 655,647 | - |
| Miscellaneous | 304,029 | 112,045 | 239,692 | - | 655,766 | - |
| State and local grant funds | - | - | 1,666,913 | - | 1,666,913 | - |
| Federal grant funds | - | 57,160 | 1,135,012 | - | 1,192,172 | - |
| Interest expense | (98,026) | (533,867) | - | (113,309) | (745,202) | - |
| Total nonoperating revenues (expenses) | $ 463,768 | $ 67,704 | $ 3,537,281 | $ 165,857 | $ 4,234,610 | $ - |
| Income (loss) before contributions and transfers | $ 663,639 | $ 949,905 | $ (334,168) | $ 183,765 | $ 1,463,141 | $ 475,988 |
| Capital grants and contributions: | | | | | | |
| State and local grant funds | $ - | $ - | $ 126,226 | $ - | $ 126,226 | $ - |
| Federal grant funds | - | - | 19,373 | - | 19,373 | - |
| Total capital grants and contributions | $ - | $ - | $ 145,599 | $ - | $ 145,599 | $ - |
| Transfers: | | | | | | |
| Transfers out | $ (269,400) | $ (334,080) | $ - | $ - | $ (603,480) | $ - |
| Change in net position | $ 394,239 | $ 615,825 | $ (188,569) | $ 183,765 | $ 1,005,260 | $ 475,988 |
| Net position, beginning of year, as restated | 21,251,230 | 17,488,214 | 20,302,880 | 4,151,949 | 63,194,273 | (350,013) |
| Net position, end of year | $ 21,645,469 | $ 18,104,039 | $ 20,114,311 | $ 4,335,714 | $ 64,199,533 | $ 125,975 |

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

| | 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 | $ 2,995,827 | $ 4,998,677 | $ 1,154,069 | $ 92,165 | $ 9,240,738 | $ 6,272,045 |
| Other miscellaneous receipts | 304,029 | 112,045 | 719,692 | 263,502 | 1,399,268 | - |
| Payments to suppliers | (1,980,794) | (1,241,591) | (1,113,765) | (72,151) | (4,408,301) | (1,253,413) |
| Payments to and for employees | (698,063) | (1,387,150) | (2,523,153) | (119,006) | (4,727,372) | (4,650,239) |
| Net cash provided by (used for) operating activities | $ 620,999 | $ 2,481,981 | $ (1,763,157) | $ 164,510 | $ 1,504,333 | $ 368,393 |
| Cash flows from noncapital financing activities: | | | | | | |
| Availability and connection fees | $ 239,920 | $ 415,727 | $ - | $ - | $ 655,647 | $ - |
| State, federal and local grant funds | - | 57,160 | 2,801,925 | - | 2,859,085 | - |
| Transfers | (269,400) | (334,080) | - | - | (603,480) | - |
| Net cash provided by (used for) noncapital financing activities | $ (29,480) | $ 138,807 | $ 2,801,925 | $ - | $ 2,911,252 | $ - |
| Cash flows from investing activities: | | | | | | |
| Interest income | $ 17,845 | $ 16,639 | $ 15,664 | $ 15,664 | $ 65,812 | $ - |
| Cash flows from capital and related financing activities: | | | | | | |
| Purchase of capital assets | $ (3,194,863) | $ (2,599,037) | $ (106,286) | $ - | $ (5,900,186) | $ - |
| Disposal of capital assets | - | 9,074 | - | - | 9,074 | - |
| State, federal and local grant funds | - | - | 145,599 | - | 145,599 | - |
| Proceeds from issuance of debt | 8,276,438 | 9,080,721 | - | 2,696,275 | 20,053,434 | - |
| Payment to refunded bonds escrow agent | (275,792) | (5,033,208) | - | (2,688,878) | (7,997,878) | - |
| Principal payment on debt | (228,755) | (607,181) | - | (195,698) | (1,031,634) | - |
| Interest paid on debt | (64,458) | (560,684) | - | (103,380) | (728,522) | - |
| Net cash provided by (used for) capital and related financing activities | $ 4,512,570 | $ 289,685 | $ 39,313 | $ (291,681) | $ 4,549,887 | $ - |
| Increase (decrease) in cash and cash equivalents for the year | $ 5,121,934 | $ 2,927,112 | $ 1,093,745 | $ (111,507) | $ 9,031,284 | $ 368,393 |
| Cash and cash equivalents (including restricted), beginning of year | 8,314,831 | 4,192,587 | 5,953,605 | 701,844 | 19,162,867 | 176,118 |
| Cash and cash equivalents (including restricted), end of year | $ 13,436,765 | $ 7,119,699 | $ 7,047,350 | $ 590,337 | $ 28,194,151 | $ 544,511 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Operating income (loss) | $ 199,871 | $ 882,201 | $ (3,871,449) | $ 17,908 | $ (2,771,469) | $ 475,988 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Depreciation | 515,377 | 1,521,902 | 834,099 | 153,583 | 3,024,961 | - |
| Other miscellaneous receipts | 304,029 | 112,045 | 719,692 | 263,502 | 1,399,268 | - |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable | (49,277) | (78,157) | - | - | (127,434) | - |
| Inventory | (22,596) | 23,362 | - | - | 766 | - |
| Accrued revenue | 2,308 | 2,931 | 6,592 | 2,135 | 13,966 | - |
| Prepaid items | (17) | (17) | 5,396 | 20 | 5,382 | - |
| Due from other governments | - | (14,375) | 768,556 | (263,502) | 490,679 | - |
| Deferred outflows of resources - pension contributions subsequent to measurement date | (14,001) | (17,820) | (20,829) | (721) | (53,371) | - |
| Deferred outflows of resources - change in proportionate share of net pension liability | (110,056) | (80,249) | - | - | (190,305) | - |
| Accounts payable | (398,177) | (25,597) | (153,193) | (4,810) | (581,777) | 1,565 |
| Accrued liabilities | 56,425 | 110,408 | (811) | (829) | 165,193 | - |
| Net OPEB obligation | 9,611 | 19,641 | 10,029 | 836 | 40,117 | - |
| Net pension liability | 11,996 | (155,650) | (242,285) | (13,318) | (399,257) | - |
| Unearned revenue | (12) | (55,913) | (25,000) | - | (80,925) | - |
| Claims payable | - | - | - | - | - | (109,160) |
| Compensated absences | (5,025) | 16,822 | 5,149 | (1,199) | 15,747 | - |
| Deferred inflows of resources - change in proportionate share of net pension liability | - | - | 20,636 | 2,294 | 22,930 | - |
| Deferred inflows of resources - items related to measurement of net pension liability | 113,094 | 220,447 | 180,261 | 8,611 | 522,413 | - |
| Deposits payable from restricted assets | 7,449 | - | - | - | 7,449 | - |
| Net cash provided by (used for) operating activities | $ 620,999 | $ 2,481,981 | $ (1,763,157) | $ 164,510 | $ 1,504,333 | $ 368,393 |

There were no non-cash investing and financing activities during the year.

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2015

| | Agency Funds | Private Purpose Trust Funds |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ 640,924 | $ 1,625,523 |
| Accounts receivable | 77,160 | 9,427 |
| Prepaid items | 27,069 | - |
| Capital assets: | | |
| Machinery and equipment, net of accumulated depreciation | - | 36,655 |
| Total assets | $ 745,153 | $ 1,671,605 |
| **Deferred Outflows of Resources:** | | |
| Pension contributions subsequent to the measurement date | $ - | $ 9,263 |
| **Liabilities:** | | |
| Accounts payable | $ 48,120 | $ 1,389 |
| Accrued liabilities | 33,123 | 8,807 |
| Net OPEB obligation | - | 2,406 |
| Net pension liability | - | 54,582 |
| Amounts held for others | 663,910 | - |
| Total liabilities | $ 745,153 | $ 67,184 |
| **Deferred Inflows of Resources:** | | |
| Items related to the measurement of the net pension liability | $ - | $ 13,204 |
| **Net Position:** | | |
| Held in trust for land conservation (see Note 1) | $ - | $ 1,600,480 |

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

**CITY OF FREDERICKSBURG, VIRGINIA** **Exhibit 11**

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
Year Ended June 30, 2015

| | | |
|---|---|---|
| Additions: | | |
| Contributions: | | |
| Contributions | $ | 13,700 |
| Investment income: | | |
| Interest earned on investments | | 16,304 |
| Miscellaneous | | 1,195 |
| Total additions | $ | 31,199 |
| Deductions: | | |
| Payments for property management | $ | 76,350 |
| Net decrease in plan assets | $ | (45,151) |
| Net position held in trust for land conservation: | | |
| Balance, beginning of year, as restated | | 1,645,631 |
| Balance, end of year | $ | 1,600,480 |

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, 2015

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **School Board** | | | | |
| Education | $ 44,751,059 | $ 524,174 | $ 17,243,915 | $ - |
| Interest on long-term debt | 71,132 | - | - | - |
| Total School Board | $ 44,822,191 | $ 524,174 | $ 17,243,915 | $ - |
| **Economic Development Authority** | | | | |
| Community development | $ 280,364 | $ 227,924 | $ - | $ - |
| **Total component units** | $ 45,102,555 | $ 752,098 | $ 17,243,915 | $ - |

**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 |
| $ (26,982,970) | $ - | $ (26,982,970) |
| (71,132) | - | (71,132) |
| $ (27,054,102) | $ - | $ (27,054,102) |
| $ - | $ (52,440) | $ (52,440) |
| $ (27,054,102) | $ (52,440) | $ (27,106,542) |
| $ 27,868,954 | $ 58,669 | $ 27,927,623 |
| 17,000 | 13,327 | 30,327 |
| 296,570 | - | 296,570 |
| $ 28,182,524 | $ 71,996 | $ 28,254,520 |
| $ 1,128,422 | $ 19,556 | $ 1,147,978 |
| (13,195,118) | 1,083,479 | (12,111,639) |
| $ (12,066,696) | $ 1,103,035 | $ (10,963,661) |

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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

Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

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. 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.

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

### A. Financial Reporting Entity: (Continued)

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).

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

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

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports. This information includes presenting the government's original budget as well as a comparison of final budget and actual results for its major funds.

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

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

### A. Financial Reporting Entity: (Continued)

#### Inclusions in the Reporting Entity:

1. Component Units:

   a. Fredericksburg City School Board:

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

   b. Fredericksburg Economic Development Authority:

   The Fredericksburg Economic Development Authority was created by a City Council resolution pursuant to state statute and is legally separate from the City. The Council appoints seven (7) board members; however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. However, the Authority performs economic development services exclusively to the City as an administrative entity for the City through the authorization of industrial development revenue bonds and recruitment of potential businesses for location in the City, and City Council must approve the issuance of all revenue bonds. However, 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 Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

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

### A. Financial Reporting Entity: (Continued)

**Exclusions from the Reporting Entity:**

1. Jointly Governed Organizations:

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

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

a. Rappahannock Security Center

The Rappahannock Security Center is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Center provides adult detention services for its participant localities. The Counties of Spotsylvania, Stafford and King George and the City provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints three (3) of the nine (9) members of the Board. No one locality contributes more than 50% of the Center's funding. The City provided $3,741,869 in operating and other funds to the Center in 2015.

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 $1,282,875 in operating funds to the Library in 2015.

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

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

### A. Financial Reporting Entity: (Continued)

#### Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

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

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The City's equity interest as of June 30, 2015 was $1,609,227.

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $8.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2015 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 2015. 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 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 $201,005 to the Board in 2015.

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

### A. Financial Reporting Entity: (Continued)

#### Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

   e. Rappahannock Area Agency on Aging

   The Agency was created by 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 2015.

   f. George Washington Regional Commission

   The Commission was created by 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 $21,740 in operating grants to the Commission in 2015.

   g. Rappahannock Juvenile Detention Center

   The Center was created by 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 $294,265 to the Center in 2015.

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

   The Home was created by 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 $13,805 in operating funds to the Home in 2015.

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

### A. Financial Reporting Entity: (Continued)

#### Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

   i. Stafford Regional Airport Commission

   The Commission was created by 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 2015.

   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 Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

### B. Government-Wide and Fund Financial Statements

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

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

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

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

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

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2015.

1. Governmental Funds:

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

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

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

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

1. Governmental Funds: (Continued)

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

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

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

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

Comprehensive Services Act Fund - This fund accounts for the Comprehensive 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.

Courthouse Maintenance Fund - This fund accounts for the revenues, expenditures, and other financing resources for courthouse maintenance.

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.

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 Construction 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, and transfers from the General Fund.

   Public Facilities Construction 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 Construction 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 Construction Fund - This fund accounts for resources and expenditures for the construction of a new court complex. Financing is provided by bond proceeds. The New Court Construction Fund is considered a major fund for financial reporting purposes.

   Neighborhood Lighting and Sidewalk Construction Fund - This fund accounts for resources and expenditures for the construction of lighting and sidewalks. Financing is provided by local taxes.

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 lot.

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 consist of the following funds:

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

3. Fiduciary Funds (Trust and Agency Funds):

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

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

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

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

Rappahannock Area Youth Commission Fund - This fund accounts for revenue and expenditures of the Rappahannock Area Youth 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.

**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:

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

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

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

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

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

b. Economic Development Authority:

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

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

### C. Basis of Accounting

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

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

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

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

### D. Budgets and Budgetary Accounting

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

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

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

### D. Budgets and Budgetary Accounting: (Continued)

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

All operating budgets included proposed expenditures and the means of financing them. City Council must approve all budget revisions once the appropriation ordinance has been adopted. Budgets are approved and may not exceed appropriations at the department level. Budgeted amounts as presented in the financial statements reflect budget revisions through June 30, 2015. 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, 2015.

### E. Cash and Cash Equivalents

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

### F. Investments

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

Investments are stated at fair value.

### G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2015, the allowance totaled $2,217,433 with $1,752,749 in the General Fund and $464,684 in the Enterprise Funds.

### H. Inventory

Inventory consists of expendable supplies which are valued at cost using the consumption method.

### I. Prepaid Items

Prepaid expenses are reported on the consumption method.

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

### J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the City's and School Board's capitalization threshold of $5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

| | |
|---|---|
| Land improvements | 20 to 50 years |
| Buildings and improvements | 20 to 40 years |
| Furniture and other equipment | 5 to 20 years |
| Infrastructure | 20 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 funds 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 | 4 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 estimated fair market 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. Upon sale 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.

The interest cost on construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2015.

### 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 asset or liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. Lastly, the City reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference Note 11-Pension Plan.

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 30$^{th}$, 2$^{nd}$ half installments levied during the fiscal year but due after June 30$^{th}$, and amounts prepaid on the 2$^{nd}$ half installments and deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2$^{nd}$ half installments levied during the fiscal year but due after June 30$^{th}$ and amounts prepaid on the 2$^{nd}$ half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability 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 plan investments. For more detailed information on these items, reference Note 11-Pension Plan.

### 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 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, 2015 was $229,810 and $42,063 for the governmental and business-type activities, respectively.

### Q. Long-term Obligations

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

### R. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

### S. Net Position Flow Assumption

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

### T. Fund Equity

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 | New Court Construction Fund | Other Governmental Funds | Total |
|---|---|---|---|---|
| **Fund Balances:** | | | | |
| **Nonspendable:** | | | | |
| Inventory | $ 26,810 | $ - | $ - | $ 26,810 |
| Prepaids | 343,427 | - | 4,876 | 348,303 |
| **Total Nonspendable Fund Balance** | $ 370,237 | $ - | $ 4,876 | $ 375,113 |
| **Restricted:** | | | | |
| Courthouse maintenance | $ - | $ - | $ 332,993 | $ 332,993 |
| **Committed:** | | | | |
| Social services | $ - | $ - | $ 332,796 | $ 332,796 |
| Comprehensive services | - | - | 323,291 | 323,291 |
| Cowan Boulevard debt service | - | - | 262,519 | 262,519 |
| Public safety construction projects | - | - | 83,989 | 83,989 |
| Public facilities construction projects | - | - | 170,696 | 170,696 |
| Public works construction projects | - | - | 471,946 | 471,946 |
| Blight abatement | - | - | 195,621 | 195,621 |
| Grant related projects | - | - | 628,193 | 628,193 |
| Forfeited asset sharing program | - | - | 15,965 | 15,965 |
| VPSA debt service | - | - | 2,308,258 | 2,308,258 |
| New court construction project | - | 1,624,728 | - | 1,624,728 |
| Street sanitation | 214,544 | - | - | 214,544 |
| Street maintenance | 209,865 | - | - | 209,865 |
| Future capital projects | 5,724,255 | - | - | 5,724,255 |
| Health insurance claims | 386,962 | - | - | 386,962 |
| Other purposes | 195,411 | - | - | 195,411 |
| **Total Committed Fund Balance** | $ 6,731,037 | $ 1,624,728 | $ 4,793,274 | $ 13,149,039 |
| **Assigned:** | | | | |
| Public works construction projects | $ - | $ - | $ 4,791,338 | $ 4,791,338 |
| Public facilities construction projects | - | - | 1,152,280 | 1,152,280 |
| Public safety construction projects | - | - | 1,316,799 | 1,316,799 |
| New court construction project | - | 990,888 | - | 990,888 |
| Other purposes | 47,997 | - | - | 47,997 |
| **Total Assigned Fund Balance** | $ 47,997 | $ 990,888 | $ 7,260,417 | $ 8,299,302 |
| **Unassigned Fund Balance** | $ 20,988,745 | $ - | $ - | $ 20,988,745 |
| **Total Fund Balances** | $ 28,138,016 | $ 2,615,616 | $ 12,391,560 | $ 43,145,192 |

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

### U. Adoption of Accounting Principles

**Governmental Accounting Standards Board Statement No. 68,** *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* **and Statement No. 71,** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***:**

The City implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

| | Governmental Activities | Business-Type Activities | Total | Component Unit School Board |
|---|---|---|---|---|
| Net Position as reported June 30, 2014 | $ 115,835,687 | $ 65,467,573 | $ 181,303,260 | $ 21,499,976 |
| Implementation of GASB 68 | (24,213,333) | (2,273,300) | (26,486,633) | (34,695,094) |
| Net Position as restated June 30, 2014 | $ 91,622,354 | $ 63,194,273 | $ 154,816,627 | $ (13,195,118) |

## 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.

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

Investments - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments) - The City's investments at June 30, 2015 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 Investors 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, 2015 were rated by Standard and Poor's or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

**City's Rated Debt Investments' Values**

| Rated Debt Investments | Fair Quality Ratings | | | | |
|---|---|---|---|---|---|
| | AAAm | AAA | AA+ | AA | AA- |
| U.S. Agencies | $ - | $ - | $ 15,956,064 | $ - | $ - |
| U.S. Treasuries | - | - | 11,983,469 | - | - |
| Corporate Debt | - | 1,394,336 | 1,002,992 | 2,328,585 | 2,082,812 |
| Virginia State Non-Arbitrage Program | 15,206,191 | - | - | - | - |
| Money Market Mutual Fund | 23,986,443 | - | - | - | - |
| Total | $ 39,192,634 | $ 1,394,336 | $ 28,942,525 | $ 2,328,585 | $ 2,082,812 |

## 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 | 1 Year | 1-5 Years |
|---|---|---|---|
| U.S. Agencies | $ 15,956,064 | $ 2,660,264 | $ 13,295,800 |
| U.S. Treasuries | 11,983,469 | 3,266,370 | 8,717,099 |
| Corporate Debt | 6,808,725 | 811,578 | 5,997,147 |
| Total | $ 34,748,258 | $ 6,738,212 | $ 28,010,046 |

### External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pool (State Non-Arbitrage Pool) are the same as the value of the pool shares.

## Note 3—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 4—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2015 consist of the following:

**Primary Government:**

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Total | Business-Type Activities |
| Property taxes | $ 2,339,640 | $ - | $ - | $ 2,339,640 | $ - |
| Water charges | - | - | - | - | 822,110 |
| Wastewater charges | - | - | - | - | 1,258,096 |
| EMS fees | 110,907 | - | - | 110,907 | - |
| Right of way | - | - | 100,000 | 100,000 | - |
| Refuse disposal fees | 138,000 | - | - | 138,000 | - |
| Investment earnings | 17,840 | - | 53,520 | 71,360 | 17,840 |
| Other | 165,424 | 10,774 | 43,158 | 219,356 | 16,956 |
| Total | $ 2,771,811 | $ 10,774 | $ 196,678 | $ 2,979,263 | $ 2,115,002 |
| Allowance for uncollectibles | (1,752,749) | - | - | (1,752,749) | (464,684) |
| Net receivables | $ 1,019,062 | $ 10,774 | $ 196,678 | $ 1,226,514 | $ 1,650,318 |

**Component Units and Fiduciary Activities:**

| | School Board | Fiduciary Activities |
|---|---|---|
| Other | $ 5,610 | $ 86,587 |
| Total | $ 5,610 | $ 86,587 |
| Allowance for uncollectibles | - | - |
| Net receivables | $ 5,610 | $ 86,587 |

## Note 5—Due From Other Governmental Units:

| | Governmental Activities | | | | Business-Type Activities | Component Unit School Board |
|---|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Total | | |
| **Primary Government:** | | | | | | |
| Commonwealth of Virginia: | | | | | | |
| Local sales taxes | $ 1,895,267 | $ - | $ - | $ 1,895,267 | $ - | $ - |
| Telecommunication sales tax | 149,547 | - | - | 149,547 | - | - |
| PPTRA | 676,647 | - | - | 676,647 | - | - |
| Comprehensive Services Act | - | 237,081 | - | 237,081 | - | - |
| Shared expenses and grants | 134,711 | - | - | 134,711 | - | - |
| Virginia Department of Rail and Public Transportation | - | - | - | - | 39,709 | - |
| Virginia Department of Transportation | - | - | 909,185 | 909,185 | - | - |
| Virginia Department of Motor Vehicles | - | 2,853 | - | 2,853 | - | - |
| Virginia Department of Emergency Management | - | 50,476 | 1,221 | 51,697 | - | - |
| Virginia Department of Criminal Justice Services | - | 14,227 | - | 14,227 | - | - |
| Recordation taxes | 37,706 | - | - | 37,706 | - | - |
| Wireless 911 | 15,134 | - | - | 15,134 | - | - |
| Noncategorical aid | 13,140 | - | - | 13,140 | - | - |
| Department of Fire Programs | - | 11,297 | - | 11,297 | - | - |
| Department of Forestry | 15,000 | - | - | 15,000 | - | - |
| Social services grants | - | 399,348 | - | 399,348 | - | - |
| Other | 27,610 | - | - | 27,610 | - | - |
| Federal government: | | | | | | |
| Community Development Block Grant | - | 35,771 | - | 35,771 | - | - |
| Environmental Protection Agency | - | 5,700 | - | 5,700 | - | - |
| Transit grants | - | - | - | - | 1,018,891 | - |
| Criminal justice grants | - | 32,136 | - | 32,136 | - | - |
| Marine Corps Community Services | 20,400 | - | - | 20,400 | - | - |
| Interest subsidy | - | - | - | - | 21,432 | - |
| Others: | | | | | | |
| Potomac and Rappahannock Transportation Commission | 60,915 | - | 1,569,890 | 1,630,805 | 743,502 | - |
| RACSB | 5,423 | - | - | 5,423 | - | - |
| University of Mary Washington | 3,040 | - | - | 3,040 | - | - |
| Other | 16,161 | - | - | 16,161 | - | - |
| Local government reimbursements: | | | | | | |
| County of Spotsylvania | - | - | - | - | 109,319 | - |
| County of Caroline | - | - | - | - | 12,404 | - |
| **Component Unit School Board:** | | | | | | |
| Commonwealth of Virginia: | | | | | | |
| State sales taxes | - | - | - | - | - | 616,307 |
| State school funds | - | - | - | - | - | 33,485 |
| Federal pass-through: School funds | - | - | - | - | - | 524,379 |
| Federal government: | | | | | | |
| Head Start | - | - | - | - | - | 243,111 |
| Total | $ 3,070,701 | $ 788,889 | $ 2,480,296 | $ 6,339,886 | $ 1,945,257 | $ 1,417,282 |

