

# CITY OF FREDERICKSBURG, TEXAS

ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2021



CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



# CITY OF FREDERICKSBURG, TEXAS

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**CITY OF FREDERICKSBURG, TEXAS**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Fredericksburg, Texas

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's 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. 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 auditor's 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.

## Opinion

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 unit, each major fund and the aggregate remaining fund information of the City of Fredericksburg, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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, schedule of changes in net pension liability and related ratios, schedule of changes in other postemployment benefits (OPEB) liability and related ratios, related schedules of contributions for net pensions and OPEB liabilities, schedule of TESRS net pension liability and related ratios, and schedule of contributions for the TESRS liability, 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.

ABIP, PC

San Antonio, Texas  
April 18, 2022

# CITY OF FREDERICKSBURG, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2021

As management of the City of Fredericksburg, Texas, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- ❖ The assets and deferred outflows of resources of the City of Fredericksburg exceeded its liabilities and deferred inflows of resources as of September 30, 2021 by \$56,330,950 (net position). Of this amount, \$2,788,401 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- ❖ The City's total net position increased by \$1,644,839.
- ❖ As of the close of the current fiscal year, the City of Fredericksburg's governmental funds reported combined fund balances of \$15,762,891 of which \$13,923,726 was unassigned and is available for spending at the City's discretion.
- ❖ As of September 30, 2021, unassigned fund balance for the general fund was \$13,923,726 or 78% of the current year's total general fund expenditures of \$17,952,416. The City's fund balance policy is to carry a 25% reserve of the general fund's expenditures. At the end of the fiscal year the City exceeded this policy by \$9,435,622.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three 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.

#### **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 statements of a private-sector business.

The **statement of net position** presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensation absences).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 administration, public safety, streets, parks and recreation, and health services. The business-type activities of the City include electric, water, wastewater, storm water drainage, solid waste, emergency medical services (EMS), and golf operations. The government-wide financial statements can be found on pages 12-15 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fredericksburg, 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 two categories – governmental funds and proprietary funds.

The **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 current sources and uses 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 for governmental funds with 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 16 of this report, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget.

The **proprietary funds** provide the same type of information as the government-wide financial statements only in more detail. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses the enterprise funds to account for electric, water, wastewater, storm water drainage, solid waste, emergency medical services, and golf operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the employee health insurance program. The internal service function has been included within governmental activities in the government-wide financial statements. The internal service fund is reported in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 20-29 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 33-62 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios for TMRS and TESRS, schedule of contributions for TMRS and TESRS, changes in other postemployment benefit (OPEB) liability and related ratios, and schedule of contributions for OPEB. Required supplementary information can be found on pages 65-74 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Fredericksburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,330,950 as of September 30, 2021, compared to \$54,686,111 as of September 30, 2020.

### NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	\$ 18,301,496	\$ 12,722,581	\$ 24,095,136	\$ 29,165,102	\$ 42,396,632	\$ 41,887,683
Capital assets	22,599,086	23,401,267	50,136,351	43,996,765	72,735,437	67,398,032
Total assets	40,900,582	36,123,848	74,231,487	73,161,867	115,132,069	109,285,715
<b>Deferred outflows of resources</b>						
	1,445,163	1,105,218	1,162,920	840,164	2,608,083	1,945,382
<b>Liabilities:</b>						
Current liabilities	3,651,475	2,886,226	6,449,907	5,757,058	10,101,382	8,643,284
Net pension liability	8,606,088	5,905,743	6,982,766	4,450,663	15,588,854	10,356,406
OPEB liability	435,900	369,197	356,086	285,361	791,986	654,558
Noncurrent liabilities	6,366,076	7,301,581	27,111,627	28,043,291	33,477,703	35,344,872
Total liabilities	19,059,539	16,462,747	40,900,386	38,536,373	59,959,925	54,999,120
<b>Deferred inflows of resources</b>						
	825,786	875,100	623,491	670,766	1,449,277	1,545,866
<b>Net position:</b>						
Net investment in capital assets	16,014,677	16,022,784	29,429,805	17,570,990	45,444,482	33,593,774
Restricted for long-term debt	201,049	26,420	5,944,320	4,872,284	6,145,369	4,898,704
Restricted for capital projects	-	-	317,082	12,808,993	317,082	12,808,993
Restricted for other	1,635,616	1,635,616	-	-	1,635,616	1,635,616
Unrestricted	4,609,078	2,206,399	(1,820,677)	(457,375)	2,788,401	1,749,024
Total net position	\$ 22,460,420	\$ 19,891,219	\$ 33,870,530	\$ 34,794,892	\$ 56,330,950	\$ 54,686,111

By far, the largest portion of the City's net position (81%) reflects its investments in capital assets (land, buildings, equipment, and infrastructure), less any outstanding debt used to acquire those 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 themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$2,788,401 may be used to meet the government's ongoing obligation to citizens and creditors.

### **Analysis of the City's Operations**

The following table provides a summary of the City's operations for the year ended September 30, 2021. Governmental activities increased the City's net position by \$2,569,201. Business-type activities decreased the City's net position by \$924,362.

## STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,486,189	\$ 1,200,681	\$ 27,684,491	\$ 24,724,629	\$ 30,170,680	\$ 25,925,310
Operating grants and contributions	441,352	2,073,990	-	-	441,352	2,073,990
<b>General revenues:</b>						
Property taxes	5,003,918	4,949,935	-	-	5,003,918	4,949,935
Sales taxes	7,962,705	6,344,922	-	-	7,962,705	6,344,922
Hotel occupancy taxes	5,468,043	3,378,715	-	-	5,468,043	3,378,715
Other taxes	867,358	746,642	-	-	867,358	746,642
Miscellaneous	151,236	338,419	-	-	151,236	338,419
Investment earnings	19,106	42,387	35,455	181,669	54,561	224,056
<b>Total revenues</b>	<b>22,399,907</b>	<b>19,075,691</b>	<b>27,719,946</b>	<b>24,906,298</b>	<b>50,119,853</b>	<b>43,981,989</b>
<b>Expenses:</b>						
Administration	2,221,899	2,413,625	-	-	2,221,899	2,413,625
Police	6,399,284	6,333,764	-	-	6,399,284	6,333,764
Fire	1,624,594	1,633,396	-	-	1,624,594	1,633,396
Streets	2,926,645	2,510,689	-	-	2,926,645	2,510,689
Parks and recreation	2,806,609	2,589,366	-	-	2,806,609	2,589,366
Tourism	3,375,372	2,860,967	-	-	3,375,372	2,860,967
Health	295,649	295,094	-	-	295,649	295,094
Food and wine festival	52,264	141,246	-	-	52,264	141,246
Emergency management	201,503	168,605	-	-	201,503	168,605
Development services	976,703	1,119,510	-	-	976,703	1,119,510
Municipal court	238,596	218,780	-	-	238,596	218,780
Engineering	276,170	303,232	-	-	276,170	303,232
Electric	-	-	12,282,851	10,537,984	12,282,851	10,537,984
Water and sewer	-	-	7,071,071	6,977,517	7,071,071	6,977,517
Golf	-	-	280,601	211,335	280,601	211,335
Landfill	-	-	3,316,622	3,182,171	3,316,622	3,182,171
EMS	-	-	3,617,695	3,247,338	3,617,695	3,247,338
Drainage utilities	-	-	776,418	567,324	776,418	567,324
<b>Total expenses</b>	<b>21,395,288</b>	<b>20,588,274</b>	<b>27,345,258</b>	<b>24,723,669</b>	<b>48,740,546</b>	<b>45,311,943</b>
Increase (decrease) in net position before transfers	1,004,619	(1,512,583)	374,688	182,629	1,379,307	(1,329,954)
Gain on retirement of assets	107,010	20,460	158,522	(367,241)	265,532	(346,781)
Transfers	1,457,572	921,873	(1,457,572)	(921,873)	-	-
<b>Change in net position</b>	<b>2,569,201</b>	<b>(570,250)</b>	<b>(924,362)</b>	<b>(1,106,485)</b>	<b>1,644,839</b>	<b>(1,676,735)</b>
<b>Net position:</b>						
Net position - beginning	19,891,219	20,578,616	34,794,892	36,077,098	54,686,111	56,655,714
Prior period adjustment	-	(117,147)	-	(175,721)	-	(292,868)
<b>Net position - ending</b>	<b>\$ 22,460,420</b>	<b>\$ 19,891,219</b>	<b>\$ 33,870,530</b>	<b>\$ 34,794,892</b>	<b>\$ 56,330,950</b>	<b>\$ 54,686,111</b>

As a whole, the government's net position increased by \$1,644,839 during the current fiscal year.

## FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,762,891. Refer to page 16 of this report for a more detailed presentation of governmental fund balances.

The general fund is the primary operating fund of the City. The total fund balance of the general fund was \$15,559,342 of which \$13,923,726 is unassigned. Unassigned fund balance is the amount available for any purpose.

The fund balance of the City's general fund increased by \$4,799,887 during the current fiscal year. The budget estimated a net change in fund balance of \$(127,564), a positive variance of \$4,927,451.

### **Proprietary Funds**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City's enterprise funds at the end of the year amounted to \$(1,820,677). Net position of the City's enterprise funds decreased by \$924,362 in the current year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$72,735,437 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major capital asset acquisitions occurring during the current fiscal year included the following:

Fire department machine and equipment	\$	13,973
Police vehicles		250,213
Street improvements / sidewalks		101,009
Engineering projects		21,962
Tourism projects		28,755
Emergency management equipment		10,715
Park improvements		524,718
Electric system improvements		1,271,909
Water department machinery/ equipment		868,698
Water / wastewater system improvements		7,213,192
Solid waste department machinery /equipment		172,368
EMS department machinery / equipment		13,973
Totals	\$	<u>10,491,485</u>

Additional information on the City's capital assets can be found on pages 43-45 of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total outstanding bonded debt of \$28,010,000. The entire amount of debt is backed in full faith and credit of the City.

The City carries bond ratings from Standards and Poor's of AA and from Moody's Investors Service of Aa3.

Additional information on the City's long-term liabilities can be found on pages 48-50 of this report.

## PROPERTY TAXES

### General Fund Property Tax Rate

In the budget for fiscal year-end September 30, 2021, the adopted property tax rate decreased to \$.2208 from the prior year per \$100 of assessed valuation.

### Tax Rate, Levy and Collection History

Fiscal Year Ended September 30,	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	Percentage of Current Collections	Percentage of Collections
2021	0.2208	0.1846	0.0362	\$ 4,969,206	93.94%	99.24%
2020	0.2273	0.1898	0.0375	4,913,299	93.32%	99.67%
2019	0.2256	0.1880	0.0376	4,422,710	92.29%	99.76%
2018	0.2256	0.1627	0.0629	4,255,938	93.94%	99.86%
2017	0.2400	0.2025	0.0375	3,893,409	92.87%	99.90%
2016	0.2313	0.1761	0.0552	3,545,858	92.65%	99.90%
2015	0.2482	0.1992	0.0490	3,495,943	93.40%	99.92%
2014	0.2600	0.1879	0.0721	3,439,885	92.52%	99.90%
2013	0.2647	0.1940	0.0707	3,420,570	92.03%	99.90%
2012	0.2444	0.1917	0.0527	3,172,700	92.20%	99.90%
2011	0.2365	0.1794	0.0571	3,059,441	91.92%	99.91%