## Note 6—Interfund Balances and Activity:

### Primary Government:

Balances due To/From other funds at June 30, 2015:

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

| | |
|---|---|
| Transfers to the Virginia Public Assistance Fund for the local share of social services program costs | $ 1,039,810 |
| Transfers to the State, Federal and Local Grants Fund for the local share of grant programs | 377,810 |
| Transfer to the Comprehensive Services Act Fund for the local share of the program costs | 675,275 |
| Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs | 4,396,251 |
| Transfers to the Education Debt Service Fund to pay school debt service and related costs | 3,316,047 |
| Transfers to the Public Works Construction Fund to fund infrastructure and related capital projects | 735,000 |
| Transfers to the Public Safety Construction Fund to fund infrastructure and related capital projects | 224,795 |
| Transfers to the Public Facilities Construction Fund to fund building improvements and related costs | 738,400 |
| Total transfers in - other governmental funds | $ 11,503,388 |
| Transfers to the General Fund for various programs | $ 635,000 |
| Total transfers | $ 12,138,388 |

Reconciliation of transfers:

| | |
|---|---|
| Transfers out from governmental funds | $ 11,534,908 |
| Transfers from enterprise funds to governmental funds | 603,480 |
| Total transfers | $ 12,138,388 |

### Component Unit School Board:

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

## Note 7—Capital Assets:

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

**Primary Government:**

**Governmental Activities:**

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 21,252,335 | $ 6,600 | $ - | $ 21,258,935 |
| Construction in progress: | | | | |
| Infrastructure | $ 4,533,007 | $ 1,436,100 | $ 4,106,846 | $ 1,862,261 |
| Land improvements | 2,995,962 | 1,281,941 | 4,277,903 | - |
| Buildings | 24,636,713 | 5,582,890 | 24,763,941 | 5,455,662 |
| Total construction in progress | $ 32,165,682 | $ 8,300,931 | $ 33,148,690 | $ 7,317,923 |
| Total capital assets not being depreciated | $ 53,418,017 | $ 8,307,531 | $ 33,148,690 | $ 28,576,858 |
| Other capital assets: | | | | |
| Land improvements | $ 11,927,002 | $ 4,227,585 | $ 203,635 | $ 15,950,952 |
| Buildings and improvements | 32,520,060 | 24,228,851 | 126,655 | 56,622,256 |
| Joint tenancy assets | 37,210,000 | - | 1,545,000 | 35,665,000 |
| Infrastructure | 75,967,416 | 6,574,820 | 1,770,706 | 80,771,530 |
| Machinery, equipment and vehicles | 17,222,384 | 3,440,275 | 235,865 | 20,426,794 |
| Total other capital assets | $ 174,846,862 | $ 38,471,531 | $ 3,881,861 | $ 209,436,532 |
| Accumulated depreciation: | | | | |
| Land improvements | $ 2,729,471 | $ 450,424 | $ 95,462 | $ 3,084,433 |
| Buildings and improvements | 12,627,529 | 1,013,384 | 126,655 | 13,514,258 |
| Joint tenancy assets | 5,816,103 | 891,625 | 516,546 | 6,191,182 |
| Infrastructure | 37,779,033 | 2,767,938 | 1,609,690 | 38,937,281 |
| Machinery, equipment and vehicles | 10,537,702 | 1,129,300 | 235,865 | 11,431,137 |
| Total accumulated depreciation | $ 69,489,838 | $ 6,252,671 | $ 2,584,218 | $ 73,158,291 |
| Other capital assets, net | $ 105,357,024 | $ 32,218,860 | $ 1,297,643 | $ 136,278,241 |
| Net capital assets | $ 158,775,041 | $ 40,526,391 | $ 34,446,333 | $ 164,855,099 |

| Depreciation is allocated to: | |
|---|---|
| General government administration | $ 148,663 |
| Judicial administration | 245,404 |
| Public safety | 1,116,127 |
| Health and welfare | 81,884 |
| Education | 891,625 |
| Public works | 3,088,686 |
| Parks and recreation | 669,041 |
| Community development | 11,241 |
| Total | $ 6,252,671 |

## Note 7—Capital Assets: (Continued)

### Primary Government: (Continued)

### Business-type Activities:

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 2,149,036 | $ - | $ - | $ 2,149,036 |
| Construction in progress | 1,958,679 | 5,243,065 | 2,396,772 | 4,804,972 |
| Total capital assets not being depreciated | $ 4,107,715 | $ 5,243,065 | $ 2,396,772 | $ 6,954,008 |
| Other capital assets: | | | | |
| Land improvements | $ 976,403 | $ - | $ - | $ 976,403 |
| Buildings and systems | 71,848,130 | 2,922,379 | - | 74,770,509 |
| Dams and reservoirs | 663,536 | - | - | 663,536 |
| Intangible assets | 6,904,916 | 43,358 | - | 6,948,274 |
| Furniture, machinery and equipment | 7,518,133 | 88,154 | 116,541 | 7,489,746 |
| Total other capital assets | $ 87,911,118 | $ 3,053,891 | $ 116,541 | $ 90,848,468 |
| Accumulated depreciation: | | | | |
| Land improvements | $ - | $ 35,987 | $ - | $ 35,987 |
| Buildings and systems | 23,207,418 | 1,964,564 | - | 25,171,982 |
| Dams and reservoirs | 142,859 | 13,271 | - | 156,130 |
| Intangible assets | 1,576,422 | 189,888 | - | 1,766,310 |
| Furniture, machinery and equipment | 3,465,018 | 821,251 | 107,465 | 4,178,804 |
| Total accumulated depreciation | $ 28,391,717 | $ 3,024,961 | $ 107,465 | $ 31,309,213 |
| Other capital assets, net | $ 59,519,401 | $ 28,930 | $ 9,076 | $ 59,539,255 |
| Net capital assets | $ 63,627,116 | $ 5,271,995 | $ 2,405,848 | $ 66,493,263 |

| Depreciation is allocated to: | |
|---|---|
| Water operations | $ 515,377 |
| Wastewater operations | 1,521,902 |
| Parking garage operations | 153,583 |
| Transit operations | 834,099 |
| Total | $ 3,024,961 |

## Note 7—Capital Assets: (Continued)

**Component Unit School Board:**

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 472,679 | $ - | $ - | $ 472,679 |
| Construction in progress | 2,305,281 | 182,955 | 2,463,236 | 25,000 |
| Total capital assets not being depreciated | $ 2,777,960 | $ 182,955 | $ 2,463,236 | $ 497,679 |
| Other capital assets: | | | | |
| Land improvements | $ 146,133 | $ - | $ - | $ 146,133 |
| Buildings and improvements | 31,878,244 | 4,008,237 | 288,202 | 35,598,279 |
| Machinery, equipment and vehicles | 4,707,056 | 997,867 | 47,000 | 5,657,923 |
| Total other capital assets | $ 36,731,433 | $ 5,006,104 | $ 335,202 | $ 41,402,335 |
| Accumulated depreciation: | | | | |
| Land improvements | $ 73,736 | $ 7,306 | $ - | $ 81,042 |
| Buildings and improvements | 13,035,545 | 1,511,281 | 288,202 | 14,258,624 |
| Machinery, equipment and vehicles | 2,910,498 | 358,724 | 47,000 | 3,222,222 |
| Total accumulated depreciation | $ 16,019,779 | $ 1,877,311 | $ 335,202 | $ 17,561,888 |
| Other capital assets, net | $ 20,711,654 | $ 3,128,793 | $ - | $ 23,840,447 |
| Net capital assets | $ 23,489,614 | $ 3,311,748 | $ 2,463,236 | $ 24,338,126 |
| Depreciation allocated to education | | $ 1,877,311 | | |

## Note 8—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. | $ - | $ 1,783,012 |
| Other | 111,642 | 22,977 |
| Total unearned revenue | $ 111,642 | $ 1,805,989 |

| | 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. | $ 625,614 | $ 625,614 |
| 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. | 462,497 | - |
| Total deferred/unavailable revenue | $ 1,088,111 | $ 625,614 |

## Note 9—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2015 is as follows:

| | Balance July 1, 2014 As Restated | Issuances/ Increases | Retirements/ Decreases | Balance June 30, 2015 | Current Portion |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| Long-term obligations payable from governmental activities: | | | | | |
| General obligation bonds | $ 42,571,108 | $ 9,546,567 | $ 7,498,483 | $ 44,619,192 | $ 2,336,345 |
| General obligation school bonds | 37,210,000 | - | 1,545,000 | 35,665,000 | 1,630,000 |
| Add: Unamortized bond premium | 2,329,602 | - | 256,382 | 2,073,220 | 205,044 |
| Notes payable | 725,000 | - | 725,000 | - | - |
| Landfill post-closure costs | 640,717 | 950,859 | - | 1,591,576 | 93,150 |
| Compensated absences | 3,094,973 | 2,018,912 | 1,918,884 | 3,195,001 | 1,980,901 |
| Net pension liability | 26,957,621 | 9,027,804 | 15,227,639 | 20,757,786 | - |
| Net OPEB obligation | 4,606,470 | 1,303,052 | 894,355 | 5,015,167 | - |
| Total | $ 118,135,491 | $ 22,847,194 | $ 28,065,743 | $ 112,916,942 | $ 6,245,440 |
| Long-term obligations payable from business-type activities: | | | | | |
| General obligation bonds | $ 15,687,907 | $ 20,053,434 | $ 8,250,533 | $ 27,490,808 | $ 1,940,655 |
| Add: Unamortized bond premium | 251,553 | - | 131,025 | 120,528 | 12,670 |
| Compensated absences | 197,958 | 143,141 | 127,397 | 213,702 | 139,543 |
| Net pension liability | 2,558,804 | 1,192,952 | 1,592,209 | 2,159,547 | - |
| Net OPEB obligation | 433,166 | 127,672 | 87,555 | 473,283 | - |
| Total | $ 19,129,388 | $ 21,517,199 | $ 10,188,719 | $ 30,457,868 | $ 2,092,868 |
| Total primary government | $ 137,264,879 | $ 44,364,393 | $ 38,254,462 | $ 143,374,810 | $ 8,338,308 |
| **Component Unit School Board:** | | | | | |
| Long-term obligations payable from component unit School Board activities: | | | | | |
| Capital lease | $ 3,598,000 | $ - | $ 181,000 | $ 3,417,000 | $ 200,000 |
| Compensated absences | 1,108,753 | 600,110 | 576,552 | 1,132,311 | 588,802 |
| Net pension liability | 36,973,000 | 2,726,000 | 6,704,000 | 32,995,000 | - |
| Net OPEB obligation | 1,388,435 | 535,856 | 162,900 | 1,761,391 | - |
| Total component unit School Board | $ 43,068,188 | $ 3,861,966 | $ 7,624,452 | $ 39,305,702 | $ 788,802 |

## Note 9—Long-term Obligations: (Continued)

The schedule below shows principal and interest annual requirements through maturity for all outstanding debt at June 30, 2015:

| Year Ending | General Obligation Bonds | | Capital Lease | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2016 | $ 5,907,000 | $ 4,090,320 | $ 200,000 | $ 68,682 |
| 2017 | 6,105,000 | 3,890,371 | 212,000 | 64,662 |
| 2018 | 6,328,000 | 3,663,305 | 225,000 | 60,401 |
| 2019 | 6,050,000 | 3,425,924 | 238,000 | 55,878 |
| 2020 | 6,265,000 | 3,195,312 | 251,000 | 51,094 |
| 2021 | 5,550,000 | 2,956,358 | 266,000 | 46,049 |
| 2022 | 5,770,000 | 2,729,499 | 272,000 | 40,703 |
| 2023 | 5,785,000 | 2,506,624 | 278,000 | 35,235 |
| 2024 | 6,010,000 | 2,287,786 | 283,000 | 29,648 |
| 2025 | 6,230,000 | 2,054,389 | 289,000 | 23,959 |
| 2026 | 6,470,000 | 1,813,751 | 295,000 | 18,150 |
| 2027 | 5,945,000 | 1,572,922 | 301,000 | 12,221 |
| 2028 | 6,180,000 | 1,330,406 | 307,000 | 6,170 |
| 2029 | 5,605,000 | 1,087,071 | - | - |
| 2030 | 5,845,000 | 841,393 | - | - |
| 2031 | 2,195,000 | 666,650 | - | - |
| 2032 | 2,270,000 | 593,405 | - | - |
| 2033 | 2,345,000 | 516,593 | - | - |
| 2034 | 2,425,000 | 436,005 | - | - |
| 2035 | 2,515,000 | 343,394 | - | - |
| 2036 | 1,900,000 | 238,925 | - | - |
| 2037 | 1,990,000 | 146,537 | - | - |
| 2038 | 2,090,000 | 49,635 | - | - |
| | $ 107,775,000 | $ 40,436,575 | $ 3,417,000 | $ 512,852 |

The above schedule does not include premiums.

## Note 9—Long-term Obligations: (Continued)

At June 30, 2015, 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% | $ 35,665,000 | $ 1,630,000 |
| 2005B General Obligation Bonds | 2005 | 2016 | 4.0-4.5% | 515,000 | 515,000 |
| 2007E General Obligation Bonds | 2008 | 2019 | 3.5-5.0% | 1,965,000 | 465,000 |
| 2009A General Obligation Refunding Bonds | 2009 | 2018 | 3.0% | 1,425,000 | 457,000 |
| 2010A General Obligation Bonds | 2010 | 2030 | 6.07% | 970,000 | - |
| 2010B General Obligation Bonds | 2010 | 2028 | 5.6-5.9% | 1,735,000 | - |
| 2010C General Obligation Bonds | 2010 | 2023 | 2.0-4.0% | 2,340,000 | 255,000 |
| 2011A General Obligation Bonds | 2012 | 2038 | 3.0-4.75% | 33,560,000 | 1,095,000 |
| 2014A General Obligation Refunding Bonds | 2015 | 2026 | 2.37% | 6,820,000 | 75,000 |
| 2014B General Obligation Refunding Bonds | 2015 | 2028 | 2.55% | 6,915,000 | 100,000 |
| 2015A General Obligation Bonds | 2015 | 2035 | 2.32% | 15,865,000 | 1,315,000 |
| Total general obligation bonds | | | | $ 107,775,000 | $ 5,907,000 |
| Unamortized bond premium: | | | | | |
| 2004A General Obligation School Bonds | | | | $ 750,800 | $ 87,910 |
| 2010 General Obligation Bonds | | | | 120,528 | 12,670 |
| 2011 General Obligation Bonds | | | | 1,322,420 | 117,134 |
| Total unamortized bond premium | | | | $ 2,193,748 | $ 217,714 |
| Net pension liability | | | | $ 22,917,333 | $ - |
| Compensated absences | | | | $ 3,408,703 | $ 2,120,444 |
| Net OPEB obligation | | | | $ 5,488,450 | $ - |
| Landfill post-closure costs | | | | $ 1,591,576 | $ 93,150 |
| Total primary government | | | | $ 143,374,810 | $ 8,338,308 |
| **Component Unit School Board:** | | | | | |
| Capital lease | 2013 | 2028 | 2.0% | $ 3,417,000 | $ 200,000 |
| Compensated absences | | | | $ 1,132,311 | $ 588,802 |
| Net pension liability | | | | $ 32,995,000 | $ - |
| Net OPEB obligation | | | | $ 1,761,391 | $ - |
| Total component unit School Board | | | | $ 39,305,702 | $ 788,802 |

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.

## Note 9—Long-term Obligations: (Continued)

*Conduit Debt*. There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Outstanding obligations at June 30, 2015 totaled approximately $225,368,791. 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 10—Compensated Absences:

In accordance with GASB Statement 16, Accounting for 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, 2014 | Increase | Decrease | Balance June 30, 2015 | Current Portion |
|---|---|---|---|---|---|
| Changes in compensated absences are as follows: | | | | | |
| Primary Government: | | | | | |
| Governmental activities | $ 3,094,973 | $ 2,018,912 | $ 1,918,884 | $ 3,195,001 | $ 1,980,901 |
| Business-type activities | 197,958 | 142,686 | 126,942 | 213,702 | 139,543 |
| Total primary government | $ 3,292,931 | $ 2,161,598 | $ 2,045,826 | $ 3,408,703 | $ 2,120,444 |
| Component Unit School Board | 1,108,753 | 600,110 | 576,552 | 1,132,311 | 588,802 |
| Total | $ 4,401,684 | $ 2,761,708 | $ 2,622,378 | $ 4,541,014 | $ 2,709,246 |

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

## Note 11—Pension Plan:

*Plan Description*

All full-time, salaried permanent employees of the City are automatically covered by the City of Fredericksburg, Virginia Retirement Plan upon employment. The Plan includes employees of entities whose financial information is not included in the primary government report, and is therefore a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (nonprofessional) employees of the public school divisions are automatically covered by the Fredericksburg City Public Schools Retirement Plan upon employment. This is an agent multiple-employer plan administered by the System along with plans for other employer groups in the Commonwealth of Virginia.

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.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to 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 System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| RETIREMENT PLAN PROVISIONS | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. | **About Plan 2**<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. |

## Note 11—Pension Plan: (Continued)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1 (Cont.)** | **About Plan 2 (Cont.)** | **About the Hybrid Retirement Plan (Cont.)**<br>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.<br>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| **Eligible Members**<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.<br><br>**Hybrid Opt-In Election**<br>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. | **Eligible Members**<br>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.<br><br>**Hybrid Opt-In Election**<br>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• School division employees<br>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Hybrid Opt-In Election (Cont.)**<br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP. | **Hybrid Opt-In Election (Cont.)**<br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP. | ***Non-Eligible Members**<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.<br>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP. |
| **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Creditable Service**<br>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. | **Creditable Service**<br>Same as Plan 1. | **Creditable Service**<br>**Defined Benefit Component:**<br>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.<br><br>**Defined Contributions Component:**<br>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan. |
| **Vesting**<br>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for their plan. Members also must be vested to receive a full refund of | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component:**<br>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting (Cont.)**<br>their member contribution account balance if they leave employment and request a refund.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting (Cont.)**<br>Same as Plan 1. | **Vesting (Cont.)**<br>**Defined Benefit Component: (Cont.)**<br>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.<br><br>**Defined Contributions Component:**<br>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.<br><br>Members are always 100% vested in the contributions that they make.<br><br>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Calculating the Benefit**<br>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.<br><br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**Defined Benefit Component:**<br>See definition under Plan 1.<br><br>**Defined Contribution Component:**<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. | **Service Retirement Multiplier**<br>**VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.<br><br>**Sheriffs and regional jail superintendents:** Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>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.<br><br>**Sheriffs and regional jail superintendents:** Not applicable. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Service Retirement Multiplier**<br>**VRS: (Cont.)**<br><br>**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | **Service Retirement Multiplier**<br>**VRS: (Cont.)**<br><br>**Political subdivision hazardous duty employees:** Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS: (Cont.)**<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Not applicable. |
| **Normal Retirement Age**<br>**VRS:** Age 65.<br><br>**Political subdivisions hazardous duty employees:** Age 60. | **Normal Retirement Age**<br>**VRS:** Normal Social Security retirement age.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Normal Retirement Age**<br>**Defined Benefit Component:**<br>**VRS:** Same as Plan 2.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.<br><br>**Political subdivisions hazardous duty employees:** Age 60 with at least five years (60 months) of creditable service or age 50 with at least 25 years of creditable service. | **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Unreduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**VRS:** Same as Plan 2.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**Note 11—Pension Plan: (Continued)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.<br><br>**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. | **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 60 with at least five years (60 months) of creditable service.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**VRS:** Same as Plan 2<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.<br><br>**Eligibility:**<br>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.<br><br>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.<br><br>**Eligibility:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as Plan 1 and Plan 2. |

## Note 11—Pension Plan: (Continued)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.<br>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

## Note 11—Pension Plan: (Continued)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Disability Coverage**<br>For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.<br><br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. |
| **Purchase of Prior Service**<br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component:**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.<br>Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.<br><br>**Defined Contribution Component:**<br>Not applicable. |

## Note 11—Pension Plan: (Continued)

*Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

*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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 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% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2015 was 15.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. 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 $3,822,048 and $3,029,792 for the years ended June 30, 2015 and June 30, 2014, respectively.

*Net Pension Liability*

At June 30, 2015, the City reported a liability of $22,917,333 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. 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, 2015 and 2014 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2015 and 2014, the City's proportion was 96.57% and 96.55%, respectively.

## Note 11—Pension Plan: (Continued)

*Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the City's Retirement Plan and the City Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

## Note 11—Pension Plan: (Continued)

*Actuarial Assumptions – General Employees (Continued)*

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

*Actuarial Assumptions – Public Safety Employees*

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

## Note 11—Pension Plan: (Continued)

*Actuarial Assumptions – Public Safety Employees: (Continued)*

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**Note 11—Pension Plan: (Continued)**

*Long-Term Expected Rate of Return*

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

## Note 11—Pension Plan: (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City of Fredericksburg, Virginia Retirement Plan, Fredericksburg City Public Schools Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| City's proportionate share of the City Retirement Plan Net Pension Liability (Asset) | $ 37,244,729 | $ 22,917,333 | $ 10,980,182 |

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

For the year ended June 30, 2015, the City recognized pension expense of $1,970,002. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | $ 190,305 | $ 185,719 |
| Net difference between projected and actual earnings on pension plan investments | - | 5,543,888 |
| Employer contributions subsequent to the measurement date | 3,822,048 | - |
| Total | $ 4,012,353 | $ 5,729,607 |

**Note 11—Pension Plan: (Continued)**

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

$3,822,048 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Primary Government |
|---|---|
| 2016 | $ 1,384,826 |
| 2017 | 1,384,826 |
| 2018 | 1,384,826 |
| 2019 | 1,384,826 |

**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, 2013 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 | 10 |
| Inactive members: | |
| Vested inactive members | 4 |
| Non-vested inactive members | 4 |
| Inactive members active elsewhere in VRS | 3 |
| Total inactive members | 21 |
| Active members | 32 |
| Total covered employees | 53 |

## Note 11—Pension Plan: (Continued)

### Component Unit School Board (nonprofessional): (Continued)

*Contributions*

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 6.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. 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 $85,715 and $76,354 for the years ended June 30, 2015 and June 30, 2014, respectively.