**CITY OF FREDERICKSBURG, TEXAS**

**BUDGET COMPARISON**

**For the years ended 2021 and 2020**

	Budget Year		Increase (Decrease)	Increase (Decrease)
	2021-2022	2020-2021		
<b>Revenues:</b>				
General fund	\$ 24,557,018	\$ 18,551,681	\$ 6,005,337	32.37%
Electric	12,405,968	11,251,711	1,154,257	10.26%
Water and sewer	9,387,361	8,389,541	997,820	11.89%
Golf	148,724	139,614	9,110	6.53%
Landfill	2,740,896	2,753,521	(12,625)	-0.46%
EMS	3,803,575	2,906,717	896,858	30.85%
Drainage	618,950	619,900	(950)	-0.15%
Emergency management	241,885	209,438	32,447	15.49%
Debt service	720,198	819,215	(99,017)	-12.09%
Internal service fund	<u>2,798,698</u>	<u>2,014,297</u>	<u>784,401</u>	38.94%
Total revenues	<u>57,423,273</u>	<u>47,655,635</u>	<u>9,767,638</u>	20.50%
<b>Expenditures:</b>				
<b>General fund:</b>				
Administrative	10,793,488	6,232,668	4,560,820	73.18%
Police	6,348,274	5,640,275	707,999	12.55%
Fire	2,157,105	1,626,821	530,284	32.60%
Street	2,501,142	2,196,755	304,387	13.86%
Park	3,286,962	2,233,508	1,053,454	47.17%
Development services	1,247,163	888,804	358,359	40.32%
Health	250,849	231,189	19,660	8.50%
Municipal court	283,959	191,145	92,814	48.56%
Engineering	270,882	252,830	18,052	7.14%
Food and wine festival	<u>170,100</u>	<u>76,360</u>	<u>93,740</u>	122.76%
Total general fund expenditures	<u>27,309,924</u>	<u>19,570,355</u>	<u>7,739,569</u>	39.55%
Electric	12,608,652	12,300,153	308,499	2.51%
Water and sewer	19,875,911	22,226,507	(2,350,596)	-10.58%
Golf	148,724	139,614	9,110	6.53%
Landfill	2,641,304	2,818,462	(177,158)	-6.29%
EMS	3,803,575	2,906,717	896,858	30.85%
Drainage	738,001	642,359	95,642	14.89%
Emergency management	241,885	209,438	32,447	15.49%
Debt service	814,252	812,841	1,411	0.17%
Internal service fund	<u>2,779,753</u>	<u>1,975,200</u>	<u>804,553</u>	40.73%
Total expenditures	<u>70,961,981</u>	<u>63,601,646</u>	<u>7,360,335</u>	11.57%
Budgeted revenues in excess (deficiency) of expenditures	<u>\$ (13,538,708)</u>	<u>\$ (15,946,011)</u>	<u>\$ 2,407,303</u>	

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Laura Hollenbeak, Director of Finance, 126 West Main, Fredericksburg, Texas 78264 or call (830) 997-7521.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB).

The sets of statements include:

- Government–Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Busines-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Assets:				
Cash and cash equivalents	\$ 14,077,914	\$ 19,946,981	\$ 34,024,895	\$ 1,423,320
Investments - current	600,000	650,000	1,250,000	-
Tax receivables (net of allowances for uncollectibles):	1,435,633	-	1,435,633	-
Internal balances	514,562	(514,562)	-	-
Intergovernmental receivable	1,673,387	149,721	1,823,108	-
Due from others	-	2,740,899	2,740,899	-
Inventories	-	1,122,097	1,122,097	-
Prepaid expenses	-	-	-	83,230
Property and equipment (net of depreciation):				
Land	7,583,656	1,126,948	8,710,604	-
Buildings	4,215,009	3,393,013	7,608,022	-
Improvements	8,876,233	9,352,414	18,228,647	1,409
Machinery and equipment	1,924,188	36,263,976	38,188,164	54,833
<b>Total assets</b>	<b>40,900,582</b>	<b>74,231,487</b>	<b>115,132,069</b>	<b>1,562,792</b>
Deferred outflows of resources:				
Deferred outflow related to TMRS pension	1,317,475	1,076,241	2,393,716	-
Deferred outflow related to TESRS pension	21,584	-	21,584	-
Deferred outflow related to TMRS OPEB	106,104	86,679	192,783	-
<b>Total deferred outflows of resources</b>	<b>1,445,163</b>	<b>1,162,920</b>	<b>2,608,083</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 42,345,745</b>	<b>\$ 75,394,407</b>	<b>\$ 117,740,152</b>	<b>\$ 1,562,792</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Busines-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Liabilities and net position:				
Liabilities:				
Accounts payable	\$ 1,233,723	\$ 1,879,907	\$ 3,113,630	\$ 88,398
Accrued payroll	129,329	364,432	493,761	11,754
Intergovernmental payable	78,462	298,970	377,432	-
Accrued interest payable	30,954	127,267	158,221	-
Unearned revenues	1,106,079	-	1,106,079	-
Other current liabilities	-	1,410,021	1,410,021	-
Net pension liability - TMRS	8,547,910	6,982,766	15,530,676	-
Net pension liability - TESRS	58,178	-	58,178	-
OPEB liability - TMRS	435,900	356,086	791,986	-
Noncurrent liabilities:				
Due within one year	1,072,928	2,369,310	3,442,238	-
Due in more than one year	<u>6,366,076</u>	<u>27,111,627</u>	<u>33,477,703</u>	<u>-</u>
Total liabilities	<u>19,059,539</u>	<u>40,900,386</u>	<u>59,959,925</u>	<u>100,152</u>
Deferred inflows of resources:				
Deferred inflow related to TMRS pension	739,237	603,881	1,343,118	-
Deferred inflow related to TESRS	62,544	-	62,544	-
Deferred inflow related to TMRS OPEB	<u>24,005</u>	<u>19,610</u>	<u>43,615</u>	<u>-</u>
Total deferred inflows of resources	<u>825,786</u>	<u>623,491</u>	<u>1,449,277</u>	<u>-</u>
Net position:				
Net investment in capital assets	16,014,677	29,429,805	45,444,482	-
Restricted for:				
Long-term debt	201,049	5,944,320	6,145,369	-
Capital projects	-	317,082	317,082	-
Tourism	1,618,673	-	1,618,673	-
Court technology	16,943	-	16,943	-
Unrestricted	<u>4,609,078</u>	<u>(1,820,677)</u>	<u>2,788,401</u>	<u>1,462,640</u>
Total net position	<u>22,460,420</u>	<u>33,870,530</u>	<u>56,330,950</u>	<u>1,462,640</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,345,745</u>	<u>\$ 75,394,407</u>	<u>\$ 117,740,152</u>	<u>\$ 1,562,792</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2021**

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Municipal court	\$ 238,596	\$ 172,604	\$ -
Administration	2,221,899	13,569	211,942
Tourism	3,375,372	-	139,093
Engineering	276,170	-	-
Police	6,399,284	909,413	37,876
Fire	1,624,594	-	-
Emergency management	201,503	-	52,441
Streets	2,926,645	-	-
Parks	2,806,609	912,016	-
Health	295,649	112,250	-
Food and wine festival	52,264	28,770	-
Development services	976,703	337,567	-
Total government activities	<u>21,395,288</u>	<u>2,486,189</u>	<u>441,352</u>
Business-type activities:			
Electric	12,282,851	12,190,429	-
Water	7,071,071	9,533,759	-
Golf	280,601	124,693	-
Landfill	3,316,622	2,941,244	-
EMS	3,617,695	2,268,315	-
Drainage	776,418	626,051	-
Total business-type activities	<u>27,345,258</u>	<u>27,684,491</u>	<u>-</u>
Total primary government	<u>\$ 48,740,546</u>	<u>\$ 30,170,680</u>	<u>\$ 441,352</u>
Component unit:			
Fredericksburg Convention and Visitor Bureau	<u>\$ 2,684,041</u>		

General revenues:

- Taxes:
  - Property taxes
  - Sales tax
  - Hotel occupancy tax
  - Other taxes
- Miscellaneous revenue
- Investment earnings
- Transfers in (out)
- Gain on retirement of capital assets
- Total general revenues
- Change in net position
- Net position - beginning of year
- Net position - end of year

The accompanying notes are an integral part of these financial statements.

Changes in Net Position			Component Unit Fredericksburg Convention and Visitor Bureau
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ (65,992)	\$ -	\$ (65,992)	
(1,996,388)	-	(1,996,388)	
(3,236,279)	-	(3,236,279)	
(276,170)	-	(276,170)	
(5,451,995)	-	(5,451,995)	
(1,624,594)	-	(1,624,594)	
(149,062)	-	(149,062)	
(2,926,645)	-	(2,926,645)	
(1,894,593)	-	(1,894,593)	
(183,399)	-	(183,399)	
(23,494)	-	(23,494)	
(639,136)	-	(639,136)	
<u>(18,467,747)</u>	<u>-</u>	<u>(18,467,747)</u>	
-	(92,422)	(92,422)	
-	2,462,688	2,462,688	
-	(155,908)	(155,908)	
-	(375,378)	(375,378)	
-	(1,349,380)	(1,349,380)	
-	(150,367)	(150,367)	
<u>-</u>	<u>339,233</u>	<u>339,233</u>	
<u>(18,467,747)</u>	<u>339,233</u>	<u>(18,128,514)</u>	
			\$ <u>(2,684,041)</u>
5,003,918	-	5,003,918	-
7,962,705	-	7,962,705	-
5,468,043	-	5,468,043	-
867,358	-	867,358	-
151,236	-	151,236	3,116,979
19,106	35,455	54,561	-
1,457,572	(1,457,572)	-	-
<u>107,010</u>	<u>158,522</u>	<u>265,532</u>	<u>-</u>
<u>21,036,948</u>	<u>(1,263,595)</u>	<u>19,302,024</u>	<u>3,116,979</u>
2,569,201	(924,362)	1,644,839	432,938
<u>19,891,219</u>	<u>34,794,892</u>	<u>54,686,111</u>	<u>1,029,702</u>
<u>\$ 22,460,420</u>	<u>\$ 33,870,530</u>	<u>\$ 56,330,950</u>	<u>\$ 1,462,640</u>

**CITY OF FREDERICKSBURG, TEXAS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**September 30, 2021**

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets:</b>				
Cash and cash equivalents	13,759,640	\$ -	\$ 224,781	\$ 13,984,421
Investments	600,000	-	-	600,000
Taxes receivable (net of allowances for uncollectibles)	1,364,419	-	-	1,364,419
Receivable (net of allowances)	71,214	-	-	71,214
Intergovernmental receivables	1,673,387	-	-	1,673,387
Due from other funds	541,342	2,500	5,289	549,131
<b>Total assets</b>	<b>\$ 18,010,002</b>	<b>\$ 2,500</b>	<b>\$ 230,070</b>	<b>\$ 18,242,572</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,029,182	\$ -	\$ -	\$ 1,029,182
Wages and salaries payable	129,329	-	-	129,329
Compensated absences	6,470	-	-	6,470
Intergovernmental payable	78,462	-	-	78,462
Due to other funds	5,548	-	29,021	34,569
Deferred revenues	1,106,079	-	-	1,106,079
<b>Total liabilities</b>	<b>2,355,070</b>	<b>-</b>	<b>29,021</b>	<b>2,384,091</b>
<b>Deferred inflows of resources:</b>				
Unearned revenue - property taxes	95,590	-	-	95,590
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	201,049	201,049
Capital improvements	-	2,500	-	2,500
Court technology	16,943	-	-	16,943
Tourism	1,618,673	-	-	1,618,673
Unassigned	13,923,726	-	-	13,923,726
<b>Total fund balances</b>	<b>15,559,342</b>	<b>2,500</b>	<b>201,049</b>	<b>15,762,891</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 18,010,002</b>	<b>\$ 2,500</b>	<b>\$ 230,070</b>	<b>\$ 18,242,572</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**September 30, 2021**