*Net Pension Liability*

The Component Unit School Board's (nonprofessional) net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

*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, 2013 | $ 3,717,322 | $ 3,588,874 | $ 128,448 |
| Changes for the year: | | | |
| Service cost | $ 132,328 | $ - | $ 132,328 |
| Interest | 255,208 | - | 255,208 |
| Contributions - employer | - | 76,354 | (76,354) |
| Contributions - employee | - | 59,538 | (59,538) |
| Net investment income | - | 567,330 | (567,330) |
| Benefit payments, including refunds of employee contributions | (142,987) | (142,987) | - |
| Administrative expenses | - | (3,030) | 3,030 |
| Other changes | - | 30 | (30) |
| Net changes | $ 244,549 | $ 557,235 | $ (312,686) |
| Balances at June 30, 2014 | $ 3,961,871 | $ 4,146,109 | $ (184,238) |

**Note 11—Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional): (Continued)**

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| Component Unit School Board (nonprofessional) Net Pension Liability (Asset) | $ 324,172 | $ (184,238) | $ (613,602) |

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

For the year ended June 30, 2015, the Component Unit School Board (nonprofessional) recognized pension expense of $16,838. At June 30, 2015, 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 |
| Net difference between projected and actual earnings on pension plan investments | $ - | $ 253,170 |
| Employer contributions subsequent to the measurement date | 85,715 | - |
| Total | $ 85,715 | $ 253,170 |

## Note 11—Pension Plan: (Continued)

### Component Unit School Board (nonprofessional): (Continued)

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

$85,715 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Component Unit School Board (nonprofessional) |
|---|---|
| 2016 | $ 63,292 |
| 2017 | 63,292 |
| 2018 | 63,292 |
| 2019 | 63,294 |

### Component Unit School Board (professional)

*Plan Description*

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

*Contributions*

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were $3,525,396 and $2,330,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

## Note 11—Pension Plan: (Continued)

### Component Unit School Board (professional): (Continued)

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

At June 30, 2015, the school division reported a liability of $32,995,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .27303% as compared to .26839% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of $2,726,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, 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 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | $ 523,000 | $ - |
| Net difference between projected and actual earnings on pension plan investments | - | 4,897,000 |
| Employer contributions subsequent to the measurement date | 3,525,396 | - |
| Total | $ 4,048,396 | $ 4,897,000 |

## Note 11—Pension Plan: (Continued)

### Component Unit School Board (professional): (Continued)

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

$3,526,396 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Component Unit School Board (professional) |
|---|---|
| 2016 | $ (1,108,000) |
| 2017 | (1,108,000) |
| 2018 | (1,108,000) |
| 2019 | (1,108,000) |
| 2020 | 58,000 |

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

## Note 11—Pension Plan: (Continued)

### Component Unit School Board (professional): (Continued)

*Actuarial Assumptions: (Continued)*

Mortality rates: (Continued)

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportinate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | $ 48,450,000 | $ 32,995,000 | $ 20,270,000 |

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## Note 12—Deferred Compensation Plan:

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

## Note 13—Commitments and Contingencies:

### State and Federal Programs

Federal programs in which the City and all discretely presented component units participate are audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs are tested for compliance with applicable grant requirements.

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

### Environmental Matters

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

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

### Construction Commitments

At June 30, 2015, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately $3,642,209 at June 30, 2015.

## Note 14—Litigation:

The City has been named as defendant in matters involving law enforcement actions and other matters. It is not known what liability, if any, the City faces.

## Note 15—Landfill Post-closure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to post-closure monitoring. The estimated post-closure care cost for the next ten years has been recorded as a liability at June 30, 2015. The $1,591,576 reported as landfill post-closure liability at June 30, 2015 represents the estimated liability for post-closure monitoring as well as corrective action costs. All post-closure care and monitoring costs amounts are based on what it would cost to perform all post-closure care based on 2015 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, 2014 | $ | 640,717 |
| Increase in estimate | | 950,859 |
| Balance at June 30, 2015 | $ | 1,591,576 |

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

## Note 16—Surety Bonds:

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

## Note 17—Self Insurance/Risk Management:

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

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

### Employee Health Insurance

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

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

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 | $ 389,602 |
| City General Fund: Committed Fund Balance for estimated reserves | 386,962 |
| Total | $ 776,564 |

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 |
|---|---|---|---|---|
| 2013 | $ 369,084 | $ 4,184,066 | $ 3,940,112 | $ 613,038 |
| 2014 | 613,038 | 4,522,346 | 4,666,582 | 468,802 |
| 2015 | 468,802 | 4,675,217 | 4,754,417 | 389,602 |

### 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.

## Note 17—Self Insurance/Risk Management: (Continued)

### Property and Casualty Insurance

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

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

## Note 18—Other Post-employment Benefits–Health Insurance:

### City:

**A. Plan Description**

In addition to the pension benefits described in Note 11, 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.

**B. Funding Policy**

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees hired before July 1, 1996 the City pays 100% of the monthly premium. For participating retirees hired on or after July 1, 1996 the City pays $1.50 per month per year of service (up to a maximum of 30 years of service) towards the monthly premium and 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 entire premium.

## Note 18—Other Post-employment Benefits–Health Insurance: (Continued)

**City: (Continued)**

### C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | 1,430,723 |
| Interest on net OPEB obligation | | 201,258 |
| Adjustment to annual required contribution | | (201,257) |
| Annual OPEB cost (expense) | $ | 1,430,724 |
| Contributions made | | (981,910) |
| Increase in net OPEB obligation | $ | 448,814 |
| Net OPEB obligation-beginning of year | | 5,039,636 |
| Net OPEB obligation-end of year | $ | 5,488,450 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

| Fiscal Year Ended | | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | | Net OPEB Obligation |
|---|---|---|---|---|---|
| June 30, 2015 | $ | 1,430,724 | 68.63% | $ | 5,488,450 |
| June 30, 2014 | | 1,308,422 | 68.53% | | 5,039,636 |
| June 30, 2013 | | 1,270,297 | 65.08% | | 4,627,867 |

### D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, date of the most recent actuarial valuation is as follows:

| | | |
|---|---|---|
| Actuarial accrued liability (AAL) | $ | 22,618,400 |
| Actuarial value of plan assets | | - |
| Unfunded actuarial accrued liability | | 22,618,400 |
| Funded ratio (actuarial value of plan assets / AAL) | | - |
| Covered payroll (active plan members) | | 20,837,300 |
| UAAL as a percentage of covered payroll | | 108.55% |

## Note 18—Other Post-employment Benefits–Health Insurance: (Continued)

### City: (Continued)

### E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the January 1, 2014 most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.40% initially, reduced by decrements to an ultimate rate of 4.90% after eighty years. Both rates included a 2.50% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2014, was thirty years.

| | Unfunded |
|---|---|
| Discount rate | 4.00% |
| Payroll growth | 3.00% |

## Note 18—Other Post-employment Benefits–Health Insurance: (Continued)

### School Board:

### A. Plan Description

The 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. The plan has no separate financial report.

### B. Funding Policy

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.

### C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | 538,600 |
| Interest on net OPEB obligation | | 48,595 |
| Adjustment to annual required contribution | | (51,339) |
| Annual OPEB cost (expense) | $ | 535,856 |
| Contributions made | | (162,900) |
| Increase in net OPEB obligation | $ | 372,956 |
| Net OPEB obligation-beginning of year | | 1,388,435 |
| Net OPEB obligation-end of year | $ | 1,761,391 |

## Note 18—Other Post-employment Benefits–Health Insurance: (Continued)

### School Board: (Continued)

### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2015 | $ 535,856 | 30.40% | $ 1,761,391 |
| June 30, 2014 | 369,617 | 54.62% | 1,388,435 |
| June 30, 2013 | 354,180 | 56.24% | 1,220,718 |

### D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, date of the most recent actuarial valuation, is as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 4,512,700 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability | 4,512,700 |
| Funded ratio (actuarial value of plan assets / AAL) | - |
| Covered payroll (active plan members) | 23,123,600 |
| UAAL as a percentage of covered payroll | 19.52% |

### E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## Note 18—Other Post-employment Benefits–Health Insurance: (Continued)

**School Board: (Continued)**

### E. Actuarial Methods and Assumptions: (Continued)

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the January 1, 2014 most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.40% initially, reduced by decrements to an ultimate rate of 4.50% after fifty-eight years. Both rates included a 2.50% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2014, was thirty years.

| | Unfunded |
|---|---|
| Discount rate | 3.50% |
| Payroll growth | 3.00% |

## Note 19—Health Insurance Credit Program-Other Post-employment Benefit:

### A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of $4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of $4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

## Note 19—Health Insurance Credit Program-Other Post-employment Benefit: (Continued)

### A. Plan Description: (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 11.

### B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were $145,879, $119,761, and $114,925, respectively, and equaled the required contributions for each year.

## Note 20—Upcoming GASB Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

## Note 21—Debt Refunding:

On August 19, 2014 the City of Fredericksburg, Virginia issued $6,820,000 in General Obligation Refunding Bonds, Series, 2014A with an effective interest rate 2.37%. The Series 2014A bonds were issued to refund $6,525,000 of General Obligation Bonds. The bonds will be repaid in various installments beginning August 1, 2015 to August 1, 2025. 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 $276,291. The advance refunding reduced the total debt service payments over the next 11 years by $599,364 and resulted in an economic gain of $525,995. At June 30, 2015 the defeased bonds had balances outstanding of $6,525,000.

On August 19, 2014 the City of Fredericksburg, Virginia issued $6,915,000 in General Obligation Refunding Bonds, Series, 2014B with an effective interest rate of 2.55%. The Series 2014B bonds were issued to refund $6,025,000 of General Obligation Bonds. The bonds will be repaid in various installments beginning August 1, 2015 to August 1, 2027. 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 $869,805. The advance refunding reduced the total debt service payments over the next 12 years by $365,022 and resulted in an economic gain of $328,409. At June 30, 2015 the defeased bonds had balances outstanding of $6,025,000.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

Note to Required Supplementary Information:

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

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Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real estate | $ 27,701,305 | $ 27,701,305 | $ 27,910,877 | $ 209,572 |
| Public service corporations | 840,000 | 840,000 | 757,146 | (82,854) |
| Personal property | 8,035,000 | 8,035,000 | 8,243,447 | 208,447 |
| Mobile homes | 900 | 900 | 866 | (34) |
| Machinery and tools | 235,500 | 235,500 | 172,712 | (62,788) |
| Penalties | 240,000 | 240,000 | 270,419 | 30,419 |
| Interest | 135,000 | 135,000 | 161,336 | 26,336 |
| Total general property taxes | $ 37,187,705 | $ 37,187,705 | $ 37,516,803 | $ 329,098 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 11,070,000 | $ 11,070,000 | $ 10,780,677 | $ (289,323) |
| Utility taxes | 1,680,000 | 1,680,000 | 1,856,992 | 176,992 |
| Business licenses and rental tax | 5,690,000 | 5,690,000 | 5,943,742 | 253,742 |
| Motor vehicle licenses | 425,000 | 425,000 | 471,438 | 46,438 |
| Bank stock taxes | 650,000 | 650,000 | 792,451 | 142,451 |
| Recordation taxes | 450,000 | 450,000 | 456,665 | 6,665 |
| Tobacco tax | 600,000 | 600,000 | 525,413 | (74,587) |
| Amusement tax | 350,000 | 350,000 | 432,380 | 82,380 |
| Hotel/lodging taxes | 1,200,000 | 1,200,000 | 1,329,542 | 129,542 |
| Meals taxes | 9,850,000 | 9,850,000 | 10,115,765 | 265,765 |
| Gasoline taxes | 171,430 | 171,430 | 60,915 | (110,515) |
| Other | 130,450 | 130,450 | 82,498 | (47,952) |
| Total other local taxes | $ 32,266,880 | $ 32,266,880 | $ 32,848,478 | $ 581,598 |
| Permits, privilege fees and licenses: | | | | |
| Permits and other licenses | $ 725,325 | $ 725,325 | $ 626,214 | $ (99,111) |
| Animal licenses | 12,000 | 12,000 | 8,981 | (3,019) |
| Total permits, privilege fees and licenses | $ 737,325 | $ 737,325 | $ 635,195 | $ (102,130) |
| Fines and forfeitures | $ 463,975 | $ 463,975 | $ 411,999 | $ (51,976) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 107,500 | $ 107,500 | $ 84,991 | $ (22,509) |
| Revenue from use of property | 30,000 | 30,000 | 39,313 | 9,313 |
| Total revenue from use of money and property | $ 137,500 | $ 137,500 | $ 124,304 | $ (13,196) |
| Charges for services: | | | | |
| Court costs | $ 101,300 | $ 101,300 | $ 106,201 | $ 4,901 |
| Commonwealth's Attorney | 7,500 | 7,500 | 9,812 | 2,312 |
| Sanitation and waste removal | 905,000 | 905,000 | 967,752 | 62,752 |
| Parks and recreation | 453,000 | 453,000 | 490,953 | 37,953 |
| Planning and community development | 600 | 600 | 263 | (337) |
| Fire and rescue services | 803,000 | 803,000 | 837,543 | 34,543 |
| Administrative charges | 80,000 | 80,000 | 152,025 | 72,025 |
| Total charges for services | $ 2,350,400 | $ 2,350,400 | $ 2,564,549 | $ 214,149 |

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues: (continued)** | | | | |
| Revenue from local sources: (continued) | | | | |
| Miscellaneous revenue: | | | | |
| Payments in-lieu of taxes | $ 23,000 | $ 23,000 | $ 27,076 | $ 4,076 |
| Souvenir sales | 19,000 | 19,000 | 24,167 | 5,167 |
| Donations - parks and recreation | 60,000 | 60,000 | 52,634 | (7,366) |
| Other | 31,500 | 31,500 | 24,574 | (6,926) |
| Total miscellaneous revenue | $ 133,500 | $ 133,500 | $ 128,451 | $ (5,049) |
| Recovered costs: | | | | |
| Health department | $ 241,385 | $ 241,385 | $ 187,315 | $ (54,070) |
| Social services | 115,000 | 115,000 | 105,828 | (9,172) |
| Transit | 100,000 | 100,000 | 127,644 | 27,644 |
| Other | 37,250 | 64,620 | 270,767 | 206,147 |
| Total recovered costs | $ 493,635 | $ 521,005 | $ 691,554 | $ 170,549 |
| Total revenue from local sources | $ 73,770,920 | $ 73,798,290 | $ 74,921,333 | $ 1,123,043 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Grantors tax | $ 125,000 | $ 125,000 | $ 141,572 | $ 16,572 |
| Motor vehicle rental tax | 95,000 | 95,000 | 153,262 | 58,262 |
| Communication sales tax | 1,825,000 | 1,825,000 | 1,784,556 | (40,444) |
| Personal property relief | 1,728,800 | 1,728,800 | 1,728,833 | 33 |
| Other | 11,500 | 11,500 | 12,178 | 678 |
| Total noncategorical aid | $ 3,785,300 | $ 3,785,300 | $ 3,820,401 | $ 35,101 |
| Categorical aid - shared expenses: | | | | |
| Commonwealth's Attorney | $ 603,370 | $ 603,370 | $ 608,721 | $ 5,351 |
| Sheriff | 488,370 | 488,370 | 475,793 | (12,577) |
| Commissioner of Revenue | 133,700 | 133,700 | 148,289 | 14,589 |
| Treasurer | 105,140 | 105,140 | 94,918 | (10,222) |
| Registrar | 38,000 | 38,000 | 40,132 | 2,132 |
| Clerk of the Circuit Court | 302,345 | 302,345 | 331,318 | 28,973 |
| Total categorical aid - shared expenses | $ 1,670,925 | $ 1,670,925 | $ 1,699,171 | $ 28,246 |
| Categorical aid - other: | | | | |
| Street and highway maintenance | $ 2,440,000 | $ 2,440,000 | $ 2,606,744 | $ 166,744 |
| Law enforcement assistance | 778,545 | 778,545 | 754,854 | (23,691) |
| Wireless E-911 grants | 175,000 | 175,000 | 188,580 | 13,580 |
| Other | 21,600 | 21,600 | 15,000 | (6,600) |
| Total categorical aid - other | $ 3,415,145 | $ 3,415,145 | $ 3,565,178 | $ 150,033 |
| Total revenue from the Commonwealth | $ 8,871,370 | $ 8,871,370 | $ 9,084,750 | $ 213,380 |

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues: (continued)** | | | | |
| Intergovernmental: (continued) | | | | |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Payment in-lieu of taxes | $ - | $ - | $ 1,967 | $ 1,967 |
| Public assistance - cost allocation | 40,000 | 40,000 | 37,314 | (2,686) |
| Total revenue from the Federal Government | $ 40,000 | $ 40,000 | $ 39,281 | $ (719) |
| Total revenues | $ 82,682,290 | $ 82,709,660 | $ 84,045,364 | $ 1,335,704 |
| **Expenditures** | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| City Council | $ 209,850 | $ 236,870 | $ 234,519 | $ 2,351 |
| Clerk of Council | 107,705 | 113,705 | 113,191 | 514 |
| Total legislative | $ 317,555 | $ 350,575 | $ 347,710 | $ 2,865 |
| General and financial administration: | | | | |
| City manager | $ 701,280 | $ 699,760 | $ 676,441 | $ 23,319 |
| Insurance program | 872,990 | 816,990 | 746,208 | 70,782 |
| Human resources | 349,810 | 366,810 | 356,878 | 9,932 |
| Independent auditor | 68,100 | 73,900 | 72,519 | 1,381 |
| Commissioner of the revenue | 987,220 | 967,220 | 938,537 | 28,683 |
| Board of Real Estate Assessors | 7,000 | 207,000 | - | 207,000 |
| Treasurer | 797,787 | 777,787 | 774,216 | 3,571 |
| Fiscal affairs | 695,453 | 631,653 | 615,597 | 16,056 |
| Information technology | 1,136,380 | 1,173,602 | 1,113,942 | 59,660 |
| Copying and postage | 23,350 | 25,350 | 21,703 | 3,647 |
| Safety program | 103,985 | 108,985 | 101,453 | 7,532 |
| Legal services | 367,742 | 362,742 | 347,066 | 15,676 |
| Total general and financial administration | $ 6,111,097 | $ 6,211,799 | $ 5,764,560 | $ 447,239 |
| Board of elections: | | | | |
| Registrar and electoral board | $ 217,252 | $ 217,252 | $ 196,836 | $ 20,416 |
| Total general government administration | $ 6,645,904 | $ 6,779,626 | $ 6,309,106 | $ 470,520 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit Court | $ 97,855 | $ 110,355 | $ 93,322 | $ 17,033 |
| General District Court | 30,450 | 30,450 | 20,507 | 9,943 |
| Special magistrates | 3,000 | 3,000 | - | 3,000 |
| Juvenile and Domestic Relations Court | 17,800 | 17,800 | 12,366 | 5,434 |
| Clerk of the Circuit Court | 792,623 | 820,043 | 688,432 | 131,611 |
| Sheriff | 2,101,085 | 2,101,085 | 2,057,913 | 43,172 |
| JDR services | 71,700 | 106,700 | 71,700 | 35,000 |
| Juries | 29,000 | 41,000 | 40,737 | 263 |
| Court appointed attorney | 13,000 | 8,000 | 7,005 | 995 |
| Total courts | $ 3,156,513 | $ 3,238,433 | $ 2,991,982 | $ 246,451 |

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Expenditures: (continued)** | | | | |
| Judicial administration: (continued) | | | | |
| Commonwealth Attorney: | | | | |
| Commonwealth Attorney | $ 1,229,286 | $ 1,229,286 | $ 1,209,615 | $ 19,671 |
| Total judicial administration | $ 4,385,799 | $ 4,467,719 | $ 4,201,597 | $ 266,122 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | $ 7,806,396 | $ 7,854,183 | $ 7,843,000 | $ 11,183 |
| Auxiliary police | 8,800 | 8,800 | 8,800 | - |
| Total law enforcement and traffic control | $ 7,815,196 | $ 7,862,983 | $ 7,851,800 | $ 11,183 |
| Fire and rescue: | | | | |
| Fire department | $ 4,808,675 | $ 4,912,539 | $ 4,902,854 | $ 9,685 |
| Rescue services | 257,040 | 257,040 | 257,040 | - |
| Emergency medical services | 1,144,322 | 1,025,715 | 1,015,185 | 10,530 |
| Hazardous materials | 41,480 | 41,480 | 33,002 | 8,478 |
| E-911 communications | 1,226,055 | 1,226,055 | 1,209,244 | 16,811 |
| Total fire and rescue | $ 7,477,572 | $ 7,462,829 | $ 7,417,325 | $ 45,504 |
| Correction and detention: | | | | |
| Juvenile Detention Center | $ 311,975 | $ 311,975 | $ 294,265 | $ 17,710 |
| Rappahannock Security Center | 3,783,720 | 3,783,720 | 3,741,869 | 41,851 |
| Prisoner extradition | - | 2,370 | 1,640 | 730 |
| Total correction and detention | $ 4,095,695 | $ 4,098,065 | $ 4,037,774 | $ 60,291 |
| Inspections: | | | | |
| Building and development services | $ 880,030 | $ 807,530 | $ 778,205 | $ 29,325 |
| Other protection: | | | | |
| Animal control | $ 105,295 | $ 84,848 | $ 80,516 | $ 4,332 |
| Medical Examiner | 1,200 | 1,200 | 200 | 1,000 |
| Total other protection | $ 106,495 | $ 86,048 | $ 80,716 | $ 5,332 |
| Total public safety | $ 20,374,988 | $ 20,317,455 | $ 20,165,820 | $ 151,635 |
| Public works: | | | | |
| Maintenance of streets, highways, bridges and sidewalks: | | | | |
| Administration | $ 815,130 | $ 870,130 | $ 868,844 | $ 1,286 |
| Street maintenance | 1,335,140 | 1,310,866 | 1,056,110 | 254,756 |
| Drainage | 272,720 | 260,720 | 237,610 | 23,110 |
| Street lights | 395,000 | 395,000 | 394,781 | 219 |
| Snow removal | 146,195 | 175,195 | 174,040 | 1,155 |
| Industrial park rail spur | 15,500 | 15,500 | 15,480 | 20 |
| Traffic engineering | 909,965 | 906,628 | 790,798 | 115,830 |
| Shop and garage | 1,291,545 | 1,306,278 | 1,282,171 | 24,107 |
| Graphics | 91,830 | 91,830 | 89,246 | 2,584 |
| Total maintenance of streets, highways, bridges and sidewalks | $ 5,273,025 | $ 5,332,147 | $ 4,909,080 | $ 423,067 |