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 15,762,891

Amounts reported for governmental activities in the statement of net position are different because:

The City uses an internal service fund for health self insurance. The assets and liabilities are included in the governmental activities. (111,048)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 22,599,086

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 95,590

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds. (845,625)

Long-term liabilities, which includes certificates of obligation bonds, general obligation bonds, premiums and capital lease payable, are not due and payable in the current period and, therefore, not reported in the funds. (6,586,909)

Net pension liability, other postemployment benefit liability, and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, not reported in the funds. (8,422,611)

Accrued interest payable on general obligation bonds are not due and payable in the current period and, therefore, not reported in the funds. (30,954)

NET POSITION OF GOVERNMENTAL ACTIVITIES -  
STATEMENT OF NET POSITION \$ 22,460,420

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**For the year ended September 30, 2021**

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Revenues:				
General property taxes	\$ 4,199,111	\$ -	\$ 824,047	\$ 5,023,158
General sales and use taxes	7,962,705	-	-	7,962,705
Hotel occupancy taxes	5,468,043	-	-	5,468,043
Other taxes	521,266	-	-	521,266
Franchise fees	346,092	-	-	346,092
License and permits	337,567	-	-	337,567
Fines	110,064	-	-	110,064
Pavilion and camping fees	734,348	-	-	734,348
Rentals	145,813	-	-	145,813
Intergovernmental revenue	723,365	-	-	723,365
Grants	35,081	-	-	35,081
Investment earnings	18,551	85	193	18,829
Other revenues	992,539	-	-	992,539
Total revenues	<u>21,594,545</u>	<u>85</u>	<u>824,240</u>	<u>22,418,870</u>
Expenditures:				
Current:				
Municipal court	194,486	-	-	194,486
Administration	1,276,731	-	-	1,276,731
Tourism	3,324,463	-	-	3,324,463
Police	5,055,149	-	-	5,055,149
Fire	1,336,943	-	-	1,336,943
Emergency management	197,826	-	-	197,826
Streets	1,866,458	-	-	1,866,458
Parks and recreation	2,100,795	-	-	2,100,795
Health	236,908	-	-	236,908
Food and wine festival	52,264	-	-	52,264
Development services	819,158	-	-	819,158
Engineering	209,472	-	-	209,472
Debt service:				
Principal	309,035	-	640,000	949,035
Interest	21,383	-	172,840	194,223
Capital outlay	951,345	-	-	951,345
Total expenditures	<u>17,952,416</u>	<u>-</u>	<u>812,840</u>	<u>18,765,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,642,129</u>	<u>85</u>	<u>11,400</u>	<u>3,653,614</u>
Other financing sources (uses):				
Sale of real and personal property	100,186	-	-	100,186
Transfers in	2,290,250	-	163,229	2,453,479
Transfers out	(1,232,678)	(163,229)	-	(1,395,907)
Capital leases	-	-	-	-
Total other financing sources (uses)	<u>1,157,758</u>	<u>(163,229)</u>	<u>163,229</u>	<u>1,157,758</u>
Net change in fund balances	4,799,887	(163,144)	174,629	4,811,372
Fund balances at beginning of year	<u>10,759,455</u>	<u>165,644</u>	<u>26,420</u>	<u>10,951,519</u>
Fund balances at end of year	<u>\$ 15,559,342</u>	<u>\$ 2,500</u>	<u>\$ 201,049</u>	<u>\$ 15,762,891</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2021**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 4,811,372

Amounts reported for governmental activities in the statement of activities are different because:

The City uses an internal service fund to charge the cost of health insurance. The net income (loss) of this fund is consolidated into governmental activities. (63,040)

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 expense \$951,345 did not exceed capital outlay (\$1,760,350) and gain on disposal of \$6,824. (802,181)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (19,240)

The repayment and issuance of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position. 955,667

The amortization of bond premium and losses on refunding do not require the use of current financial resources, and therefore, are not reported in the funds. 7,873

Change in net pension liability, other postemployment benefits liability, and related deferred inflows and outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,377,789)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 56,539

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,569,201

The accompanying notes are an integral part of these financial statements.

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**

**September 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Current assets:			
Cash and cash equivalents	\$ 2,155,573	14,164,731	\$ 120,553
Investments	-	400,000	-
Due from other funds	633,345	-	-
Intergovernmental receivable	26,690	41,608	264
Accounts receivable (net of allowance)	1,095,620	850,754	2,206
Inventory	<u>796,730</u>	<u>325,367</u>	<u>-</u>
Total current assets	<u>4,707,958</u>	<u>15,782,460</u>	<u>123,023</u>
Noncurrent assets:			
Property and equipment:			
Land	89,475	522,525	305,399
Buildings	4,285,526	2,795,738	1,771,506
Improvements	-	-	3,207,056
Machinery and equipment	10,606,670	55,614,047	539,851
Less: accumulated depreciation	<u>(10,226,238)</u>	<u>(19,530,558)</u>	<u>(3,151,356)</u>
Total noncurrent assets	<u>4,755,433</u>	<u>39,401,752</u>	<u>2,672,456</u>
Deferred outflow of resources:			
Deferred outflow - TMRS pension	247,985	316,565	3,316
Deferred outflow - OPEB	<u>19,972</u>	<u>25,495</u>	<u>268</u>
Total deferred outflow of resources	<u>267,957</u>	<u>342,060</u>	<u>3,584</u>
Total assets and deferred outflow of resources	<u>\$ 9,731,348</u>	<u>\$ 55,526,272</u>	<u>\$ 2,799,063</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,294,202	\$ 479,990	\$ 731,932	\$ 19,946,981	\$ 93,493
250,000	-	-	650,000	-
633,345	-	259	1,266,949	-
1,385	76,681	3,093	149,721	-
267,592	471,115	53,612	2,740,899	-
-	-	-	1,122,097	-
<u>3,446,524</u>	<u>1,027,786</u>	<u>788,896</u>	<u>25,876,647</u>	<u>93,493</u>
209,549	-	-	1,126,948	-
107,770	368,666	-	9,329,206	-
6,164,572	32,759	5,187,959	14,592,346	-
4,177,864	1,571,611	492,287	73,002,330	-
(9,020,950)	(1,455,888)	(4,529,489)	(47,914,479)	-
<u>1,638,805</u>	<u>517,148</u>	<u>1,150,757</u>	<u>50,136,351</u>	<u>-</u>
207,763	271,588	29,024	1,076,241	-
16,733	21,873	2,338	86,679	-
<u>224,496</u>	<u>293,461</u>	<u>31,362</u>	<u>1,162,920</u>	<u>-</u>
<u>\$ 5,309,825</u>	<u>\$ 1,838,395</u>	<u>\$ 1,971,015</u>	<u>\$ 77,175,918</u>	<u>\$ 93,493</u>

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**

**September 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,025,257	\$ 765,306	\$ 131
Accrued payroll	81,350	110,732	972
Intergovernmental payable	37,458	-	-
Accrued interest payable	11,440	112,295	-
Due to other funds	91,800	79,700	1,266,690
Other current liabilities	481,161	906,660	-
Capital leases payable	221,285	509,307	-
Bonds payable - current maturity:			
Revenue bonds	<u>270,000</u>	<u>885,000</u>	<u>-</u>
Total current liabilities	<u>2,219,751</u>	<u>3,369,000</u>	<u>1,267,793</u>
Noncurrent liabilities:			
Bonds payable:			
Revenue bonds	1,485,000	19,555,000	-
Capital leases payable	668,578	449,527	-
Net pension liability - TMRS	1,608,949	2,053,903	21,515
OPEB liability	82,048	104,739	1,098
Unamortized premiums on bonds	-	780,450	-
Compensated absences	177,901	202,048	3,553
Closure and post-closure liability	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>4,022,476</u>	<u>23,145,667</u>	<u>26,166</u>
Total liabilities	<u>6,242,227</u>	<u>26,514,667</u>	<u>1,293,959</u>
Deferred inflows of resources:			
Deferred inflow - TMRS pension	139,144	177,625	1,861
Deferred inflow - OPEB	<u>4,518</u>	<u>5,768</u>	<u>61</u>
Total deferred inflow of resources	<u>143,662</u>	<u>183,393</u>	<u>1,922</u>
Net position:			
Net investment in capital assets	2,110,570	21,608,845	2,672,456
Restricted for long-term debt	186,810	5,757,510	-
Restricted for capital projects	-	-	-
Unrestricted	<u>1,048,079</u>	<u>1,461,857</u>	<u>(1,169,274)</u>
Total net position	<u>3,345,459</u>	<u>28,828,212</u>	<u>1,503,182</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,731,348</u>	<u>\$ 55,526,272</u>	<u>\$ 2,799,063</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 24,474	\$ 35,377	\$ 29,362	\$ 1,879,907	\$ 204,541
75,939	85,115	10,324	364,432	-
6,873	254,639	-	298,970	-
1,074	1,271	1,187	127,267	-
24,800	313,821	4,700	1,781,511	-
22,200	-	-	1,410,021	-
81,497	96,423	90,856	999,368	-
-	-	-	1,155,000	-
<u>236,857</u>	<u>786,646</u>	<u>136,429</u>	<u>8,016,476</u>	<u>204,541</u>
-	-	-	21,040,000	-
-	-	-	1,118,105	-
1,347,993	1,762,093	188,313	6,982,766	-
68,741	89,857	9,603	356,086	-
-	-	-	780,450	-
143,061	143,705	5,866	676,134	-
3,711,880	-	-	3,711,880	-
<u>5,271,675</u>	<u>1,995,655</u>	<u>203,782</u>	<u>34,665,421</u>	<u>-</u>
<u>5,508,532</u>	<u>2,782,301</u>	<u>340,211</u>	<u>42,681,897</u>	<u>204,541</u>
116,577	152,389	16,285	603,881	-
3,786	4,948	529	19,610	-
<u>120,363</u>	<u>157,337</u>	<u>16,814</u>	<u>623,491</u>	<u>-</u>
1,557,308	420,725	1,059,901	29,429,805	-
-	-	-	5,944,320	-
317,082	-	-	317,082	-
<u>(2,193,460)</u>	<u>(1,521,968)</u>	<u>554,089</u>	<u>(1,820,677)</u>	<u>(111,048)</u>
<u>(319,070)</u>	<u>(1,101,243)</u>	<u>1,613,990</u>	<u>33,870,530</u>	<u>(111,048)</u>
<u>\$ 5,309,825</u>	<u>\$ 1,838,395</u>	<u>\$ 1,971,015</u>	<u>\$ 77,175,918</u>	<u>\$ 93,493</u>