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Expenditures: (continued)** | | | | |
| Public works: (continued) | | | | |
| Sanitation and waste removal: | | | | |
| Street sanitation | $ 816,540 | $ 1,155,540 | $ 755,077 | $ 400,463 |
| Tree purchase program | 65,000 | 82,528 | 80,681 | 1,847 |
| Refuse collection | 683,740 | 1,033,740 | 675,583 | 358,157 |
| Refuse disposal | 337,450 | 337,450 | 228,251 | 109,199 |
| Recycling collection | 122,225 | 133,225 | 132,470 | 755 |
| Total sanitation and waste removal | $ 2,024,955 | $ 2,742,483 | $ 1,872,062 | $ 870,421 |
| Maintenance of buildings and grounds: | | | | |
| General properties | $ 2,130,973 | $ 2,105,700 | $ 1,852,171 | $ 253,529 |
| Total public works | $ 9,428,953 | $ 10,180,330 | $ 8,633,313 | $ 1,547,017 |
| 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 | $ 201,005 | $ 201,005 | $ 201,005 | $ - |
| Social services: | | | | |
| Other contributions | $ 366,245 | $ 333,745 | $ 333,745 | $ - |
| Total health and welfare | $ 981,530 | $ 949,030 | $ 949,030 | $ - |
| Education: | | | | |
| Community colleges | $ 43,325 | $ 43,325 | $ 43,325 | $ - |
| Appropriations to public school system | 26,840,500 | 26,840,500 | 26,840,500 | - |
| Total education | $ 26,883,825 | $ 26,883,825 | $ 26,883,825 | $ - |
| Parks, recreation and cultural: | | | | |
| Parks and recreation: | | | | |
| Administration | $ 652,277 | $ 652,277 | $ 645,253 | $ 7,024 |
| Supervision | 710,062 | 710,062 | 687,106 | 22,956 |
| Maintenance | 1,138,337 | 1,124,337 | 1,100,140 | 24,197 |
| Dixon Park swimming pool | 141,930 | 151,229 | 149,165 | 2,064 |
| Total parks and recreation | $ 2,642,606 | $ 2,637,905 | $ 2,581,664 | $ 56,241 |
| Library: | | | | |
| Regional library | $ 1,282,875 | $ 1,282,875 | $ 1,282,875 | $ - |
| Cultural: | | | | |
| Museums | $ 95,975 | $ 95,975 | $ 95,975 | $ - |
| Total parks, recreation and cultural | $ 4,021,456 | $ 4,016,755 | $ 3,960,514 | $ 56,241 |

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Expenditures: (continued)** | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | $ 745,545 | $ 770,545 | $ 767,746 | $ 2,799 |
| Zoning Appeals Board | 1,400 | 1,000 | 570 | 430 |
| Community development | 136,870 | 136,870 | 136,870 | - |
| Architectural Review Board | 2,000 | 2,400 | 2,342 | 58 |
| Clean and Green Commission | 3,000 | 3,000 | 2,452 | 548 |
| Commuter rail | 50,000 | 50,000 | 29,916 | 20,084 |
| Economic development and tourism | 1,026,729 | 1,043,562 | 1,025,645 | 17,917 |
| Total planning and community development | $ 1,965,544 | $ 2,007,377 | $ 1,965,541 | $ 41,836 |
| Environmental management: | | | | |
| Soil and water conservation district | $ 2,000 | $ 2,000 | $ 2,000 | $ - |
| Total community development | $ 1,967,544 | $ 2,009,377 | $ 1,967,541 | $ 41,836 |
| Total expenditures | $ 74,689,999 | $ 75,604,117 | $ 73,070,746 | $ 2,533,371 |
| **Excess (deficiency) of revenues over expenditures** | $ 7,992,291 | $ 7,105,543 | $ 10,974,618 | $ 3,869,075 |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from the sale of capital assets | $ 15,500 | $ 15,500 | $ 28,158 | $ 12,658 |
| Issuance of bonds | - | 700,000 | 700,043 | 43 |
| Transfers in | 635,000 | 635,000 | 635,000 | - |
| Transfers out | (11,003,930) | (11,565,445) | (11,484,908) | 80,537 |
| Total other financing sources (uses) | $ (10,353,430) | $ (10,214,945) | $ (10,121,707) | $ 93,238 |
| Net change in fund balance | $ (2,361,139) | $ (3,109,402) | $ 852,911 | $ 3,962,313 |
| **Fund balance, beginning of year** | 2,361,139 | 3,109,402 | 27,285,105 | 24,175,703 |
| **Fund balance, end of year** | $ - | $ - | $ 28,138,016 | $ 28,138,016 |

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
At June 30, 2015

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Employee 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** | | | | | |
| 2014 | 96.5700% | $ 22,917,333 | $ 21,687,751 | 105.67% | 79.85% |
| **Component Unit School Board (professional)** | | | | | |
| 2014 | 0.2730% | $ 32,995,000 | $ 19,966,621 | 165.25% | 70.88% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Year Ended June 30, 2015

| | | 2014 |
|---|---|---|
| **Total pension liability** | | |
| Service cost | $ | 132,328 |
| Interest | | 255,208 |
| Changes of benefit terms | | - |
| Differences between expected and actual experience | | - |
| Changes in assumptions | | - |
| Benefit payments, including refunds of employee contributions | | (142,987) |
| **Net change in total pension liability** | $ | 244,549 |
| **Total pension liability - beginning** | | 3,717,322 |
| **Total pension liability - ending (a)** | $ | 3,961,871 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ | 76,354 |
| Contributions - employee | | 59,538 |
| Net investment income | | 567,330 |
| Benefit payments, including refunds of employee contributions | | (142,987) |
| Administrative expense | | (3,030) |
| Other | | 30 |
| **Net change in plan fiduciary net position** | $ | 557,235 |
| **Plan fiduciary net position - beginning** | | 3,588,874 |
| **Plan fiduciary net position - ending (b)** | $ | 4,146,109 |
| | | |
| **School Division's net pension liability(asset) - ending (a) - (b)** | $ | (184,238) |
| | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | | 104.65% |
| | | |
| **Covered-employee payroll** | $ | 1,175,037 |
| | | |
| **School Division's net pension liability as a percentage of covered-employee payroll** | | 15.68% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Year Ended June 30, 2015

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 2015 | $ 3,608,107 | $ 3,608,107 | $ - | $ 22,635,550 | 15.94% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2015 | $ 85,715 | $ 85,715 | $ - | $ 1,235,088 | 6.94% |
| **Component Unit School Board (professional)** | | | | | |
| 2015 | $ 3,525,396 | $ 3,525,396 | $ - | $ 24,313,076 | 14.50% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

**Changes of benefit terms** – No significant changes to the System benefit provisions have been made since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes in assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Schedule of OPEB Funding Progress

**City:**

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| January 1, 2014 | $ - | $ 22,618,400 | $ 22,618,400 | 0.00% | $ 20,837,300 | 108.55% |
| January 1, 2012 | - | 20,305,900 | 20,305,900 | 0.00% | 20,443,300 | 99.33% |
| January 1, 2010 | - | 19,834,600 | 19,834,600 | 0.00% | 20,997,500 | 94.46% |

**School Board:**

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| January 1, 2014 | $ - | $ 4,512,700 | $ 4,512,700 | 0.00% | $ 23,123,600 | 19.52% |
| January 1, 2012 | - | 3,206,600 | 3,206,600 | 0.00% | 19,647,600 | 16.32% |
| January 1, 2010 | - | 4,218,700 | 4,218,700 | 0.00% | 21,140,600 | 19.96% |

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# ***OTHER SUPPLEMENTARY INFORMATION***

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Budgetary Comparison Schedule
New Court Construction Fund
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Revenue from use of money and property: | | | | |
| Use of money | $ - | $ - | $ 8,881 | $ 8,881 |
| Charges for services: | | | | |
| Courthouse construction fees | $ - | $ - | $ 57,701 | $ 57,701 |
| Total revenues | $ - | $ - | $ 66,582 | $ 66,582 |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| New court construction | $ 3,430,663 | $ 8,983,212 | $ 6,562,945 | $ 2,420,267 |
| Total expenditures | $ 3,430,663 | $ 8,983,212 | $ 6,562,945 | $ 2,420,267 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (3,430,663) | $ (8,983,212) | $ (6,496,363) | $ 2,486,849 |
| Net change in fund balance | $ (3,430,663) | $ (8,983,212) | $ (6,496,363) | $ 2,486,849 |
| **Fund balance, beginning of year** | 3,430,663 | 8,983,212 | 9,111,979 | 128,767 |
| **Fund balance, end of year** | $ - | $ - | $ 2,615,616 | $ 2,615,616 |

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

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2015

| | Special Revenue | Capital Projects | Debt Service | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and cash equivalents | $ 1,716,060 | $ 6,477,110 | $ 2,308,258 | $ 10,501,428 |
| Accrued revenue | 10,774 | 196,678 | - | 207,452 |
| Prepaid items | 4,876 | - | - | 4,876 |
| Due from other governments | 788,889 | 2,480,296 | - | 3,269,185 |
| Total assets | $ 2,520,599 | $ 9,154,084 | $ 2,308,258 | $ 13,982,941 |
| **Liabilities:** | | | | |
| Reconciled overdraft | $ - | $ 82,741 | $ - | $ 82,741 |
| Accounts payable | 285,610 | 987,723 | - | 1,273,333 |
| Accrued liabilities | 115,790 | 96,572 | - | 212,362 |
| Unearned revenue | 22,945 | - | - | 22,945 |
| Total liabilities | $ 424,345 | $ 1,167,036 | $ - | $ 1,591,381 |
| **Fund Balances:** | | | | |
| Nonspendable | $ 4,876 | $ - | $ - | $ 4,876 |
| Restricted | 332,993 | - | - | 332,993 |
| Committed | 1,758,385 | 726,631 | 2,308,258 | 4,793,274 |
| Assigned | - | 7,260,417 | - | 7,260,417 |
| Total fund balances | $ 2,096,254 | $ 7,987,048 | $ 2,308,258 | $ 12,391,560 |
| Total liabilities and fund balances | $ 2,520,599 | $ 9,154,084 | $ 2,308,258 | $ 13,982,941 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

| | Special Revenue | Capital Projects | Debt Service | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Other local taxes | $ - | $ 1,569,891 | $ - | $ 1,569,891 |
| Permits, privilege fees and regulatory licenses | 6,990 | 84,500 | - | 91,490 |
| Fines and forfeitures | - | 111,548 | - | 111,548 |
| Use of money and property | 231 | 272,041 | - | 272,272 |
| Charges for services | 53,013 | - | - | 53,013 |
| Miscellaneous | 104,833 | 40,000 | - | 144,833 |
| Recovered costs | 418,531 | 33,725 | - | 452,256 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 2,941,438 | 803,181 | - | 3,744,619 |
| Revenue from the Federal Government | 2,853,420 | 869,233 | - | 3,722,653 |
| Total revenues | $ 6,378,456 | $ 3,784,119 | $ - | $ 10,162,575 |
| **Expenditures** | | | | |
| Current: | | | | |
| Judicial administration | $ 224,565 | $ - | $ - | $ 224,565 |
| Public safety | 572,993 | - | - | 572,993 |
| Public works | 47,404 | - | - | 47,404 |
| Health and welfare | 6,827,358 | - | - | 6,827,358 |
| Parks, recreation and cultural | 81,204 | - | - | 81,204 |
| Community development | 881,072 | - | - | 881,072 |
| Capital projects | - | 6,634,883 | - | 6,634,883 |
| Debt service: | | | | |
| Principal payments | - | - | 4,437,379 | 4,437,379 |
| Interest and fiscal charges | - | - | 3,457,000 | 3,457,000 |
| Total expenditures | $ 8,634,596 | $ 6,634,883 | $ 7,894,379 | $ 23,163,858 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (2,256,140) | $ (2,850,764) | $ (7,894,379) | $ (13,001,283) |
| **Other financing sources (uses)** | | | | |
| Issuance of refunding bonds | $ - | $ - | $ 5,714,176 | $ 5,714,176 |
| Issuance of bonds | - | 3,120,109 | 12,239 | 3,132,348 |
| Payment to refunded bonds escrow agent | - | - | (5,698,218) | (5,698,218) |
| Proceeds from the sale of capital assets | 2,223 | 100,000 | - | 102,223 |
| Transfers in | 2,092,895 | 1,698,195 | 7,712,298 | 11,503,388 |
| Transfers out | (50,000) | - | - | (50,000) |
| Total other financing sources (uses) | $ 2,045,118 | $ 4,918,304 | $ 7,740,495 | $ 14,703,917 |
| Net change in fund balance | $ (211,022) | $ 2,067,540 | $ (153,884) | $ 1,702,634 |
| **Fund balances, beginning of year** | 2,307,276 | 5,919,508 | 2,462,142 | 10,688,926 |
| **Fund balances, end of year** | $ 2,096,254 | $ 7,987,048 | $ 2,308,258 | $ 12,391,560 |

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2015

| | Virginia Public Assistance Fund | State, Federal and Local Grants Fund | Compre-hensive Services Act Fund | Central Park Special Tax District Fund | Courthouse Maintenance Fund | Forfeited Asset Sharing Program Fund | Blight Abatement Fund | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Cash and cash equivalents | $ 40,472 | $ 562,753 | $ 250,570 | $ 262,519 | $ 332,993 | $ 71,651 | $ 195,102 | $ 1,716,060 |
| Accrued revenue | 4,774 | 5,481 | - | - | - | - | 519 | 10,774 |
| Prepaid items | 891 | 3,785 | - | - | - | 200 | - | 4,876 |
| Due from other governments | 394,265 | 152,461 | 242,163 | - | - | - | - | 788,889 |
| Total assets | $ 440,402 | $ 724,480 | $ 492,733 | $ 262,519 | $ 332,993 | $ 71,851 | $ 195,621 | $ 2,520,599 |
| **Liabilities:** | | | | | | | | |
| Accounts payable | $ 33,763 | $ 64,719 | $ 167,207 | $ - | $ - | $ 19,921 | $ - | $ 285,610 |
| Accrued liabilities | 72,952 | 7,783 | 2,235 | - | - | 32,820 | - | 115,790 |
| Unearned revenue | - | 20,000 | - | - | - | 2,945 | - | 22,945 |
| Total liabilities | $ 106,715 | $ 92,502 | $ 169,442 | $ - | $ - | $ 55,686 | $ - | $ 424,345 |
| **Fund Balances:** | | | | | | | | |
| Nonspendable | $ 891 | $ 3,785 | $ - | $ - | $ - | $ 200 | $ - | $ 4,876 |
| Restricted | - | - | - | - | 332,993 | - | - | 332,993 |
| Committed | 332,796 | 628,193 | 323,291 | 262,519 | - | 15,965 | 195,621 | 1,758,385 |
| Total fund balances | $ 333,687 | $ 631,978 | $ 323,291 | $ 262,519 | $ 332,993 | $ 16,165 | $ 195,621 | $ 2,096,254 |
| Total liabilities and fund balances | $ 440,402 | $ 724,480 | $ 492,733 | $ 262,519 | $ 332,993 | $ 71,851 | $ 195,621 | $ 2,520,599 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2015

| | Virginia Public Assistance Fund | State, Federal and Local Grants Fund | Compre-hensive Services Act Fund | Central Park Special Tax District Fund | Courthouse Maintenance Fund | Forfeited Asset Sharing Program Fund | Blight Abatement Fund | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Permits, privilege fees and regulatory licenses | $ - | $ 6,990 | $ - | $ - | $ - | $ - | $ - | $ 6,990 |
| Use of money and property | - | 105 | - | - | - | 126 | - | 231 |
| Charges for services | - | 6,300 | - | - | 46,713 | - | - | 53,013 |
| Miscellaneous | 25 | 104,808 | - | - | - | - | - | 104,833 |
| Recovered costs | 56,680 | 342,000 | - | - | - | - | 19,851 | 418,531 |
| Intergovernmental: | | | | | | | | |
| Revenue from the Commonwealth | 1,545,953 | 281,902 | 1,100,118 | - | - | 13,465 | - | 2,941,438 |
| Revenue from the Federal Government | 2,242,070 | 365,858 | 49,446 | - | - | 196,046 | - | 2,853,420 |
| Total revenues | $ 3,844,728 | $ 1,107,963 | $ 1,149,564 | $ - | $ 46,713 | $ 209,637 | $ 19,851 | $ 6,378,456 |
| **Expenditures** | | | | | | | | |
| Judicial administration | $ - | $ 224,565 | $ - | $ - | $ - | $ - | $ - | $ 224,565 |
| Public safety | - | 341,394 | - | - | - | 231,599 | - | 572,993 |
| Public works | - | 40,899 | - | - | - | - | 6,505 | 47,404 |
| Health and welfare | 4,822,866 | - | 2,004,492 | - | - | - | - | 6,827,358 |
| Parks, recreation and cultural | - | 81,204 | - | - | - | - | - | 81,204 |
| Community development | - | 881,072 | - | - | - | - | - | 881,072 |
| Total expenditures | $ 4,822,866 | $ 1,569,134 | $ 2,004,492 | $ - | $ - | $ 231,599 | $ 6,505 | $ 8,634,596 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (978,138) | $ (461,171) | $ (854,928) | $ - | $ 46,713 | $ (21,962) | $ 13,346 | $ (2,256,140) |
| **Other financing sources (uses)** | | | | | | | | |
| Transfers in | $ 1,039,810 | $ 377,810 | $ 675,275 | $ - | $ - | $ - | $ - | $ 2,092,895 |
| Transfers out | - | - | - | - | (50,000) | - | - | (50,000) |
| Proceeds from the sale of capital assets | 2,223 | - | - | - | - | - | - | 2,223 |
| Total other financing sources (uses) | $ 1,042,033 | $ 377,810 | $ 675,275 | $ - | $ (50,000) | $ - | $ - | $ 2,045,118 |
| Net change in fund balance | $ 63,895 | $ (83,361) | $ (179,653) | $ - | $ (3,287) | $ (21,962) | $ 13,346 | $ (211,022) |
| **Fund balances, beginning of year** | 269,792 | 715,339 | 502,944 | 262,519 | 336,280 | 38,127 | 182,275 | 2,307,276 |
| **Fund balances, end of year** | $ 333,687 | $ 631,978 | $ 323,291 | $ 262,519 | $ 332,993 | $ 16,165 | $ 195,621 | $ 2,096,254 |

Combining Balance Sheet
Nonmajor Capital Projects Funds
At June 30, 2015

| | Public Works Construction Fund | Public Facilities Construction Fund | Public Safety Construction Fund | Neighborhood Lighting & Sidewalk Construction Fund | Total |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash and cash equivalents | $ 3,917,357 | $ 1,013,010 | $ 1,546,743 | $ - | $ 6,477,110 |
| Accrued revenue | 110,713 | 67,840 | 18,125 | - | 196,678 |
| Due from other governments | 1,839,670 | 557,885 | - | 82,741 | 2,480,296 |
| Total assets | $ 5,867,740 | $ 1,638,735 | $ 1,564,868 | $ 82,741 | $ 9,154,084 |
| **Liabilities:** | | | | | |
| Reconciled overdraft | $ - | $ - | $ - | $ 82,741 | $ 82,741 |
| Accounts payable | 580,879 | 242,764 | 164,080 | - | 987,723 |
| Accrued liabilities | 23,577 | 72,995 | - | - | 96,572 |
| Total liabilities | $ 604,456 | $ 315,759 | $ 164,080 | $ 82,741 | $ 1,167,036 |
| **Fund Balances:** | | | | | |
| Committed | $ 471,946 | $ 170,696 | $ 83,989 | $ - | $ 726,631 |
| Assigned | 4,791,338 | 1,152,280 | 1,316,799 | - | 7,260,417 |
| Total fund balances | $ 5,263,284 | $ 1,322,976 | $ 1,400,788 | $ - | $ 7,987,048 |
| Total liabilities and fund balances | $ 5,867,740 | $ 1,638,735 | $ 1,564,868 | $ 82,741 | $ 9,154,084 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2015

| | Public Works Construction Fund | Public Facilities Construction Fund | Public Safety Construction Fund | Neighborhood Lighting & Sidewalk Construction Fund | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Other local taxes | $ 1,487,150 | $ - | $ - | $ 82,741 | $ 1,569,891 |
| Permits, privilege fees and regulatory licenses | - | 84,500 | - | - | 84,500 |
| Fines and forfeitures | 14,980 | - | 96,568 | - | 111,548 |
| Use of money and property | 63,398 | 145,792 | 62,851 | - | 272,041 |
| Miscellaneous | 40,000 | - | - | - | 40,000 |
| Recovered costs | 33,725 | - | - | - | 33,725 |
| Intergovernmental: | | | | | |
| Revenue from the Commonwealth | 773,930 | 29,251 | - | - | 803,181 |
| Revenue from the Federal Government | 3,029 | 866,204 | - | - | 869,233 |
| Total revenues | $ 2,416,212 | $ 1,125,747 | $ 159,419 | $ 82,741 | $ 3,784,119 |
| **Expenditures** | | | | | |
| Capital projects | $ 3,743,751 | $ 1,902,018 | $ 906,373 | $ 82,741 | $ 6,634,883 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (1,327,539) | $ (776,271) | $ (746,954) | $ - | $ (2,850,764) |
| **Other financing sources (uses)** | | | | | |
| Issuance of bonds | $ 2,470,102 | $ - | $ 650,007 | $ - | $ 3,120,109 |
| Proceeds from the sale of capital assets | 50,000 | 50,000 | - | - | 100,000 |
| Transfers in | 735,000 | 738,400 | 224,795 | - | 1,698,195 |
| Total other financing sources (uses) | $ 3,255,102 | $ 788,400 | $ 874,802 | $ - | $ 4,918,304 |
| Net change in fund balance | $ 1,927,563 | $ 12,129 | $ 127,848 | $ - | $ 2,067,540 |
| **Fund balances, beginning of year** | 3,335,721 | 1,310,847 | 1,272,940 | - | 5,919,508 |
| **Fund balances, end of year** | $ 5,263,284 | $ 1,322,976 | $ 1,400,788 | $ - | $ 7,987,048 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2015

| | General Obligation Bond Debt Service Fund | Education Debt Service Fund | Total |
|---|---|---|---|
| **Expenditures** | | | |
| Debt service: | | | |
| Principal | $ 2,799,221 | $ 1,638,158 | $ 4,437,379 |
| Interest and fiscal charges | 1,625,227 | 1,831,773 | 3,457,000 |
| Total expenditures | $ 4,424,448 | $ 3,469,931 | $ 7,894,379 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (4,424,448) | $ (3,469,931) | $ (7,894,379) |
| **Other financing sources (uses)** | | | |
| Issuance of bonds | $ 12,239 | $ - | $ 12,239 |
| Issuance of refunding bonds | 5,714,176 | - | 5,714,176 |
| Payment to refunded bonds escrow agent | (5,698,218) | - | (5,698,218) |
| Transfers in | 4,396,251 | 3,316,047 | 7,712,298 |
| Total other financing sources (uses) | $ 4,424,448 | $ 3,316,047 | $ 7,740,495 |
| Net change in fund balance | $ - | $ (153,884) | $ (153,884) |
| **Fund balances, beginning of year** | - | 2,462,142 | 2,462,142 |
| **Fund balances, end of year** | $ - | $ 2,308,258 | $ 2,308,258 |

Combining Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2015

| | Criminal Justice Academy | Special Welfare | Court Service Unit | Rappahannock Area Youth Commission | Revenue Maximization | Community Development Authority | Total |
|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | |
| Cash and cash equivalents | $ 81,502 | $ 14,508 | $ 93,670 | $ 101,547 | $ 20,451 | $ 329,246 | $ 640,924 |
| Accounts receivable | 170 | - | 17,925 | 59,065 | - | - | 77,160 |
| Prepaid items | 17,120 | - | - | 9,949 | - | - | 27,069 |
| Total assets | $ 98,792 | $ 14,508 | $ 111,595 | $ 170,561 | $ 20,451 | $ 329,246 | $ 745,153 |
| **Liabilities:** | | | | | | | |
| Accounts payable | $ 8,827 | $ - | $ 28,822 | $ 10,471 | $ - | $ - | $ 48,120 |
| Accrued liabilities | 32,328 | - | 795 | - | - | - | 33,123 |
| Amounts held for others | 57,637 | 14,508 | 81,978 | 160,090 | 20,451 | 329,246 | 663,910 |
| Total liabilities | $ 98,792 | $ 14,508 | $ 111,595 | $ 170,561 | $ 20,451 | $ 329,246 | $ 745,153 |

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
|---|---|---|---|---|
| **CRIMINAL JUSTICE ACADEMY** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 49,109 | $ 81,502 | $ 49,109 | $ 81,502 |
| Accounts receivable | 5,594 | 170 | 5,594 | 170 |
| Prepaid items | 12,625 | 17,120 | 12,625 | 17,120 |
| Total assets | $ 67,328 | $ 98,792 | $ 67,328 | $ 98,792 |
| Liabilities: | | | | |
| Accounts payable | $ 7,044 | $ 8,827 | $ 7,044 | $ 8,827 |
| Accrued liabilities | 27,800 | 32,328 | 27,800 | 32,328 |
| Unearned revenue | 10,000 | - | 10,000 | - |
| Amounts held for others | 22,484 | 57,637 | 22,484 | 57,637 |
| Total liabilities | $ 67,328 | $ 98,792 | $ 67,328 | $ 98,792 |
| **SPECIAL WELFARE** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 26,655 | $ 12,490 | $ 24,637 | $ 14,508 |
| Liabilities: | | | | |
| Amounts held for others | $ 26,655 | $ 12,490 | $ 24,637 | $ 14,508 |
| **COURT SERVICE UNIT** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 148,578 | $ 193,716 | $ 248,624 | $ 93,670 |
| Accounts receivable | - | 17,925 | - | 17,925 |
| Total assets | $ 148,578 | $ 211,641 | $ 248,624 | $ 111,595 |
| Liabilities: | | | | |
| Accounts payable | $ 17,102 | $ 28,822 | $ 17,102 | $ 28,822 |
| Accrued liabilities | 727 | 795 | 727 | 795 |
| Amounts held for others | 130,749 | 182,024 | 230,795 | 81,978 |
| Total liabilities | $ 148,578 | $ 211,641 | $ 248,624 | $ 111,595 |

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
|---|---|---|---|---|
| **RAPPAHANNOCK AREA YOUTH COMMISSION** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 145,643 | $ 623,067 | $ 667,163 | $ 101,547 |
| Accounts receivable | 74,607 | 59,065 | 74,607 | 59,065 |
| Prepaid items | 7,507 | 9,949 | 7,507 | 9,949 |
| Total assets | $ 227,757 | $ 692,081 | $ 749,277 | $ 170,561 |
| Liabilities: | | | | |
| Accounts payable | $ 28,650 | $ 10,471 | $ 28,650 | $ 10,471 |
| Amounts held for others | 199,107 | 681,610 | 720,627 | 160,090 |
| Total liabilities | $ 227,757 | $ 692,081 | $ 749,277 | $ 170,561 |
| **REVENUE MAXIMIZATION** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 20,451 | $ - | $ - | $ 20,451 |
| Liabilities: | | | | |
| Amounts held for others | $ 20,451 | $ - | $ - | $ 20,451 |
| **COMMUNITY DEVELOPMENT AUTHORITY** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 345,947 | $ 680,829 | $ 697,530 | $ 329,246 |
| Liabilities: | | | | |
| Amounts held for others | $ 345,947 | $ 680,829 | $ 697,530 | $ 329,246 |
| **TOTALS -- ALL AGENCY FUNDS** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 736,383 | $ 1,591,604 | $ 1,687,063 | $ 640,924 |
| Accounts receivable | 80,201 | 77,160 | 80,201 | 77,160 |
| Prepaid items | 20,132 | 27,069 | 20,132 | 27,069 |
| Total assets | $ 836,716 | $ 1,695,833 | $ 1,787,396 | $ 745,153 |
| Liabilities: | | | | |
| Accounts payable | $ 52,796 | $ 48,120 | $ 52,796 | $ 48,120 |
| Accrued liabilities | 28,527 | 33,123 | 28,527 | 33,123 |
| Unearned revenue | 10,000 | - | 10,000 | - |
| Amounts held for others | 745,393 | 1,614,590 | 1,696,073 | 663,910 |
| Total liabilities | $ 836,716 | $ 1,695,833 | $ 1,787,396 | $ 745,153 |

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds** | | | | |
| **Virginia Public Assistance Fund** | | | | |
| **Revenues** | | | | |
| Miscellaneous | $ - | $ - | $ 25 | $ 25 |
| Recovered costs | $ 52,110 | $ 52,110 | $ 56,680 | $ 4,570 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance grants | $ 1,791,071 | $ 2,023,571 | $ 1,545,953 | $ (477,618) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Public assistance grants | $ 1,645,646 | $ 1,835,146 | $ 2,242,070 | $ 406,924 |
| Total revenues | $ 3,488,827 | $ 3,910,827 | $ 3,844,728 | $ (66,099) |
| **Expenditures** | | | | |
| Health and welfare | $ 4,581,815 | $ 5,003,815 | $ 4,822,866 | $ 180,949 |
| **State, Federal and Local Grants Fund** | | | | |
| **Revenues** | | | | |
| Permits and other licenses | $ 21,500 | $ 21,500 | $ 6,990 | $ (14,510) |
| Revenue from use of money and property: | | | | |
| Use of money and property | $ - | $ - | $ 105 | $ 105 |
| Miscellaneous | $ 141,000 | $ 169,800 | $ 104,808 | $ (64,992) |
| Charges for services: | | | | |
| Parks and recreation fees | $ - | $ - | $ 6,300 | $ 6,300 |
| Recovered costs: | | | | |
| Stafford and Spotsylvania Counties | $ 342,000 | $ 342,000 | $ 342,000 | $ - |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Arts grant | $ 5,000 | $ 5,000 | $ 5,000 | $ - |
| Hazardous materials grant | 30,000 | 80,000 | 80,476 | 476 |
| Fire services program | 64,925 | 64,925 | 76,941 | 12,016 |
| VA domestic violence victim fund | 40,000 | 40,000 | 40,000 | - |
| Victim-witness program | 30,645 | 30,645 | 15,739 | (14,906) |
| Four-for-life grant | 25,000 | 25,000 | 28,591 | 3,591 |
| Other | 26,960 | 46,075 | 35,155 | (10,920) |
| Total revenue from the Commonwealth | $ 222,530 | $ 291,645 | $ 281,902 | $ (9,743) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Law enforcement and related programs | $ 84,185 | $ 89,440 | $ 158,424 | $ 68,984 |
| Brownfields EPA grant | - | - | 40,899 | 40,899 |
| DEQ grant | - | 25,000 | 5,700 | (19,300) |
| Community development block grants | 146,325 | 146,325 | 160,835 | 14,510 |
| Total revenue from the Federal Government | $ 230,510 | $ 260,765 | $ 365,858 | $ 105,093 |
| Total revenues | $ 957,540 | $ 1,085,710 | $ 1,107,963 | $ 22,253 |

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (continued)** | | | | |
| **State, Federal and Local Grants Fund: (continued)** | | | | |
| **Expenditures** | | | | |
| Judicial administration: | | | | |
| Victim-witness | $ 133,590 | $ 133,590 | $ 136,532 | $ (2,942) |
| Domestic violence victim fund grant | 69,505 | 69,505 | 55,687 | 13,818 |
| Records preservation program | - | - | 32,346 | (32,346) |
| Total judicial administration | $ 203,095 | $ 203,095 | $ 224,565 | $ (21,470) |
| Public safety: | | | | |
| Hazardous materials response program | $ 30,000 | $ 105,000 | $ 96,487 | $ 8,513 |
| Fire services program | 64,925 | 98,215 | 74,717 | 23,498 |
| Four-for-life grant | 25,000 | 25,000 | 28,591 | (3,591) |
| Rescue squad assistance | - | 26,230 | 26,276 | (46) |
| LEMPG | 10,860 | - | - | - |
| Domestic violence | - | 418 | 281 | 137 |
| ICAC grant | - | 6,000 | 125 | 5,875 |
| Community projects | - | 6,795 | 4,723 | 2,072 |
| Local emergency performance grant | - | 10,860 | 10,698 | 162 |
| COPS grant | 65,000 | 65,000 | 62,046 | 2,954 |
| DOJ grant | 13,540 | 18,795 | 16,875 | 1,920 |
| DMV grants | 16,100 | 16,100 | 20,575 | (4,475) |
| Total public safety | $ 225,425 | $ 378,413 | $ 341,394 | $ 37,019 |
| Public works: | | | | |
| Brownfields EPA grant | $ - | $ - | $ 40,899 | $ (40,899) |
| Parks, recreation and cultural: | | | | |
| Soap Box Derby | $ 28,000 | $ 28,000 | $ 21,353 | $ 6,647 |
| Starfire drill team | 25,000 | 25,000 | 6,947 | 18,053 |
| Farmers' market | 21,500 | 21,500 | 19,509 | 1,991 |
| Fredericksburg Arts Commission | 15,000 | 15,000 | 26,529 | (11,529) |
| Other | 25,000 | 48,800 | 6,866 | 41,934 |
| Total parks, recreation and cultural | $ 114,500 | $ 138,300 | $ 81,204 | $ 57,096 |
| Community development: | | | | |
| Community development block grant | $ 197,020 | $ 197,020 | $ 211,461 | $ (14,441) |
| First Night celebration | 63,000 | 63,000 | 32,922 | 30,078 |
| Regional consumer marketing | 363,000 | 363,000 | 400,109 | (37,109) |
| Regional group tourism | 150,000 | 150,000 | 106,984 | 43,016 |
| PEG access | 40,000 | 95,000 | 89,229 | 5,771 |
| Memorial Advisory Commission | - | 25,000 | 20,650 | 4,350 |
| Other | - | - | 19,717 | (19,717) |
| Total community development | $ 813,020 | $ 893,020 | $ 881,072 | $ 11,948 |
| Total expenditures | $ 1,356,040 | $ 1,612,828 | $ 1,569,134 | $ 43,694 |

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (continued)** | | | | |
| **Comprehensive Services Act Fund** | | | | |
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Comprehensive Services Act grants | $ 1,108,290 | $ 1,108,290 | $ 1,100,118 | $ (8,172) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Public assistance grants | $ 23,090 | $ 23,090 | $ 49,446 | $ 26,356 |
| Total revenues | $ 1,131,380 | $ 1,131,380 | $ 1,149,564 | $ 18,184 |
| **Expenditures** | | | | |
| Health and Welfare: | | | | |
| Comprehensive Services Act program | $ 1,876,647 | $ 2,006,647 | $ 2,004,492 | $ 2,155 |
| **Courthouse Maintenance Fund** | | | | |
| **Revenues** | | | | |
| Charges for services: | | | | |
| Courthouse maintenance fees | $ 50,000 | $ 46,000 | $ 46,713 | $ 713 |
| **Blight Abatement Fund** | | | | |
| **Revenues** | | | | |
| Recovered costs | $ - | $ 6,600 | $ 19,851 | $ 13,251 |
| **Expenditures** | | | | |
| Public works: | | | | |
| Blight abatement | $ - | $ 6,600 | $ 6,505 | $ 95 |
| **Forfeited Asset Sharing Program Fund** | | | | |
| **Revenues** | | | | |
| Revenue from use of money and property: | | | | |
| Use of money | $ - | $ - | $ 126 | $ 126 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Forfeited asset sharing program | $ - | $ - | $ 13,465 | $ 13,465 |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Forfeited asset sharing program | $ - | $ 18,945 | $ 196,046 | $ 177,101 |
| Total revenues | $ - | $ 18,945 | $ 209,637 | $ 190,692 |
| **Expenditures** | | | | |
| Public safety: | | | | |
| Forfeited asset sharing program | $ - | $ 245,262 | $ 231,599 | $ (13,663) |
| **Capital Projects Funds** | | | | |
| **Public Works Construction Fund** | | | | |
| **Revenues** | | | | |
| Other local taxes: | | | | |
| Gasoline taxes | $ 900,000 | $ 1,440,500 | $ 1,487,150 | $ 46,650 |
| Fines and forfeitures | $ 25,000 | $ 25,000 | $ 14,980 | $ (10,020) |
| Revenue from use of money and property: | | | | |
| Use of money | $ - | $ - | $ 63,398 | $ 63,398 |
| Miscellaneous | $ - | $ - | $ 40,000 | $ 40,000 |

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Capital Projects Funds: (continued)** | | | | |
| **Public Works Construction Fund: (continued)** | | | | |
| **Revenues: (continued)** | | | | |
| Recovered costs | $ - | $ - | $ 33,725 | $ 33,725 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| VDOT grants | $ 28,000 | $ 1,401,530 | $ 773,930 | $ (627,600) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| VDOT grants | $ 112,000 | $ 1,584,927 | $ 1,808 | $ (1,583,119) |
| FEMA grant | - | - | 1,221 | 1,221 |
| Total revenue from the Federal Government | $ 112,000 | $ 1,584,927 | $ 3,029 | $ (1,581,898) |
| Total revenues | $ 1,065,000 | $ 4,451,957 | $ 2,416,212 | $ (2,035,745) |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| Annual pavement rehabilitation | $ 1,710,000 | $ 1,910,000 | $ 1,059,311 | $ 850,689 |
| Culvert repair | - | 51,700 | 16,700 | 35,000 |
| Salt storage facility | - | 460,000 | - | 460,000 |
| Signalization | - | 46,650 | 46,650 | - |
| Sophia & William Street intersection | - | 130,483 | - | 130,483 |
| Traffic signal improvement - pedestrian sign | - | 105,800 | 144,973 | (39,173) |
| Riverfront Park | 225,000 | 285,000 | 30,962 | 254,038 |
| Princess Anne Street improvement | 65,000 | 65,000 | - | 65,000 |
| Rappahannock Canal repairs | 75,000 | 75,000 | 18,941 | 56,059 |
| Stormwater management plan | 175,000 | 175,000 | 31,544 | 143,456 |
| Twin Lakes sidewalks | 630,000 | 630,000 | 149,336 | 480,664 |
| Central Park Boulevard revenue sharing | - | 455,000 | 862,129 | (407,129) |
| Amelia Street revenue sharing | - | 110,000 | 226,523 | (116,523) |
| Cowan Boulevard extension | - | - | 6,600 | (6,600) |
| Traffic operations center | - | 425,000 | 6,030 | 418,970 |
| Lafayette at Kenmore roundabout | 75,000 | 150,000 | - | 150,000 |
| Fall Hill Avenue bridge over I-95 | - | 1,085,674 | 2,260 | 1,083,414 |
| Fall Hill Avenue canal bridge | - | 900,000 | 1,141,792 | (241,792) |
| Total capital projects | $ 2,955,000 | $ 7,060,307 | $ 3,743,751 | $ 3,316,556 |
| **Public Facilities Construction Fund** | | | | |
| **Revenues** | | | | |
| Other local taxes: | | | | |
| Gasoline tax | $ - | $ 460,400 | $ - | $ (460,400) |
| Permits and other licenses | $ - | $ - | $ 84,500 | $ 84,500 |
| Revenue from use of money and property: | | | | |
| Use of money | $ - | $ - | $ 62,657 | $ 62,657 |
| Use of property | - | - | 83,135 | 83,135 |
| Total revenue from use of money and property | $ - | $ - | $ 145,792 | $ 145,792 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| VDOT grants | $ - | $ 361,331 | $ 29,251 | $ (332,080) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Miscellaneous grants | $ - | $ 631,021 | $ 866,204 | $ 235,183 |
| Total revenues | $ - | $ 1,452,752 | $ 1,125,747 | $ (327,005) |

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Capital Projects Funds: (continued)** | | | | |
| **Public Facilities Construction Fund: (continued)** | | | | |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| General parks maintenance improvements | $ 75,000 | $ 92,494 | $ 74,265 | $ 18,229 |
| Roof replacements | 75,000 | 75,000 | 11,378 | 63,622 |
| Computer equipment replacement | 270,000 | 333,663 | 262,070 | 71,593 |
| Executive Plaza building | 50,000 | 38,000 | - | 38,000 |
| Public facilities general improvements | 100,000 | 96,000 | 26,717 | 69,283 |
| Pathways - VCR Trail areas I and II | - | 1,460,065 | 230,513 | 1,229,552 |
| Pathways - VCR Trail area III | - | - | 1,052,506 | (1,052,506) |
| Public safety system refresh | 85,000 | 133,400 | 123,855 | 9,545 |
| Facilities improvements | 150,000 | 150,000 | 82,787 | 67,213 |
| City elevator repairs | 180,000 | 180,000 | - | 180,000 |
| Comprehensive plan update | 130,000 | 130,000 | 960 | 129,040 |
| HVAC replacements | 75,000 | 91,000 | 36,967 | 54,033 |
| Baseball parking lot | 8,000,000 | 8,000,000 | - | 8,000,000 |
| Total capital projects | $ 9,190,000 | $ 10,779,622 | $ 1,902,018 | $ 8,877,604 |
| **Public Safety Construction Fund** | | | | |
| **Revenues** | | | | |
| Fines and forfeitures | $ - | $ - | $ 96,568 | $ 96,568 |
| Revenue from use of money and property: | | | | |
| Use of money | $ - | $ - | $ 62,851 | $ 62,851 |
| Total revenues | $ - | $ - | $ 159,419 | $ 159,419 |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| SCBA replacement | $ 89,295 | $ 145,000 | $ 128,319 | $ 16,681 |
| Public safety radio system upgrade | 55,000 | 55,000 | 19,586 | 35,414 |
| Fire equipment | 650,000 | 650,000 | 647,952 | 2,048 |
| 911 center improvements | 34,500 | 34,500 | 30,900 | 3,600 |
| VA Commonwealth Attorney's info system | - | 97,100 | 42,447 | 54,653 |
| Police camera system | 46,000 | 106,000 | 37,169 | 68,831 |
| Total capital projects | $ 874,795 | $ 1,087,600 | $ 906,373 | $ 181,227 |
| **Neighborhood Lighting & Sidewalk Construction Fund** | | | | |
| **Revenues** | | | | |
| Other local taxes: | | | | |
| Gasoline tax | $ 85,000 | $ 257,500 | $ 82,741 | $ (174,759) |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| Lighting and sidewalk projects | $ 85,000 | $ 257,500 | $ 82,741 | $ 174,759 |
| **Debt Service Funds** | | | | |
| **General Obligation Bond Debt Service Fund** | | | | |
| **Expenditures** | | | | |
| Principal and interest | $ 4,458,255 | $ 4,458,255 | $ 4,424,448 | $ 33,807 |
| **Education Debt Service Fund** | | | | |
| **Expenditures** | | | | |
| Principal and interest | $ 3,316,100 | $ 3,316,100 | $ 3,469,931 | $ (153,831) |

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

Component Unit School Board
Combining Balance Sheet
At June 30, 2015

| | School Operating Fund | Special School Fund | School Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and cash equivalents | $ 5,263,723 | $ 772,172 | $ 302,074 | $ 6,337,969 |
| Accrued revenue | 2,110 | 3,500 | - | 5,610 |
| Due from other governments | 616,307 | 800,975 | - | 1,417,282 |
| Prepaid items | 208,116 | - | - | 208,116 |
| Total assets | $ 6,090,256 | $ 1,576,647 | $ 302,074 | $ 7,968,977 |
| **Liabilities:** | | | | |
| Accounts payable | $ 337,040 | $ 186,180 | $ 7,248 | $ 530,468 |
| Accrued liabilities | 3,279,220 | 402,454 | - | 3,681,674 |
| Unearned revenue | 24,134 | - | - | 24,134 |
| Total liabilities | $ 3,640,394 | $ 588,634 | $ 7,248 | $ 4,236,276 |
| **Fund Balances:** | | | | |
| Nonspendable: | | | | |
| Prepaid items | $ 208,116 | $ - | $ - | $ 208,116 |
| Committed: | | | | |
| Grant related expenditures | - | 988,013 | - | 988,013 |
| Capital projects | - | - | 14,969 | 14,969 |
| Subsequent year's expenditures | 250,000 | - | - | 250,000 |
| Assigned: | | | | |
| Capital projects | - | - | 279,857 | 279,857 |
| Unassigned | 1,991,746 | - | - | 1,991,746 |
| Total fund balances | $ 2,449,862 | $ 988,013 | $ 294,826 | $ 3,732,701 |
| Total liabilities and fund balances | $ 6,090,256 | $ 1,576,647 | $ 302,074 | $ 7,968,977 |

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2015

| | | |
|---|---|---|
| Total fund balances for governmental funds (Exhibit 30) | | $ 3,732,701 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: | | |
| Land | $ 472,679 | |
| Construction in progress | 25,000 | |
| Land improvements, net of accumulated depreciation | 65,091 | |
| Buildings and improvements, net of accumulated depreciation | 21,339,655 | |
| Machinery, equipment, and vehicles, net of accumulated depreciation | 2,435,701 | 24,338,126 |
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | | 184,238 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Items related to measurement of net pension liability | | (5,150,170) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | | 3,611,111 |
| Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows: | | |
| Capital lease | | (3,417,000) |
| Net OPEB obligation not reported as fund liabilities | | (1,761,391) |
| Net pension liability not reported as fund liabilities | | (32,995,000) |
| Compensated absences not reported as fund liabilities | | (1,132,311) |
| Adjustment for changes in proportionate share of net pension liability | | 523,000 |
| Total net position of governmental activities (Exhibits 1 and 12) | | $ (12,066,696) |

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

| | School Operating Fund | Special School Fund | School Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Use of money and property | $ 17,000 | $ - | $ - | $ 17,000 |
| Charges for services | 158,925 | 365,249 | - | 524,174 |
| Miscellaneous | 63,816 | 232,754 | - | 296,570 |
| Recovered costs | 17,638 | 119,644 | 11,897 | 149,179 |
| Intergovernmental: | | | | |
| Appropriation from primary government | 26,570,500 | - | 270,000 | 26,840,500 |
| Revenue from the Commonwealth | 12,712,282 | 241,353 | - | 12,953,635 |
| Revenue from the Federal Government | - | 4,290,280 | - | 4,290,280 |
| Total revenues | $ 39,540,161 | $ 5,249,280 | $ 281,897 | $ 45,071,338 |
| **Expenditures** | | | | |
| Current: | | | | |
| Education: | | | | |
| Instruction | $ 29,469,687 | $ 3,465,103 | $ - | $ 32,934,790 |
| Administration, attendance and health | 2,870,929 | - | - | 2,870,929 |
| Transportation | 1,600,599 | - | - | 1,600,599 |
| Facilities operations | 3,780,859 | - | - | 3,780,859 |
| Technology | 1,753,539 | - | - | 1,753,539 |
| School food service operations | 154,338 | 1,709,736 | - | 1,864,074 |
| Capital projects | - | - | 387,265 | 387,265 |
| Debt service: | | | | |
| Principal | 181,000 | - | - | 181,000 |
| Interest | 71,132 | - | - | 71,132 |
| Total expenditures | $ 39,882,083 | $ 5,174,839 | $ 387,265 | $ 45,444,187 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (341,922) | $ 74,441 | $ (105,368) | $ (372,849) |
| Net change in fund balance | $ (341,922) | $ 74,441 | $ (105,368) | $ (372,849) |
| **Fund balances, beginning of year** | 2,791,784 | 913,572 | 400,194 | 4,105,550 |
| **Fund balances, end of year** | $ 2,449,862 | $ 988,013 | $ 294,826 | $ 3,732,701 |