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**

**For the year ended September 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Operating revenues:			
Electric sales	\$ 11,881,144	\$ -	\$ -
Water sales	-	4,540,572	-
Sewer sales	-	3,668,654	-
Garbage collection and tipping fees	-	-	-
EMS fees	-	-	-
Drainage utilities	-	-	-
Licenses and permits	27,153	32,465	-
Rents and royalties	50,848	1,461	-
Other revenue	231,284	1,290,607	124,693
Total operating revenues	<u>12,190,429</u>	<u>9,533,759</u>	<u>124,693</u>
Operating expenses:			
Salaries and wages	1,167,168	1,490,276	15,428
Employee benefits	1,026,741	1,197,751	10,833
Contracted services	73,471	56,713	-
Other operating expenses	9,602,342	1,762,696	137,122
Depreciation	370,153	1,808,492	104,038
Total operating expenses	<u>12,239,875</u>	<u>6,315,928</u>	<u>267,421</u>
Operating income (loss)	<u>(49,446)</u>	<u>3,217,831</u>	<u>(142,728)</u>
Nonoperating revenues (expenses):			
Investment income	8,898	16,336	12
Interest expense	(42,976)	(801,052)	(13,180)
Amortization of bond premium	-	45,909	-
Bond issuance cost	-	-	-
Transfers to other funds	(1,100,300)	(858,100)	-
Transfers from other funds	-	-	139,604
Contributed capital	-	-	33,022
Gain (loss) on sale of fixed assets	-	23,900	-
Total nonoperating revenues (expenses)	<u>(1,134,378)</u>	<u>(1,573,007)</u>	<u>159,458</u>
Changes in net position	(1,183,824)	1,644,824	16,730
Total net position - beginning	<u>4,529,283</u>	<u>27,183,388</u>	<u>1,486,452</u>
Total net position - ending	<u>\$ 3,345,459</u>	<u>\$ 28,828,212</u>	<u>\$ 1,503,182</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ -	\$ -	\$ -	\$ 11,881,144	\$ -
-	-	-	4,540,572	-
-	-	-	3,668,654	-
2,938,442	-	-	2,938,442	-
-	1,654,152	-	1,654,152	-
-	-	622,958	622,958	-
-	-	-	59,618	-
-	-	-	52,309	-
2,802	614,163	3,093	2,266,642	2,573,638
<u>2,941,244</u>	<u>2,268,315</u>	<u>626,051</u>	<u>27,684,491</u>	<u>2,573,638</u>
982,434	1,395,946	136,085	5,187,337	-
765,110	1,104,883	229,274	4,334,592	-
34,994	14,329	176	179,683	-
945,288	895,711	83,611	13,426,770	3,036,955
586,990	205,127	325,754	3,400,554	-
<u>3,314,816</u>	<u>3,615,996</u>	<u>774,900</u>	<u>26,528,936</u>	<u>3,036,955</u>
<u>(373,572)</u>	<u>(1,347,681)</u>	<u>(148,849)</u>	<u>1,155,555</u>	<u>(463,317)</u>
9,434	134	641	35,455	277
(1,806)	(1,699)	(1,518)	(862,231)	-
-	-	-	45,909	-
-	-	-	-	-
(275,700)	-	(56,100)	(2,290,200)	-
-	693,024	-	832,628	400,000
-	-	-	33,022	-
67,200	34,400	-	125,500	-
<u>(200,872)</u>	<u>725,859</u>	<u>(56,977)</u>	<u>(2,079,917)</u>	<u>400,277</u>
(574,444)	(621,822)	(205,826)	(924,362)	(63,040)
255,374	(479,421)	1,819,816	34,794,892	(48,008)
<u>\$ (319,070)</u>	<u>\$ (1,101,243)</u>	<u>\$ 1,613,990</u>	<u>\$ 33,870,530</u>	<u>\$ (111,048)</u>

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**For the year ended September 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Cash flows from operating activities:			
Cash received from customers	\$ 12,064,044	\$ 9,405,168	\$ 126,798
Cash payments to employees for services	(1,612,448)	(2,096,078)	(20,841)
Cash payments for suppliers	<u>(9,664,508)</u>	<u>(1,481,195)</u>	<u>(231,790)</u>
Net cash provided (used) by operating activities	<u>787,088</u>	<u>5,827,895</u>	<u>(125,833)</u>
Cash flows from noncapital financing activities:			
Operating transfers out	(1,100,300)	(858,100)	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>172,626</u>
Net cash provided (used) by noncapital financing activities	<u>(1,100,300)</u>	<u>(858,100)</u>	<u>172,626</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,271,910)	(8,048,868)	(33,021)
Capital lease proceeds	1,114,373	-	-
Debt issuance proceeds	-	-	-
Principal paid on capital debt	(499,909)	(1,497,954)	-
Interest paid on capital debt	(36,136)	(817,559)	(13,180)
Proceeds from the sale of capital assets	<u>-</u>	<u>23,900</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(693,582)</u>	<u>(10,340,481)</u>	<u>(46,201)</u>
Cash flows from investing activities			
Interest received on investments	8,898	16,335	11
Net increase (decrease) in cash and cash equivalents	(997,896)	(5,354,351)	603
Cash and cash equivalents, beginning	<u>3,153,469</u>	<u>19,519,082</u>	<u>119,950</u>
Cash and cash equivalents, ending	<u>\$ 2,155,573</u>	<u>\$ 14,164,731</u>	<u>\$ 120,553</u>