Component Unit School Board
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (Exhibit 32) | $ | (372,849) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | (179,942) |
| Transfer of joint tenancy assets from Primary Government to the Component Unit School Board | | 1,028,454 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Change in deferred inflows related to the measurement of the net pension liability/asset | | (5,150,170) |
| Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | | |
| Repayments of long-term debt: | | |
| Capital lease | | 181,000 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following: | | |
| Net OPEB obligation | | (372,956) |
| Net pension asset | | 184,238 |
| Net pension liability | | 4,106,448 |
| Deferred outflows of resources related to pension | | 1,727,757 |
| Compensated absences | | (23,558) |
| Change in net position of governmental activities (Exhibit 12) | $ | 1,128,422 |

Component Unit School Board
School Operating Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **School Operating Fund** | | | | |
| **Revenues** | | | | |
| Use of money and property: | | | | |
| Use of property | $ 3,000 | $ 3,000 | $ 17,000 | $ 14,000 |
| Charges for services: | | | | |
| Charges for education | $ 219,650 | $ 219,650 | $ 158,925 | $ (60,725) |
| Miscellaneous | $ 27,655 | $ 27,655 | $ 63,816 | $ 36,161 |
| Recovered costs: | | | | |
| Education | $ - | $ - | $ 17,638 | $ 17,638 |
| Intergovernmental: | | | | |
| Appropriation from primary government | $ 26,570,500 | $ 26,570,500 | $ 26,570,500 | $ - |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| State sales taxes | $ 3,227,932 | $ 3,227,932 | $ 3,339,477 | $ 111,545 |
| Basic aid | 6,186,262 | 6,186,262 | 5,904,211 | (282,051) |
| Other | 3,548,297 | 3,548,297 | 3,468,594 | (79,703) |
| Total revenue from the Commonwealth | $ 12,962,491 | $ 12,962,491 | $ 12,712,282 | $ (250,209) |
| Total revenues | $ 39,783,296 | $ 39,783,296 | $ 39,540,161 | $ (243,135) |
| **Expenditures** | | | | |
| Current: | | | | |
| Education: | | | | |
| Instruction | $ 29,592,278 | $ 30,002,143 | $ 29,469,687 | $ 532,456 |
| Administration, attendance and health | 3,034,857 | 3,036,192 | 2,870,929 | 165,263 |
| Transportation | 1,499,547 | 1,499,547 | 1,600,599 | (101,052) |
| School food service operations | 150,000 | 150,000 | 154,338 | (4,338) |
| Facilities operations | 4,210,650 | 4,209,450 | 3,780,859 | 428,591 |
| Technology | 1,195,964 | 2,310,964 | 1,753,539 | 557,425 |
| Debt service: | | | | |
| Principal | 181,000 | 181,000 | 181,000 | - |
| Interest and fiscal charges | 69,000 | 69,000 | 71,132 | (2,132) |
| Total expenditures | $ 39,933,296 | $ 41,458,296 | $ 39,882,083 | $ 1,576,213 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ (150,000) | $ (1,675,000) | $ (341,922) | $ 1,333,078 |
| Net change in fund balance | $ (150,000) | $ (1,675,000) | $ (341,922) | $ 1,333,078 |
| **Fund balance, beginning of year** | 150,000 | 1,675,000 | 2,791,784 | 1,116,784 |
| **Fund balance, end of year** | $ - | $ - | $ 2,449,862 | $ 2,449,862 |

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

Component Unit School Board
Special School Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Special School Fund** | | | | |
| **Revenues** | | | | |
| Charges for services: | | | | |
| Cafeteria sales | $ 460,000 | $ 460,000 | $ 365,249 | $ (94,751) |
| Miscellaneous | $ - | $ 124,000 | $ 232,754 | $ 108,754 |
| Recovered costs: | | | | |
| Education | $ 137,000 | $ 137,000 | $ 119,644 | $ (17,356) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food | $ 28,000 | $ 28,000 | $ 27,857 | $ (143) |
| Preschool initiative grant | 219,000 | 219,000 | 162,000 | (57,000) |
| Other | 180,000 | 180,000 | 51,496 | (128,504) |
| Total revenue from the Commonwealth | $ 427,000 | $ 427,000 | $ 241,353 | $ (185,647) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Title I | $ 825,000 | $ 869,845 | $ 851,591 | $ (18,254) |
| School food | 1,036,000 | 1,036,000 | 1,194,941 | 158,941 |
| Head Start | 805,000 | 931,000 | 1,212,928 | 281,928 |
| Special education IDEA | 500,000 | 617,878 | 614,112 | (3,766) |
| Other | 381,500 | 381,500 | 416,708 | 35,208 |
| Total revenue from the Federal Government | $ 3,547,500 | $ 3,836,223 | $ 4,290,280 | $ 454,057 |
| Total revenues | $ 4,571,500 | $ 4,984,223 | $ 5,249,280 | $ 265,057 |
| **Expenditures** | | | | |
| Current: | | | | |
| Education: | | | | |
| Instruction | $ 2,954,505 | $ 3,437,228 | $ 3,465,103 | $ (27,875) |
| School food service operations | 1,616,995 | 1,886,995 | 1,709,736 | 177,259 |
| Total expenditures | $ 4,571,500 | $ 5,324,223 | $ 5,174,839 | $ 149,384 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ - | $ (340,000) | $ 74,441 | $ 414,441 |
| Net change in fund balance | $ - | $ (340,000) | $ 74,441 | $ 414,441 |
| **Fund balance, beginning of year** | - | 340,000 | 913,572 | 573,572 |
| **Fund balance, end of year** | $ - | $ - | $ 988,013 | $ 988,013 |

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

Component Unit School Board
School Capital Projects Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **School Capital Projects Fund** | | | | |
| **Revenues** | | | | |
| Recovered costs: | | | | |
| Education | $ - | $ - | $ 11,897 | $ 11,897 |
| Intergovernmental: | | | | |
| Appropriation from primary government | $ 270,000 | $ 270,000 | $ 270,000 | $ - |
| Total revenues | $ 270,000 | $ 270,000 | $ 281,897 | $ 11,897 |
| **Expenditures** | | | | |
| Capital projects: | | | | |
| School buses | $ 270,000 | $ 184,763 | $ 175,797 | $ 8,966 |
| School computer technology | - | 62,543 | - | 62,543 |
| Hugh Mercer improvements | - | 307,380 | 207,171 | 100,209 |
| Maintenance equipment | - | 40,000 | 4,297 | 35,703 |
| Other | - | 75,000 | - | 75,000 |
| Total capital projects | $ 270,000 | $ 669,686 | $ 387,265 | $ 282,421 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ - | $ (399,686) | $ (105,368) | $ 294,318 |
| Net change in fund balance | $ - | $ (399,686) | $ (105,368) | $ 294,318 |
| **Fund balance, beginning of year** | - | 399,686 | 400,194 | 508 |
| **Fund balance, end of year** | $ - | $ - | $ 294,826 | $ 294,826 |

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

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## Statistical Section


| Contents | Tables |
|---|---|
| Financial Trends<br>These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time. | 1 - 5 |
| Revenue Capacity<br>These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. | 6 - 9 |
| Debt Capacity<br>These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future. | 10 - 13 |
| Demographic and Economic Information<br>These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | 14, 15 |
| Operating Information<br>These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | 16 - 18 |


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

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**CITY OF FREDERICKSBURG, VIRGINIA** **Table 1**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | $ 68,520,864 | $ 80,789,888 | $ 81,234,288 | $ 80,177,661 | $ 81,665,145 | $ 80,513,796 | $ 80,274,520 | $ 81,353,678 | $ 84,961,559 | $ 88,179,245 |
| Unrestricted | 42,907,819 | 31,075,783 | 28,429,225 | 24,379,848 | 22,042,434 | 23,055,185 | 27,061,221 | 31,143,089 | 30,874,128 | 6,205,397 |
| Total governmental activities net position | $ 111,428,683 | $ 111,865,671 | $ 109,663,513 | $ 104,557,509 | $ 103,707,579 | $ 103,568,981 | $ 107,335,741 | $ 112,496,767 | $ 115,835,687 | $ 94,384,642 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | $ 27,183,315 | $ 32,215,508 | $ 29,319,742 | $ 38,744,975 | $ 39,780,366 | $ 39,550,414 | $ 40,307,710 | $ 44,809,475 | $ 47,687,656 | $ 47,153,509 |
| Unrestricted | 17,550,170 | 15,618,080 | 21,584,625 | 12,503,966 | 13,022,965 | 16,473,376 | 17,161,279 | 16,705,512 | 17,779,917 | 17,046,024 |
| Total business-type activities net position | $ 44,733,485 | $ 47,833,588 | $ 50,904,367 | $ 51,248,941 | $ 52,803,331 | $ 56,023,790 | $ 57,468,989 | $ 61,514,987 | $ 65,467,573 | $ 64,199,533 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | $ 95,704,179 | $ 113,005,396 | $ 110,554,030 | $ 118,922,636 | $ 121,445,511 | $ 120,064,210 | $ 120,582,230 | $ 126,163,153 | $ 132,649,215 | $ 135,332,754 |
| Unrestricted | 60,457,989 | 46,693,863 | 50,013,850 | 36,883,814 | 35,065,399 | 39,528,561 | 44,222,500 | 47,848,601 | 48,654,045 | 23,251,421 |
| Total primary government net position | $ 156,162,168 | $ 159,699,259 | $ 160,567,880 | $ 155,806,450 | $ 156,510,910 | $ 159,592,771 | $ 164,804,730 | $ 174,011,754 | $ 181,303,260 | $ 158,584,175 |

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 2**



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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | $ 3,688,618 | $ 5,546,499 | $ 5,254,913 | $ 5,760,023 | $ 5,171,028 | $ 5,407,587 | $ 5,833,003 | $ 6,889,501 | $ 6,397,126 | $ 6,285,041 |
| Judicial administration | 2,853,064 | 3,131,169 | 3,559,936 | 3,701,857 | 3,854,380 | 3,609,180 | 3,879,790 | 4,341,611 | 4,392,902 | 4,478,163 |
| Public safety | 15,922,143 | 18,155,708 | 19,073,783 | 20,056,605 | 20,200,427 | 19,937,181 | 19,316,975 | 19,579,277 | 20,623,797 | 20,645,685 |
| Public works | 8,278,001 | 9,099,097 | 9,882,486 | 10,194,381 | 10,964,359 | 10,707,212 | 10,898,437 | 11,584,108 | 12,681,384 | 13,162,173 |
| Health and welfare | 6,130,391 | 6,745,573 | 6,465,395 | 6,661,643 | 6,721,050 | 6,797,908 | 6,790,459 | 6,426,311 | 6,594,938 | 7,279,605 |
| Education | 18,961,723 | 24,108,406 | 28,328,165 | 27,341,339 | 26,228,250 | 26,383,137 | 27,249,752 | 28,633,110 | 28,797,870 | 28,803,904 |
| Parks, recreation and cultural | 4,029,638 | 4,485,451 | 4,588,059 | 4,400,464 | 3,936,068 | 4,031,435 | 4,340,912 | 4,554,212 | 4,765,119 | 4,790,452 |
| Community development | 2,186,347 | 2,619,455 | 2,344,557 | 1,965,407 | 1,819,607 | 1,930,369 | 2,154,832 | 2,165,794 | 2,186,948 | 2,694,020 |
| Interest on long-term debt | 3,110,420 | 2,991,013 | 2,948,621 | 2,859,774 | 2,674,176 | 2,542,424 | 3,186,127 | 3,485,231 | 3,343,630 | 3,150,988 |
| Total governmental activities expenses | $ 65,160,345 | $ 76,882,371 | $ 82,445,915 | $ 82,941,493 | $ 81,569,345 | $ 81,346,433 | $ 83,650,287 | $ 87,659,155 | $ 89,783,714 | $ 91,290,031 |
| Business-type activities: | | | | | | | | | | |
| Water | $ 2,381,713 | $ 2,873,240 | $ 3,148,696 | $ 2,748,400 | $ 2,882,295 | $ 2,523,517 | $ 2,884,071 | $ 2,999,771 | $ 2,751,523 | $ 2,933,514 |
| Sewer | 3,077,612 | 3,538,756 | 4,172,099 | 4,476,638 | 4,156,245 | 4,975,289 | 5,256,052 | 4,875,587 | 4,874,582 | 4,795,857 |
| Transit | 2,124,171 | 2,491,330 | 3,345,639 | 3,893,458 | 3,600,428 | 3,887,158 | 4,097,929 | 4,157,157 | 4,437,179 | 4,275,370 |
| Parking | 297,067 | 441,343 | 495,917 | 493,920 | 528,819 | 460,950 | 476,315 | 456,999 | 470,905 | 448,933 |
| Total business-type activities expenses | $ 7,880,563 | $ 9,344,669 | $ 11,162,351 | $ 11,612,416 | $ 11,167,787 | $ 11,846,914 | $ 12,714,367 | $ 12,489,514 | $ 12,534,189 | $ 12,453,674 |
| Total primary government expenses | $ 73,040,908 | $ 86,227,040 | $ 93,608,266 | $ 94,553,909 | $ 92,737,132 | $ 93,193,347 | $ 96,364,654 | $ 100,148,669 | $ 102,317,903 | $ 103,743,705 |

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 2**



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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | $ 41,889 | $ 49,059 | $ 50,515 | $ 93,045 | $ 79,215 | $ 85,191 | $ 82,624 | $ 94,773 | $ 109,152 | $ 152,025 |
| Judicial administration | 230,864 | 122,520 | 112,162 | 106,210 | 196,474 | 219,127 | 214,894 | 209,917 | 204,046 | 220,427 |
| Public safety | 363,782 | 1,036,746 | 1,361,978 | 1,834,819 | 1,848,719 | 2,111,221 | 1,943,884 | 2,042,868 | 1,862,973 | 2,087,775 |
| Public works | 1,695,616 | 698,875 | 689,151 | 727,253 | 725,710 | 733,070 | 743,145 | 757,997 | 828,049 | 967,752 |
| Parks, recreation and cultural | 579,514 | 637,446 | 550,465 | 518,630 | 469,802 | 487,368 | 459,848 | 440,392 | 471,289 | 497,253 |
| Community development | 15,185 | 2,795 | 2,470 | 1,685 | 691 | 476 | 145 | 274 | 1,169 | 263 |
| Operating grants and contributions | 8,625,114 | 9,343,428 | 10,656,874 | 10,522,749 | 10,073,459 | 10,159,077 | 11,758,221 | 9,685,095 | 9,985,588 | 10,896,754 |
| Capital grants and contributions | - | 766,972 | 453,402 | 202,849 | 1,750,758 | 841,870 | 1,725,467 | 2,967,105 | 4,595,323 | 2,011,484 |
| Total governmental activities program revenues | $ 11,551,964 | $ 12,657,841 | $ 13,877,017 | $ 14,007,240 | $ 15,144,828 | $ 14,637,400 | $ 16,928,228 | $ 16,198,421 | $ 18,057,589 | $ 16,833,733 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | $ 2,056,764 | $ 2,067,579 | $ 2,150,126 | $ 2,180,347 | $ 2,261,200 | $ 2,344,438 | $ 2,448,425 | $ 2,689,470 | $ 2,829,872 | $ 3,035,359 |
| Sewer | 3,073,788 | 3,168,327 | 3,264,915 | 3,457,792 | 3,742,221 | 3,821,281 | 4,013,111 | 4,526,072 | 4,857,512 | 5,144,191 |
| Transit | 50,416 | 54,952 | 116,661 | 159,741 | 271,610 | 274,395 | 368,072 | 344,624 | 423,081 | 403,921 |
| Parking | 28,563 | 83,520 | 106,916 | 130,281 | 192,461 | 238,240 | 261,991 | 304,003 | 328,385 | 353,532 |
| Operating grants and contributions | 5,887,681 | 4,427,535 | 4,560,490 | 4,342,760 | 5,270,270 | 6,621,263 | 5,493,221 | 3,521,961 | 4,784,398 | 3,514,732 |
| Capital grants and contributions | 739,857 | 2,391,013 | 2,301,859 | 566,957 | 931,897 | 870,726 | 763,564 | 4,397,886 | 2,307,225 | 145,599 |
| Total business-type activities program revenues | $ 11,837,069 | $ 12,192,926 | $ 12,500,967 | $ 10,837,878 | $ 12,669,659 | $ 14,170,343 | $ 13,348,384 | $ 15,784,016 | $ 15,530,473 | $ 12,597,334 |
| Total primary government program revenues | $ 23,389,033 | $ 24,850,767 | $ 26,377,984 | $ 24,845,118 | $ 27,814,487 | $ 28,807,743 | $ 30,276,612 | $ 31,982,437 | $ 33,588,062 | $ 29,431,067 |
| Net (expense) / revenue | | | | | | | | | | |
| Governmental activities | $ (53,608,381) | $ (64,224,530) | $ (68,568,898) | $ (68,934,253) | $ (66,424,517) | $ (66,709,033) | $ (66,722,059) | $ (71,460,734) | $ (71,726,125) | $ (74,456,298) |
| Business-type activities | 3,956,506 | 2,848,257 | 1,338,616 | (774,538) | 1,501,872 | 2,323,429 | 634,017 | 3,294,502 | 2,996,284 | 143,660 |
| Total primary government net expense | $ (49,651,875) | $ (61,376,273) | $ (67,230,282) | $ (69,708,791) | $ (64,922,645) | $ (64,385,604) | $ (66,088,042) | $ (68,166,232) | $ (68,729,841) | $ (74,312,638) |

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 2**



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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | $ 24,818,965 | $ 27,037,526 | $ 27,791,803 | $ 29,632,428 | $ 29,951,918 | $ 31,254,682 | $ 33,896,976 | $ 34,601,092 | $ 35,247,134 | $ 37,567,214 |
| Local sales and use taxes | 12,856,512 | 12,892,369 | 12,746,040 | 11,929,648 | 10,043,091 | 10,191,895 | 10,311,633 | 10,840,598 | 10,663,183 | 10,780,677 |
| Consumer utility taxes | 2,910,053 | 2,036,988 | 1,527,028 | 1,517,109 | 1,677,699 | 1,644,628 | 1,831,083 | 1,795,046 | 1,844,379 | 1,856,992 |
| Business license taxes | 5,893,564 | 5,777,346 | 5,436,366 | 5,847,174 | 5,893,072 | 5,538,312 | 5,735,557 | 5,994,920 | 5,641,614 | 5,943,742 |
| Hotel/Lodging taxes | 808,010 | 860,935 | 918,952 | 1,050,586 | 1,084,542 | 1,175,244 | 1,182,500 | 1,204,855 | 1,149,906 | 1,329,542 |
| Meals taxes | 6,402,076 | 6,418,546 | 7,042,409 | 7,080,021 | 8,132,542 | 8,842,347 | 9,373,302 | 9,657,796 | 9,752,120 | 10,115,765 |
| Other local taxes | 3,126,960 | 3,408,233 | 3,406,556 | 2,707,109 | 3,147,579 | 2,892,598 | 2,877,503 | 2,914,744 | 3,837,495 | 4,391,651 |
| Unrestricted grants and contributions | 2,145,364 | 1,992,420 | 2,027,309 | 1,967,696 | 3,810,995 | 3,909,817 | 3,741,002 | 4,696,323 | 5,557,931 | 3,820,401 |
| Unrestricted revenues from use of money and property | 2,005,694 | 2,490,880 | 1,724,668 | 1,352,809 | 537,035 | 441,779 | 426,375 | 348,295 | 462,109 | 122,448 |
| Gain / (loss) on disposal of assets | - | 298,472 | 1,073,425 | (846,807) | - | - | - | - | - | 283,009 |
| Miscellaneous | 18,207,446 | 683,108 | 1,837,386 | 733,896 | 391,890 | 294,113 | 512,888 | 243,201 | 287,916 | 403,665 |
| Transfers | - | 764,695 | 834,798 | 856,580 | 904,224 | 385,020 | 600,000 | 620,436 | 604,393 | 603,480 |
| Total governmental activities | $ 79,174,644 | $ 64,661,518 | $ 66,366,740 | $ 63,828,249 | $ 65,574,587 | $ 66,570,435 | $ 70,488,819 | $ 72,917,306 | $ 75,048,180 | $ 77,218,586 |
| Business-type activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Other local taxes | $ - | $ 393,707 | $ 536,846 | $ 1,355,225 | $ 321,058 | $ 765,756 | $ 726,653 | $ 897,209 | $ 961,084 | $ 743,502 |
| Unrestricted revenues from use of money and property | 315,856 | 418,168 | 448,499 | 275,621 | 123,522 | 71,152 | 85,668 | 31,694 | 70,392 | 65,812 |
| Miscellaneous | 244,292 | 204,666 | 1,581,616 | 344,846 | 512,162 | 445,142 | 598,861 | 443,029 | 529,219 | 655,766 |
| Transfers | - | (764,695) | (834,798) | (856,580) | (904,224) | (385,020) | (600,000) | (620,436) | (604,393) | (603,480) |
| Total business-type activities | $ 560,148 | $ 251,846 | $ 1,732,163 | $ 1,119,112 | $ 52,518 | $ 897,030 | $ 811,182 | $ 751,496 | $ 956,302 | $ 861,600 |
| Total primary government | $ 79,734,792 | $ 64,913,364 | $ 68,098,903 | $ 64,947,361 | $ 65,627,105 | $ 67,467,465 | $ 71,300,001 | $ 73,668,802 | $ 76,004,482 | $ 78,080,186 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | $ 25,566,263 | $ 436,988 | $ (2,202,158) | $ (5,106,004) | $ (849,930) | $ (138,598) | $ 3,766,760 | $ 1,456,572 | $ 3,322,056 | $ 2,762,288 |
| Business-type activities | 4,516,654 | 3,100,103 | 3,070,779 | 344,574 | 1,554,390 | 3,220,459 | 1,445,199 | 4,045,998 | 3,952,586 | 1,005,260 |
| Total primary government | $ 30,082,917 | $ 3,537,091 | $ 868,621 | $ (4,761,430) | $ 704,460 | $ 3,081,861 | $ 5,211,959 | $ 5,502,570 | $ 7,274,642 | $ 3,767,548 |

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 3**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| General fund | | | | | | | | | | |
| Reserved | $ 248,573 | $ 747,450 | $ 225,153 | $ 189,721 | $ 445,308 | $ - | $ - | $ - | $ - | $ - |
| Unreserved | 23,232,843 | 20,924,343 | 17,750,689 | 15,924,951 | 17,272,991 | - | - | - | - | - |
| Nonspendable | - | - | - | - | - | 44,611 | 348,945 | 359,240 | 480,656 | 370,237 |
| Committed | - | - | - | - | - | 5,257,805 | 5,004,661 | 7,786,761 | 6,236,045 | 6,731,037 |
| Assigned | - | - | - | - | - | 373,829 | 292,876 | 858,372 | 769,149 | 47,997 |
| Unassigned | - | - | - | - | - | 13,662,911 | 20,225,801 | 18,571,037 | 19,799,255 | 20,988,745 |
| Total general fund | $ 23,481,416 | $ 21,671,793 | $ 17,975,842 | $ 16,114,672 | $ 17,718,299 | $ 19,339,156 | $ 25,872,283 | $ 27,575,410 | $ 27,285,105 | $ 28,138,016 |
| All other governmental funds | | | | | | | | | | |
| Reserved | $ 421,979 | $ 500,819 | $ 870,711 | $ 1,232,229 | $ 250,474 | $ - | $ - | $ - | $ - | $ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 3,634,866 | 3,606,488 | 2,730,594 | 3,255,921 | 3,346,494 | - | - | - | - | - |
| Capital projects funds | 19,040,047 | 9,716,246 | 11,504,973 | 9,629,901 | 7,938,299 | - | - | - | - | - |
| Nonspendable, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | 1,190 | 4,569 | 4,876 |
| Restricted, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | 193,070 | 243,980 | 290,342 | 336,280 | 332,993 |
| Committed, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | 2,480,555 | 1,821,770 | 1,487,032 | 1,966,427 | 1,758,385 |
| Capital projects funds | - | - | - | - | - | 1,981,075 | 31,832,728 | 24,819,754 | 9,247,406 | 2,351,359 |
| Debt Service Funds | - | - | - | - | - | - | - | 805,804 | 2,462,142 | 2,308,258 |
| Assigned, reported in: | | | | | | | | | | |
| Capital projects funds | - | - | - | - | - | 7,653,041 | 8,261,194 | 9,501,088 | 5,784,081 | 8,251,305 |
| Total all other governmental funds | $ 23,096,892 | $ 13,823,553 | $ 15,106,278 | $ 14,118,051 | $ 11,535,267 | $ 12,307,741 | $ 42,159,672 | $ 36,905,210 | $ 19,800,905 | $ 15,007,176 |

Note: The City implemented GASB Statement 54 beginning with fiscal year 2011 - see Note 1 in the Notes to Basic Financial Statements section of the report .

Table 4

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Revenues** | | | | | | | | | | |
| General property taxes | $ 24,052,400 | $ 27,608,258 | $ 27,840,128 | $ 29,410,334 | $ 29,903,318 | $ 31,240,415 | $ 33,961,795 | $ 34,698,020 | $ 35,293,983 | $ 37,516,803 |
| Other local taxes | 31,997,175 | 31,394,417 | 31,077,351 | 30,131,647 | 29,978,525 | 30,285,024 | 31,311,578 | 32,407,959 | 32,888,697 | 34,418,369 |
| Permits, privilege fees and regulatory licenses | 1,117,018 | 753,661 | 653,453 | 717,349 | 822,476 | 945,035 | 748,371 | 676,892 | 598,444 | 726,685 |
| Fines and forfeitures | 339,338 | 283,035 | 408,580 | 466,213 | 344,897 | 586,421 | 479,355 | 603,398 | 477,161 | 523,547 |
| Revenue from use of money and property | 2,005,694 | 2,490,880 | 1,724,668 | 1,352,809 | 537,035 | 441,779 | 426,375 | 348,295 | 462,109 | 405,457 |
| Charges for services | 1,470,494 | 1,510,745 | 1,704,708 | 2,098,080 | 2,153,238 | 2,104,997 | 2,216,814 | 2,265,931 | 2,401,073 | 2,675,263 |
| Miscellaneous | 1,026,316 | 683,108 | 563,376 | 392,910 | 391,890 | 257,448 | 485,647 | 214,655 | 274,259 | 273,284 |
| Recovered costs | 1,180,093 | 1,917,637 | 1,694,312 | 1,364,758 | 1,256,605 | 1,004,106 | 1,491,448 | 1,087,070 | 959,739 | 1,143,810 |
| Intergovernmental: | | | | | | | | | | |
| Commonwealth | 8,141,771 | 8,703,743 | 10,169,012 | 9,936,350 | 11,239,010 | 11,490,604 | 13,345,182 | 12,561,997 | 15,071,859 | 12,829,369 |
| Federal | 2,628,707 | 2,949,077 | 2,968,573 | 2,756,944 | 3,337,402 | 3,221,610 | 3,879,508 | 4,775,305 | 4,363,883 | 3,761,934 |
| Total revenues | $ 73,959,006 | $ 78,294,561 | $ 78,804,161 | $ 78,627,394 | $ 79,964,396 | $ 81,577,439 | $ 88,346,073 | $ 89,639,522 | $ 92,791,207 | $ 94,274,521 |
| **Expenditures** | | | | | | | | | | |
| General government administration | $ 4,094,919 | $ 4,720,227 | $ 5,047,982 | $ 5,402,264 | $ 4,785,487 | $ 5,034,113 | $ 5,785,583 | $ 6,669,886 | $ 6,178,075 | $ 6,309,106 |
| Judicial administration | 2,946,064 | 3,233,832 | 3,575,964 | 3,324,483 | 3,326,241 | 3,347,017 | 3,707,295 | 3,872,721 | 4,058,896 | 4,426,162 |
| Public safety | 15,361,207 | 17,375,049 | 18,603,995 | 18,220,229 | 18,666,202 | 18,154,890 | 18,006,243 | 18,838,158 | 19,354,308 | 20,738,813 |
| Public works | 6,452,638 | 6,785,769 | 7,273,319 | 7,206,095 | 7,648,942 | 7,430,631 | 7,932,048 | 8,134,695 | 8,719,453 | 8,680,717 |
| Health and welfare | 6,245,485 | 7,119,818 | 6,859,859 | 6,976,070 | 7,004,337 | 7,136,173 | 7,181,433 | 6,692,144 | 6,878,616 | 7,776,388 |
| Education | 18,961,723 | 21,631,305 | 24,441,360 | 25,202,840 | 24,143,850 | 24,343,841 | 25,243,849 | 26,663,850 | 26,853,825 | 26,883,825 |
| Parks, recreation and cultural | 3,811,195 | 3,928,293 | 4,053,007 | 4,090,417 | 3,441,368 | 3,389,943 | 3,733,260 | 3,755,802 | 3,883,740 | 4,041,718 |
| Community development | 2,174,694 | 2,975,019 | 2,732,018 | 2,380,204 | 2,168,755 | 2,255,173 | 2,416,979 | 2,487,037 | 2,602,400 | 2,848,613 |
| Capital projects | 30,809,180 | 16,439,420 | 6,735,321 | 3,456,377 | 4,792,112 | 2,675,390 | 9,269,823 | 10,160,076 | 25,044,316 | 13,197,828 |
| Debt service | | | | | | | | | | |
| Principal | 2,897,462 | 3,040,925 | 3,296,107 | 3,126,779 | 3,026,695 | 3,127,831 | 2,857,891 | 2,704,885 | 3,588,507 | 4,437,379 |
| Interest and other fiscal charges | 3,147,613 | 3,191,033 | 3,064,543 | 3,046,535 | 2,843,788 | 2,710,791 | 2,675,680 | 3,860,585 | 3,658,596 | 3,457,000 |
| Total expenditures | $ 96,902,180 | $ 90,440,690 | $ 85,683,475 | $ 82,432,293 | $ 81,847,777 | $ 79,605,793 | $ 88,810,084 | $ 93,839,839 | $ 110,820,732 | $ 102,797,549 |
| **Excess (deficiency) of revenues over expenditures** | $ (22,943,174) | $ (12,146,129) | $ (6,879,314) | $ (3,804,899) | $ (1,883,381) | $ 1,971,646 | $ (464,011) | $ (4,200,317) | $ (18,029,525) | $ (8,523,028) |
| **Other financing sources (uses)** | | | | | | | | | | |
| Transfers in | $ 228,217 | $ 764,695 | $ 834,798 | $ 10,133,320 | $ 9,732,457 | $ 11,913,628 | $ 9,615,156 | $ 10,600,181 | $ 10,924,477 | $ 12,138,388 |
| Transfers out | (558,664) | - | - | (9,276,740) | (8,828,233) | (11,528,608) | (9,015,156) | (9,979,745) | (10,320,084) | (11,534,908) |
| Refunding bonds issued | - | - | - | 2,672,836 | - | - | 2,469,101 | - | - | 5,714,176 |
| Bonds issued | 6,509,279 | - | 2,462,150 | - | - | - | 33,860,000 | - | - | 3,832,391 |
| Premium on bonds issued | - | - | 64,015 | - | - | - | 1,760,063 | - | - | - |
| Payments to refunded bond escrow agent | - | - | - | (2,650,207) | - | - | (2,592,336) | - | - | (5,698,218) |
| Long-term notes payable issued | - | - | - | - | - | - | 725,000 | - | - | - |
| Sale of capital assets | - | 298,472 | 1,105,125 | 76,293 | - | 36,665 | 27,241 | 28,546 | 13,658 | 130,381 |
| Total other financing sources (uses) | $ 6,178,832 | $ 1,063,167 | $ 4,466,088 | $ 955,502 | $ 904,224 | $ 421,685 | $ 36,849,069 | $ 648,982 | $ 618,051 | $ 4,582,210 |
| Net change in fund balances | $ (16,764,342) | $ (11,082,962) | $ (2,413,226) | $ (2,849,397) | $ (979,157) | $ 2,393,331 | $ 36,385,058 | $ (3,551,335) | $ (17,411,474) | $ (3,940,818) |
| Debt service as a percentage of noncapital expenditures | 9.04% | 8.19% | 8.03% | 7.84% | 7.59% | 7.53% | 6.93% | 7.86% | 8.44% | 6.79% |

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 5**

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
*(modified accrual basis of accounting)*

| Fiscal Year | Property Tax | Local Sales and Use Tax | Consumer Utility Tax | Business License Tax | Motor Vehicle License Tax | Bank Stock Tax | Record-ation and Wills Tax | Tobacco Tax | Hotel Lodging Tax | Meals Tax | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | $ 24,052,400 | $ 12,856,512 | $ 2,910,053 | $ 5,893,564 | $ 298,240 | $ 546,953 | $ 985,477 | $ 613,471 | $ 808,010 | $ 6,402,076 | $ 55,366,756 |
| 2007 | 27,608,258 | 12,892,369 | 2,036,988 | 5,777,346 | 310,039 | 567,273 | 818,353 | 612,462 | 860,935 | 6,418,546 | 57,902,569 |
| 2008 | 27,840,128 | 12,746,040 | 1,527,028 | 5,436,366 | 300,786 | 459,020 | 715,884 | 593,940 | 918,952 | 7,042,409 | 57,580,553 |
| 2009 | 29,410,334 | 11,929,648 | 1,517,109 | 5,847,174 | 377,547 | 469,094 | 460,085 | 530,216 | 1,050,586 | 7,080,021 | 58,671,814 |
| 2010 | 29,903,318 | 10,043,091 | 1,677,699 | 5,893,072 | 375,553 | 758,805 | 406,123 | 503,322 | 1,084,542 | 8,132,542 | 75,939,346 |
| 2011 | 31,240,415 | 10,191,895 | 1,644,628 | 5,538,312 | 429,626 | 777,521 | 468,241 | 554,701 | 1,175,244 | 8,842,347 | 60,862,930 |
| 2012 | 33,961,795 | 10,311,633 | 1,831,083 | 5,735,557 | 421,393 | 696,511 | 402,018 | 578,303 | 1,182,500 | 9,373,302 | 64,494,095 |
| 2013 | 34,698,020 | 10,840,598 | 1,795,046 | 5,994,920 | 450,126 | 657,687 | 408,981 | 442,569 | 1,204,855 | 9,657,796 | 66,150,598 |
| 2014 | 35,293,983 | 10,663,183 | 1,844,379 | 5,641,614 | 455,246 | 700,378 | 567,244 | 543,916 | 1,149,906 | 9,752,120 | 66,611,969 |
| 2015 | 37,516,803 | 10,780,677 | 1,856,992 | 5,943,742 | 471,438 | 792,451 | 456,665 | 525,413 | 1,329,542 | 10,115,765 | 69,789,488 |

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 6**

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

| Fiscal Year | Real Estate | Direct Tax Rate | Personal Property | Direct Tax Rate | Machinery and Tools | Direct Tax Rate | Public Service | Service Charges | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | $ 2,074,818,500 | $ 0.89 | $ 219,561,613 | $ 2.99 | $ 11,754,265 | $ 0.80 | $ 49,453,104 | $ 1,856,400 | $ 2,357,443,882 | $ 1.09 | $ 2,357,443,882 | 100.00% |
| 2007 | 2,241,072,600 | 0.89 | 238,522,432 | 2.99 | 10,016,867 | 0.80 | 41,254,287 | 1,856,400 | 2,532,722,586 | 1.09 | 2,532,722,586 | 100.00% |
| 2008 | 4,045,740,800 | 0.53 | 247,570,187 | 2.99 | 8,972,280 | 0.80 | 45,382,045 | 4,023,600 | 4,351,688,912 | 0.67 | 4,351,688,912 | 100.00% |
| 2009 | 4,106,387,300 | 0.56 | 244,149,967 | 2.99 | 9,064,237 | 0.80 | 87,776,155 | 4,060,300 | 4,451,437,959 | 0.70 | 4,451,437,959 | 100.00% |
| 2010 | 3,501,342,300 | 0.68 | 237,860,715 | 3.40 | 20,065,271 | 0.80 | 92,224,942 | 3,464,100 | 3,854,957,328 | 0.85 | 3,854,957,328 | 100.00% |
| 2011 | 3,542,088,600 | 0.68 | 252,413,838 | 3.40 | 33,658,145 | 0.80 | 106,522,343 | 3,464,100 | 3,938,147,026 | 0.86 | 3,938,147,026 | 100.00% |
| 2012 | 3,606,739,500 | 0.72 | 266,300,640 | 3.40 | 34,817,018 | 0.80 | 121,621,449 | 3,464,100 | 4,032,942,707 | 0.90 | 4,032,942,707 | 100.00% |
| 2013 | 3,519,520,600 | 0.74 | 289,788,976 | 3.40 | 29,433,766 | 0.80 | 112,250,088 | 3,427,400 | 3,954,420,830 | 0.94 | 3,954,420,830 | 100.00% |
| 2014 | 3,596,021,600 | 0.74 | 296,590,842 | 3.40 | 25,812,744 | 0.80 | 98,288,766 | 3,927,400 | 4,020,641,352 | 0.94 | 4,020,641,352 | 100.00% |
| 2015 | 3,626,209,900 | 0.79 | 301,993,080 | 3.40 | 22,001,821 | 0.80 | 100,894,855 | 3,427,400 | 4,054,527,056 | 0.99 | 4,054,527,056 | 100.00% |

Source: Commissioner of Revenue.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 7**

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

| Fiscal Years | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Total Direct Tax Rate |
|---|---|---|---|---|---|
| 2006 | $ 0.89 | $ 2.99 | $ 0.89 | $ 0.80 | $ 1.09 |
| 2007 | 0.89 | 2.99 | 0.89 | 0.80 | 1.09 |
| 2008 | 0.53 | 2.99 | 0.53 | 0.80 | 0.67 |
| 2009 | 0.56 | 2.99 | 0.56 | 0.80 | 0.70 |
| 2010 | 0.68 | 3.40 | 0.68 | 0.80 | 0.85 |
| 2011 | 0.68 | 3.40 | 0.68 | 0.80 | 0.86 |
| 2012 | 0.72 | 3.40 | 0.72 | 0.80 | 0.90 |
| 2013 | 0.74 | 3.40 | 0.74 | 0.80 | 0.94 |
| 2014 | 0.74 | 3.40 | 0.74 | 0.80 | 0.94 |
| 2015 | 0.79 | 3.40 | 0.79 | 0.80 | 0.99 |

(1) Source: Commissioner of Revenue.
(2) Property tax rates are based on $100 of assessed value.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 8**

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

| | | Fiscal Year 2015 | | | Fiscal Year 2006 | | |
|---|---|---|---|---|---|---|---|
| **Taxpayer** | **Type Business** | **2014-2015 Assessed Valuation** | **Rank** | **% of Total Assessed Valuation (1)** | **2005-2006 Assessed Valuation** | **Rank** | **% of Total Assessed Valuation (1)** |
| Fredericksburg 35 LLC | Central Park property | $ 99,072,100 | 1 | 2.66 % | $ 82,608,200 | 1 | 3.89 % |
| Home Properties Cobblestone LLC | New Home Sales | 51,349,200 | 2 | 1.38 | - | - | - |
| Medicorp Properties, Inc. | Hospitals, office buildings, surgical center | 49,341,800 | 3 | 1.32 | 39,440,900 | 2 | 1.86 |
| Virginia Electric & Power Co. | Public utility | 46,191,897 | 4 | 1.24 | 22,572,176 | 4 | 1.06 |
| Mid-America Apartments, LP | Apartment complex | 42,987,400 | 5 | 1.15 | - | - | - |
| Central Park Marketplace Holdings LLC | Central Park property | 37,635,200 | 6 | 1.01 | - | - | - |
| Mid-America Apts, LP Seasons @Cel. VA. | Apartment complex | 35,989,600 | 7 | 0.96 | - | - | - |
| Residences @Belmont Apts., LLC | Apartment complex | 32,893,600 | 8 | 0.88 | - | - | - |
| Verizon Virginia, Inc. | Public utility | 26,691,907 | 9 | 0.72 | 28,981,030 | 3 | 1.36 |
| Wal-Mart Real Estate Business | Commercial | 25,256,100 | 10 | 0.68 | - | - | - |
| Riverside Manor | Apartment complex | - | - | - | 17,288,600 | 5 | 0.81 |
| Summit/Belmont, LP | Apartment complex | - | - | - | 17,134,000 | 6 | 0.81 |
| Town Center - Central Park | Restaurants, ice park, office building | - | - | - | 16,310,100 | 7 | 0.77 |
| CRIT VA II Inc | Apartment complex | - | - | - | 15,889,500 | 8 | 0.75 |
| Carl D. Silver, Co. | Hotels | - | - | - | 15,002,700 | 9 | 0.71 |
| Fredericksburg Park & Shop LP | Shopping center | - | - | - | 14,417,200 | 10 | 0.68 |
| Total | | $ 447,408,804 | | 12.00 % | $ 269,644,406 | | 12.68 % |

Source: Commissioner of Revenue.

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

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 9**

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy for Fiscal Year (1) | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years (1) (3) | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount (1) (3) | Percentage of Levy (2) | | Amount (1) (3) | Percentage of Levy (2) |
| 2006 | $ 26,936,577 | $ 26,561,519 | 98.61% | $ 356,707 | $ 26,918,226 | 99.93% |
| 2007 | 28,552,323 | 28,097,519 | 98.41% | 426,559 | 28,524,078 | 99.90% |
| 2008 | 29,330,707 | 28,961,391 | 98.74% | 314,446 | 29,275,837 | 99.81% |
| 2009 | 30,902,557 | 30,222,352 | 97.80% | 615,205 | 30,837,557 | 99.79% |
| 2010 | 32,129,525 | 31,050,501 | 96.64% | 958,801 | 32,009,302 | 99.63% |
| 2011 | 33,269,826 | 32,103,892 | 96.50% | 901,685 | 33,005,577 | 99.21% |
| 2012 | 35,663,960 | 34,417,182 | 96.50% | 737,145 | 35,154,327 | 98.57% |
| 2013 | 36,540,252 | 35,453,742 | 97.03% | 581,929 | 36,035,671 | 98.62% |
| 2014 | 37,507,994 | 35,982,391 | 95.93% | 889,377 | 36,871,768 | 98.30% |
| 2015 | 39,392,612 | 38,212,293 | 97.00% | - | 38,212,293 | 97.00% |

(1) Exclusive of penalties and interest.
(2) Percentages are calculated using levy for fiscal year.
(3) The Commonwealth reimbursement under the Personal Property Tax Relief Act is included in total collections.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 10**

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| | Governmental Activities | | Business-Type Activities | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Years | General Obligation Bonds | Notes | General Obligation Bonds | Notes | Revenue Bonds | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
| 2006 | $ 70,032,833 | $ - | $ 7,670,963 | $ - | $ 7,293,180 | $ 84,996,976 | 10.63% | 3,856 |
| 2007 | 66,873,708 | - | 7,226,888 | - | 6,423,952 | 80,524,548 | 9.31% | 3,555 |
| 2008 | 65,988,291 | - | 15,160,159 | - | 5,524,919 | 86,673,369 | 9.75% | 3,785 |
| 2009 | 62,766,729 | - | 14,445,225 | - | 4,595,059 | 81,807,013 | 9.17% | 3,503 |
| 2010 | 59,625,306 | - | 20,068,845 | - | 3,633,315 | 83,327,466 | 8.73% | 3,431 |
| 2011 | 56,386,080 | - | 19,035,185 | - | 2,638,594 | 78,059,859 | 7.43% | 3,038 |
| 2012 | 88,917,128 | 725,000 | 17,984,434 | - | 1,609,765 | 109,236,327 | 10.26% | 4,198 |
| 2013 | 85,946,002 | 725,000 | 16,964,140 | - | 545,659 | 104,180,801 | 9.33% | 3,815 |
| 2014 | 82,110,710 | 725,000 | 15,939,460 | - | - | 98,775,170 | 8.12% | 3,511 |
| 2015 | 82,357,412 | - | 27,611,336 | - | - | 109,968,748 | 9.15% | 3,898 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 11**

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

| Fiscal Year | Gross Bonded Debt | Less: Amounts Reserved for Debt Service | Net Bonded Debt (1) | Ratio of Net General Obligation Debt to Assessed Value (2) | Net Bonded Debt per Capita (3) |
|---|---|---|---|---|---|
| 2006 | $ 77,703,796 | $ - | $ 77,703,796 | 3.30% | $ 3,525 |
| 2007 | 74,100,596 | - | 74,100,596 | 2.93% | 3,271 |
| 2008 | 81,148,450 | - | 81,148,450 | 1.86% | 3,544 |
| 2009 | 77,211,954 | - | 77,211,954 | 1.73% | 3,306 |
| 2010 | 79,694,151 | - | 79,694,151 | 2.07% | 3,281 |
| 2011 | 75,421,265 | - | 75,421,265 | 1.92% | 2,936 |
| 2012 | 107,626,562 | - | 107,626,562 | 2.67% | 4,136 |
| 2013 | 103,635,142 | 805,804 | 102,829,338 | 2.60% | 3,766 |
| 2014 | 98,775,170 | 2,462,142 | 96,313,028 | 2.40% | 3,424 |
| 2015 | 109,968,748 | 2,308,258 | 107,660,490 | 2.66% | 3,816 |

(1) Excludes revenue bonds, capital leases, compensated absences, landfill post-closure costs, net OPEB obligation payable, and net pension liability.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6.
(3) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 12**

Legal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Debt limit | $ 124,498,301 | $ 132,869,049 | $ 231,895,610 | $ 237,514,942 | $ 207,207,276 | $ 211,856,637 | $ 216,056,402 | $ 212,771,995 | $ 215,659,654 | $ 218,129,465 |
| Total net debt applicable to limit | 76,000,147 | 72,515,147 | 79,400,147 | 75,597,147 | 78,024,146 | 73,892,147 | 104,475,147 | 99,973,210 | 93,731,873 | 105,466,742 |
| Legal debt margin | $ 48,498,154 | $ 60,353,902 | $ 152,495,463 | $ 161,917,795 | $ 129,183,130 | $ 137,964,490 | $ 111,581,255 | $ 112,798,785 | $ 121,927,781 | $ 112,662,723 |
| Total net debt applicable to the limit as a percentage of debt limit | 61.05% | 54.58% | 34.24% | 31.83% | 37.66% | 34.88% | 48.36% | 46.99% | 43.46% | 48.35% |

Legal Debt Margin Calculation for Fiscal Year 2015

| | |
|---|---|
| Assessed value | $ 3,727,104,755 |
| Add back: exempt real property | 817,259,100 |
| Total assessed value | $ 4,544,363,855 |
| | |
| Debt limit (4.8% of total assessed value) | $ 218,129,465 |
| Net debt applicable to limit | 105,466,742 |
| Legal debt margin | $ 112,662,723 |

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 13**

Pledged-Revenue Coverage
Last Ten Fiscal Years

| | Water and Sewer Bonds | | | | | |
|---|---|---|---|---|---|---|
| | | | | Debt Service | | |
| Fiscal Year | Water & Sewer Charges and Other | Less: Operating Expenses | Net Available Revenue | Principal | Interest | Coverage |
| 2006 | $ 9,346,467 | $ 5,049,094 | $ 4,297,373 | $ 1,197,949 | $ 410,231 | $ 2.67 |
| 2007 | 7,517,175 | 6,045,570 | 1,471,605 | 1,224,349 | 366,426 | 0.93 |
| 2008 | 7,142,159 | 6,799,902 | 342,257 | 1,272,693 | 520,893 | 0.19 |
| 2009 | 7,361,317 | 6,559,626 | 801,691 | 1,514,393 | 665,412 | 0.37 |
| 2010 | 7,693,179 | 6,388,224 | 1,304,955 | 1,583,149 | 650,316 | 0.58 |
| 2011 | 10,049,028 | 6,710,195 | 3,338,833 | 1,860,357 | 788,611 | 1.26 |
| 2012 | 9,218,671 | 7,394,400 | 1,824,271 | 1,905,625 | 745,723 | 0.69 |
| 2013 | 8,241,838 | 7,211,193 | 1,030,645 | 1,902,540 | 664,165 | 0.40 |
| 2014 | 9,101,122 | 7,019,203 | 2,081,919 | 1,380,571 | 606,902 | 1.05 |
| 2015 | 9,342,915 | 7,097,478 | 2,245,437 | 835,936 | 631,893 | 1.53 |

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 14**

Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income | Per Capita Personal Income (2) | School Enrollment (3) | Unemploy-ment Rate (4) |
|---|---|---|---|---|---|
| 2006 | 22,044 | $ 799,337,484 | $ 36,261 | 2,447 | 4.0% |
| 2007 | 22,651 | 865,154,945 | 38,195 | 2,511 | 4.1% |
| 2008 | 22,899 | 889,030,776 | 38,824 | 2,540 | 5.7% |
| 2009 | 23,353 | 892,131,306 | 38,202 | 2,655 | 9.2% |
| 2010 | 24,286 * | 954,391,228 | 39,298 | 2,793 | 9.6% |
| 2011 | 25,691 * | 1,050,582,063 | 40,893 | 3,037 | 10.3% |
| 2012 | 26,024 * | 1,064,199,432 | 40,893 | 3,072 | 8.8% |
| 2013 | 27,307 * | 1,116,665,151 | 40,893 | 3,139 | 8.2% |
| 2014 | 28,132 * | 1,215,808,776 | 43,218 | 3,214 | 5.9% |
| 2015 | 28,213 * | 1,201,676,309 | 42,593 | 3,300 | 6.2% |

(1) Source: Weldon Cooper Center for Public Service (* US Census Bureau).
(2) Source: Bureau of Economic Analysis. Per capita income includes the City of Fredericksburg combined with Spotsylvania County.
(3) Source: Fredericksburg School Board office.
(4) Source: Bureau of Labor Statistics.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 15**

Principal Employers
Current Year and the Period Nine Years Prior

| | Fiscal Year 2015 | | | Fiscal Year 2006 | |
|---|---|---|---|---|---|
| **Employer** | **Number of Employees (1)** | **Rank** | **Percentage of Total Employment** | **Number of Employees (2)** | **Rank** |
| Mary Washington Healthcare | 4,465 | 1 | 33.62% | 1000 and Over | 1 |
| University of Mary Washington | 865 | 2 | 6.52% | 500 to 999 | 2 |
| City of Fredericksburg School Board | 712 | 3 | 5.36% | - | - |
| City of Fredericksburg | 593 | 4 | 4.47% | 500 to 999 | 4 |
| Wal-Mart | 537 | 5 | 4.04% | 250 to 499 | 3 |
| Wegmans | 529 | 6 | 3.99% | - | - |
| Free Lance Star Publishing, Inc. | 414 | 7 | 3.12% | 250 to 499 | 5 |
| RACSB | 309 | 8 | 2.33% | 250 to 499 | 10 |
| OS Restaurant Services | 203 | 9 | 1.53% | - | - |
| Home Instead Senior Care | 125 | 10 | 0.94% | 100 to 249 | - |
| VDOT | - | - | - | 250 to 499 | 6 |
| Snowden Services | - | - | - | 250 to 499 | 7 |
| Outback Steakhouse | - | - | - | 250 to 499 | 8 |
| Medicorp Health System | - | - | - | 250 to 499 | 9 |

(1) Source: Department of Economic Development and Tourism.
(2) For fiscal year 2006 only ranges were available from the Virginia Employment Commission.

**CITY OF FREDERICKSBURG, VIRGINIA** **Table 16**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| General government | 37 | 41 | 43 | 40 | 38 | 41 | 41 | 43 | 44 | 51 |
| Judicial administration | 35 | 42 | 41 | 39 | 38 | 39 | 39 | 40 | 42 | 48 |
| Public safety | 169 | 166 | 162 | 162 | 164 | 162 | 166 | 162 | 156 | 165 |
| Public works | 69 | 87 | 86 | 81 | 75 | 73 | 74 | 73 | 78 | 72 |
| Health and welfare | 34 | 33 | 35 | 35 | 35 | 34 | 33 | 32 | 34 | 33 |
| Parks and recreation | 16 | 16 | 19 | 17 | 17 | 17 | 16 | 17 | 32 | 19 |
| Community development | 11 | 12 | 13 | 12 | 12 | 12 | 11 | 13 | 14 | 14 |
| Water | 7 | 9 | 9 | 10.5 | 10.5 | 10 | 10 | 9 | 6 | 11 |
| Wastewater | 16 | 18 | 21 | 18.5 | 16.5 | 19 | 19 | 17 | 12 | 20 |
| Transit | 6 | 11 | 12 | 13 | 13 | 13 | 13 | 14 | 15 | 15 |
| Parking garage | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Totals | 400 | 436 | 442 | 429 | 420 | 421 | 423 | 421 | 434 | 449 |

Source: Fiscal Affairs department.

Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public safety: | | | | | | | | | | |
| Police department: (1) | | | | | | | | | | |
| Physical arrests | 3,805 | 2,839 | 2,850 | 3,168 | 3,477 | 3,772 | 3,621 | 3,722 | 3,660 | 3,974 |
| Traffic violations | 9,500 | 6,167 | 7,290 | 7,335 | 6,546 | 7,937 | 7,914 | 7,824 | 5,981 | 5,320 |
| Parking violations | 10,449 | 10,055 | 10,671 | 8,397 | 7,467 | 7,223 | 6,965 | 6,528 | 7,513 | 6,235 |
| Sheriffs department: (2) | | | | | | | | | | |
| Civil papers | 40,502 | 42,279 | 44,088 | 41,379 | 48,074 | 48,918 | 50,764 | 63,886 | 58,338 | 58,111 |
| Fire and rescue: | | | | | | | | | | |
| Number of calls answered | 5,450 | 5,728 | 6,145 | 5,885 | 5,882 | 5,825 | 5,471 | 5,407 | 5,311 | 5,344 |
| Inspections | 1,542 | 1,651 | 2,030 | 1,478 | 1,624 | 1,596 | 1,548 | 1,650 | 1,673 | 2,072 |
| Building inspections: | | | | | | | | | | |
| Permits issued | 3,820 | 2,395 | 1,781 | 1,541 | 1,486 | 1,633 | 1,558 | 1,554 | 1,618 | 1,640 |
| Animal control: | | | | | | | | | | |
| Number of calls answered | 992 | 1,163 | 1,010 | 811 | 1,015 | 897 | 864 | 1,022 | 926 | 520 |
| Public works: | | | | | | | | | | |
| Street maintenance: | | | | | | | | | | |
| Asphalt usage for street repairs (tons) | 483 | 483 | 311 | 277 | 327 | 517 | 400 | 309 | 212 | 248 |
| Waste removal: | | | | | | | | | | |
| Refuse collected (thousands of pounds/day) | 28.8 | 24.3 | 24.7 | 20.6 | 21.4 | 20.7 | 19.3 | 19.0 | 20.6 | 21.1 |
| Recycling collected: | | | | | | | | | | |
| Leaves (cubic yards) | 5,577 | 5,379 | 6,292 | 5,604 | 5,604 | 5,038 | 4,510 | 5,421 | 5,336 | 5,027 |
| General services: | | | | | | | | | | |
| Buildings maintained (thousands of square feet) | 486.6 | 572.1 | 496.9 | 501.9 | 500.5 | 500.5 | 480.5 | 462.3 | 551.2 | 551.9 |
| Culture and recreation: | | | | | | | | | | |
| Parks and recreation: (3) | | | | | | | | | | |
| Number of programs | 385 | 403 | 518 | 510 | 464 | 471 | 514 | 495 | 414 | 397 |
| Number of participants | 15,300 | 17,055 | 20,964 | 18,563 | 16,193 | 19,082 | 20,425 | 19,525 | 14,177 | 13,966 |
| Community development: | | | | | | | | | | |
| Planning: | | | | | | | | | | |
| Zoning permits issued (4) (5) | 309 | 289 | 237 | 291 | 260 | 283 | 390 | 338 | 309 | 367 |

Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Water: | | | | | | | | | | |
| Number of connections | 7,062 | 7,245 | 7,274 | 7,351 | 7,453 | 7,614 | 7,718 | 7,801 | 7,861 | 7,911 |
| Average daily consumption (thousands of gallons) | 2,718 | 2,529 | 2,639 | 2,492 | 2,334 | 2,557 | 2,584 | 2,649 | 2,537 | 2,650 |
| Wastewater: | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 2,181 | 2,454 | 2,700 | 2,794 | 3,210 | 2,700 | 3,010 | 2,493 | 2,833 | 3,290 |
| Transit: | | | | | | | | | | |
| Ridership per service area: (6) (7) | | | | | | | | | | |
| City of Fredericksburg | 177,833 | 184,670 | 208,410 | 273,685 | 261,238 | 274,540 | 278,657 | 279,363 | 259,790 | 238,024 |
| UMW - Eagle Express | 15,996 | 17,723 | 16,444 | 15,014 | 12,030 | 15,323 | 12,284 | 13,685 | 11,679 | 10,287 |
| Spotsylvania County | 40,730 | 44,659 | 81,315 | 113,669 | 97,343 | 96,248 | 116,623 | 117,633 | 114,162 | 114,417 |
| South Stafford County | 30,900 | 34,808 | 32,112 | 39,234 | 40,830 | 45,288 | 44,341 | 68,614 | 65,033 | 63,781 |
| North Stafford County | 44,445 | 53,957 | 62,895 | 77,303 | 74,369 | 70,397 | 72,366 | 39,446 | 33,751 | 38,495 |
| Caroline County | 5,647 | 5,855 | 6,189 | 8,160 | 7,155 | 5,882 | 7,352 | 10,425 | 11,094 | 12,168 |
| King George County | 7,803 | 10,727 | 15,867 | 21,550 | 16,792 | 16,993 | 17,033 | - | - | - |
| Component Unit - School Board: | | | | | | | | | | |
| Education: | | | | | | | | | | |
| Number of students | 2,447 | 2,511 | 2,540 | 2,655 | 2,793 | 3,037 | 3,072 | 3,139 | 3,214 | 3,300 |
| Number of teachers | 248 | 251 | 256 | 257 | 256 | 258 | 258 | 264 | 267 | 265 |
| Cost per pupil | $ 13,131 | $ 13,403 | $ 14,416 | $ 13,911 | $ 13,276 | $ 11,882 | $ 12,546 | $ 13,853 | $ 14,235 | $ 13,771 |

Source: Individual city departments.

(1) FY14 reduction in traffic violations issued is due to Police Department staffing shortage.
(2) Beginning in FY13, increase in civil papers served is due to increased jury summons for Circuit Court.
(3) FY14 Program and participant decrease is due to elimination of unprofitable programs and change in tracking methods of new software.
(4) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.
(5) Data presented on a calendar year basis (FY2005 - FY2008).
(6) Beginning in FY13, north and south Stafford transit routes have shifted due to new census data.
(7) FY14 City of Fredericksburg ridership decrease is due to temporary re-routing of Fall Hill Avenue bus routes during construction of the Fall Hill Avenue bridge.

Capital Asset Statistics by Function
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| General government: | | | | | | | | | | |
| Administration buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public safety: | | | | | | | | | | |
| Police department: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 25 | 30 | 35 | 33 | 31 | 31 | 31 | 35 | 34 | 34 |
| Fire department: | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire/Rescue vehicles | 7 | 7 | 7 | 8 | 8 | 9 | 10 | 11 | 12 | 12 |
| Sheriffs department: | | | | | | | | | | |
| Patrol units | 16 | 18 | 14 | 15 | 15 | 15 | 15 | 16 | 16 | 19 |
| Building inspections: | | | | | | | | | | |
| Vehicles | 5 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 5 |
| Animal control: | | | | | | | | | | |
| Vehicles | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | | | | | | |
| Street maintenance: | | | | | | | | | | |
| Trucks/vehicles | 22 | 22 | 22 | 22 | 21 | 20 | 20 | 20 | 20 | 20 |
| Streets (moving lane miles) | 183 | 189 | 189 | 189 | 189 | 189 | 189 | 189 | 189 | 189 |
| Traffic signals | 57 | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 60 | 61 |
| Waste removal: | | | | | | | | | | |
| Trucks/vehicles | 7 | 7 | 7 | 7 | 8 | 10 | 10 | 7 | 7 | 7 |
| Building maintenance: | | | | | | | | | | |
| Trucks/vehicles | 10 | 9 | 10 | 8 | 10 | 10 | 10 | 10 | 13 | 15 |
| Health and welfare: | | | | | | | | | | |
| Department of Social Services: | | | | | | | | | | |
| Vehicles | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |

Capital Asset Statistics by Function
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Culture and recreation: | | | | | | | | | | |
| Parks and recreation: | | | | | | | | | | |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Trucks/vehicles | 13 | 14 | 13 | 15 | 13 | 13 | 14 | 14 | 13 | 15 |
| Parks | 12 | 13 | 13 | 13 | 17 | 18 | 18 | 18 | 18 | 19 |
| Park acreage | 1,003 | 1,009 | 1,015 | 1,015 | 1,051 | 1,055 | 1,055 | 1,055 | 1,057 | 1,085 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 |
| Maximum daily capacity (millions of gallons) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Wastewater: | | | | | | | | | | |
| Sanitary sewers (miles) | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| Storm sewers (miles) | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| Maximum daily treatment capacity (millions of gallons) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Component Unit - School Board: | | | | | | | | | | |
| Education: | | | | | | | | | | |
| Schools | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| School buses | 33 | 36 | 36 | 36 | 37 | 38 | 37 | 41 | 41 | 42 |

Source: Individual city departments.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Fredericksburg, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2015.

### Internal Control over Financial Reporting

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fredericksburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 15, 2015

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited City of Fredericksburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Fredericksburg, Virginia's major federal programs for the year ended June 30, 2015. City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of City of Fredericksburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Fredericksburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on Each Major Federal Program*

In our opinion, City of Fredericksburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the City of Fredericksburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fredericksburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Fredericksburg, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 15, 2015

**CITY OF FREDERICKSBURG, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2015

| Federal Grantor/ Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| **Primary Government:** | | | |
| Department of Agriculture: | | | |
| Pass-through Payments: | | | |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010114/0010115/ 0040114/0040115 | $ 373,524 |
| Total Department of Agriculture | | | $ 373,524 |
| Department of the Treasury: | | | |
| Direct Payments: | | | |
| Asset Forfeiture | 21.000 | N/A | $ 196,046 |
| Total Department of the Treasury | | | $ 196,046 |
| Department of Housing and Urban Development: | | | |
| Direct Payments: | | | |
| Community Development Block Grants Entitlement Grants | 14.218 | N/A | $ 160,835 |
| Total Department of Housing and Urban Development | | | $ 160,835 |
| Department of Justice: | | | |
| Direct Payments: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | N/A | $ 63,057 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | 16,875 |
| Pass-through Payments: | | | |
| Department of Criminal Justice Services: | | | |
| Crime Victim Assistance | 16.575 | 39001-46000/66000 | 47,216 |
| Total Department of Justice | | | $ 127,148 |
| Department of Transportation: | | | |
| Pass-through Payments: | | | |
| Virginia Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | 91174/105210 | $ 868,012 |
| Virginia Department of Rail and Public Transportation: | | | |
| Federal Transit - Formula Grants | 20.507 | VA-95-X140-00/ VA-90-X412-00 | $ 1,025,241 |
| Formula Grants for Rural Areas | 20.509 | VA-18-X034-00 | 129,144 |
| Total Federal Transit Formula Grants | | | $ 1,154,385 |
| Virginia Department of Motor Vehicles: | | | |
| State and Community Highway Safety | 20.600 | 60507-55350/54333 | $ 20,597 |
| Total Department of Transportation | | | $ 2,042,994 |

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2015 (Continued)

| Federal Grantor/ Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| **Primary Government: (continued)** | | | |
| Department of Health and Human Services: | | | |
| Pass-through Payments: | | | |
| Department of Social Services: | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760114/0760115 | $ 40,104 |
| Promoting Safe and Stable Families | 93.556 | 0950113/0950114 | 15,877 |
| Temporary Assistance for Needy Families | 93.558 | 0400114/0400115 | 283,052 |
| Refugee and Entrant Assistance State Administered Programs | 93.566 | 0500114/0500115 | 15,360 |
| Low-Income Home Energy Assistance | 93.568 | 0600414/0600415 | 29,602 |
| Chafee Education and Training Vouchers Program | 93.599 | 9160113/9160114 | 941 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130113 | 1,735 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900114/0900115 | 1,974 |
| Foster Care - Title IV-E | 93.658 | 1100114/1100115 | 409,300 |
| Adoption Assistance | 93.659 | 1120114/1120115 | 410,689 |
| Social Services Block Grant | 93.667 | 1000114/1000115 | 242,798 |
| Chafee Foster Care Independence Program | 93.674 | 9150114/9150115 | 4,721 |
| Children's Health Insurance Program | 93.767 | 0540114/0540115 | 15,661 |
| Medical Assistance Program | 93.778 | 1200114/1200115 | 483,491 |
| Total Department of Health and Human Services | | | $ 1,955,305 |
| Department of Homeland Security: | | | |
| Pass-through Payments: | | | |
| Department of Emergency Services: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 77602-00158 | $ 1,221 |
| Emergency Management Performance Grants | 97.042 | 77501-52743 | 10,680 |
| Total Department of Homeland Security | | | $ 11,901 |
| Environmental Protection Agency: | | | |
| Direct Payments: | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | N/A | $ 40,899 |
| Chesapeake Bay Program | 66.466 | N/A | 5,700 |
| Total Environmental Protection Agency | | | $ 46,599 |
| Department of Defense: | | | |
| Direct Payments: | | | |
| Payment to States in Lieu of Real Estate Taxes | 12.112 | N/A | $ 1,967 |
| Total Department of Defense | | | $ 1,967 |
| Total Expenditures of Federal Awards - Primary Government | | | $ 4,916,319 |
| **Component Unit - School Board:** | | | |
| Department of Agriculture: | | | |
| Pass-through Payments: | | | |
| Child Nutrition Cluster: | | | |
| Food Distribution Service | 10.555 | 10.555/2014/2015 | $ 115,121 |
| Virginia Department of Education: | | | |
| National School Lunch Program (SL-4) (SL-11) | 10.555 | 10.555/2014/2015 | 906,933 |
| Total 10.555 | | | $ 1,022,054 |
| School Breakfast Program | 10.553 | 10.553/2014/2015 | $ 288,008 |
| Total Department of Agriculture | | | $ 1,310,062 |
| Department of Health and Human Services: | | | |
| Direct Payments: | | | |
| Head Start | 93.600 | N/A | $ 1,212,928 |
| Total Department of Health and Human Services | | | $ 1,212,928 |

**CITY OF FREDERICKSBURG, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2015 (Continued)

| Federal Grantor/ Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| **Component Unit - School Board: (continued)** | | | |
| Department of Education: | | | |
| Pass-through Payments: | | | |
| Virginia Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | S010A140046/ S010A130046 | $ 851,591 |
| Special Education Cluster (IDEA): | | | |
| Special Education - Grants to States | 84.027 | H027A140107 | $ 614,112 |
| Special Education - Preschool Grants | 84.173 | H173A130112 | 26,842 |
| Total Special Education Cluster (IDEA) | | | $ 640,954 |
| English Language Acquisition State Grants | 84.365 | S365A130046 | 73,743 |
| Career and Technical Education - Basic Grants to States | 84.048 | V048A130046/ V048A140046 | 71,316 |
| Improving Teacher Quality State Grants | 84.367 | S367A130044/ S367A140044 | 129,686 |
| Total Department of Education | | | $ 1,767,290 |
| Total Expenditures of Federal Awards - Component Unit School Board | | | $ 4,290,280 |
| Total Expenditures of Federal Awards - Reporting Entity | | | $ 9,206,599 |

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Fredericksburg, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the City of Fredericksburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fredericksburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Amounts Passed-Through to Subrecipients

Grant proceeds in the amount of $33,225 were received on behalf of subrecipients for the CDBG - Entitlement Grants for the year ended June 30, 2015.

Note 4 - Relationship to Financial Statements

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

| | | |
|---|---|---|
| Intergovernmental federal revenues per the basic financial statements: | | |
| Primary Government: | | |
| General Fund | $ | 39,281 |
| Special Revenue Funds: | | |
| Virginia Public Assistance Fund | | 2,242,070 |
| Comprehensive Services Act Fund | | 49,446 |
| State, Federal, and Local Grants Fund | | 365,858 |
| Forfeited Asset Sharing Program Fund | | 196,046 |
| Capital Projects Funds: | | |
| Public Works Construction Fund | | 3,029 |
| Public Facilities Construction Fund | | 866,204 |
| Proprietary Funds: | | |
| Transit Fund | | 1,154,385 |
| Wastewater Fund | | 57,160 |
| Total Primary Government | $ | 4,973,479 |
| Component Unit School Board: | | |
| Special School Fund | $ | 4,290,280 |
| Total Component Unit School Board | $ | 4,290,280 |
| Less: | | |
| Build America Bonds Interest Subsidy | $ | (57,160) |
| Total Federal Expenditures per the Schedule of Expenditures of Federal Awards | $ | 9,206,599 |

**CITY OF FREDERICKSBURG, VIRGINIA**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

**Financial Statements**

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

**Federal Awards**

| | |
|---|---|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | No |

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---|---|
| 93.658 | Foster Care - Title IV-E |
| 93.659 | Adoption Assistance |
| 84.027/84.173 | Special Education Cluster (IDEA) |
| 20.507 | Federal Transit - Formula Grants |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $300,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Schedule of Prior Year Findings
Year Ended June 30, 2015

There were no prior year findings.