SCHEDULE OF NONCASH ACTIVITIES

Actuarially determined change in net pension/OPEB liability	\$ 87,297	\$ 106,655	\$ 1,096
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The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,906,612	\$ 2,129,256	\$ 621,887	\$ 27,253,765	\$ 2,578,383
(1,411,546)	(1,922,275)	(199,605)	(7,262,793)	-
<u>(519,072)</u>	<u>(424,654)</u>	<u>(51,136)</u>	<u>(12,372,355)</u>	<u>(3,101,664)</u>
<u>975,994</u>	<u>(217,673)</u>	<u>371,146</u>	<u>7,618,617</u>	<u>(523,281)</u>
(275,700)	-	(56,100)	(2,290,200)	-
<u>-</u>	<u>693,024</u>	<u>-</u>	<u>865,650</u>	<u>400,000</u>
<u>(275,700)</u>	<u>693,024</u>	<u>(56,100)</u>	<u>(1,424,550)</u>	<u>400,000</u>
(172,368)	(13,973)	-	(9,540,140)	-
-	-	-	1,114,373	-
-	-	-	-	-
(216,969)	(96,961)	(89,522)	(2,401,315)	-
(6,194)	(2,950)	(2,686)	(878,705)	-
<u>67,200</u>	<u>34,400</u>	<u>-</u>	<u>125,500</u>	<u>-</u>
<u>(328,331)</u>	<u>(79,484)</u>	<u>(92,208)</u>	<u>(11,580,287)</u>	<u>-</u>
9,435	133	641	35,453	277
381,398	396,000	223,479	(5,350,767)	(123,004)
<u>1,912,804</u>	<u>83,990</u>	<u>508,453</u>	<u>25,297,748</u>	<u>216,497</u>
<u>\$ 2,294,202</u>	<u>\$ 479,990</u>	<u>\$ 731,932</u>	<u>\$ 19,946,981</u>	<u>\$ 93,493</u>

\$ 67,117    \$ 94,128    \$ 27,471    \$ 383,764    \$ -

**CITY OF FREDERICKSBURG, TEXAS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**For the year ended September 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (49,446)	\$ 3,217,831	\$ (142,728)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	370,153	1,808,492	104,038
(Increase) decrease in operating assets:			
Accounts receivable	(103,449)	(90,736)	2,206
Interfund receivables	47,331	-	-
Due from other governments	(22,937)	(37,855)	(101)
Inventories	(97,402)	(46,085)	-
Increase (decrease) in operating liabilities:			
Accounts payable	14,521	(286,137)	(5)
Wages payable	10,333	12,773	122
Interest payable	-	-	-
Due to other funds	18,400	16,400	(94,663)
Due to other governments	4,673	-	-
Compensated absences payable	2,539	(18,692)	(414)
Net pension/OPEB liability	568,590	597,869	5,712
Landfill closure liability	-	-	-
Other current liabilities	<u>23,782</u>	<u>654,035</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 787,088</u>	<u>\$ 5,827,895</u>	<u>\$ (125,833)</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ (373,572)	\$ (1,347,681)	\$ (148,849)	\$ 1,155,555	\$ (463,317)
586,990	205,127	325,754	3,400,554	-
(33,247)	(103,660)	(1,071)	(329,957)	4,745
47,331	-	-	94,662	-
(1,385)	(35,399)	(3,093)	(100,770)	-
-	-	-	(143,487)	-
10,837	7,882	32,651	(220,251)	(64,709)
11,182	5,122	3,913	43,445	-
-	-	-	-	-
6,200	247,713	-	194,050	-
293	229,791	-	234,757	-
10,100	(10,261)	(375)	(17,103)	-
314,717	583,693	162,216	2,232,797	-
394,448	-	-	394,448	-
2,100	-	-	679,917	-
<u>\$ 975,994</u>	<u>\$ (217,673)</u>	<u>\$ 371,146</u>	<u>\$ 7,618,617</u>	<u>\$ (523,281)</u>



## **NOTES TO BASIC FINANCIAL STATEMENTS**



# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies

The City of Fredericksburg, Texas, (the City), is a municipal corporation incorporated under Article XI, Section 4 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides such services as are authorized by its code of ordinances and its inhabitants. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

#### Reporting entity

##### Component unit

As required by generally accepted accounting principles, these financial statements present the 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; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The City of Fredericksburg has one component unit displayed as a discretely presented component unit. The Fredericksburg Convention and Visitor Bureau (the "Bureau") is governed by a Board of Directors comprised of 11 members. Each member is appointed by the City Council of the City of Fredericksburg. The Bureau also provides the City with financial information, as required by City Council. In addition, the annual budget for the Bureau must be approved by City Council. These facts distinguish the Bureau as a discretely presented component unit of the City.

The Bureau's mission is to create a positive business environment, take a leadership role in community affairs, be an information resource for its members, help in providing a better quality of life for its citizens and increase growth of the overnight tourism and meeting industry in Fredericksburg.

Complete financial statements for the component unit may be obtained at the Fredericksburg Convention and Visitor Bureau's administrative office, which is located at 302 E. Austin Street, Fredericksburg, Texas 78624.

#### Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government-wide statements.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies (continued)

#### Government-wide and fund financial statements (continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges of 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 operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

**Governmental funds** are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

The City reports the following major governmental fund:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**Proprietary funds** are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

The City reports the following major proprietary funds:

The electric fund is used to account for electrical operations that are intended to be self-supporting.

The water and sewer fund is used to account for operations that are intended to be self-supporting water and sewer services through user charges.

The golf course fund is used to account for the golf course operations that are intended to be self-supporting through user charges.

The solid waste fund is used to account for the sanitary landfill operations that are intended to be self-supporting.

The emergency medical service (EMS) fund is used to account for the joint EMS services with the County of Gillespie. The operations are intended to be self-supporting.

The drainage fund is used to account for the drainage services that are intended to be self-supporting.

Additionally, the City reports an internal service fund to account for health insurance services provided to the departments of the government on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies (continued)

#### Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash and investments

Cash and temporary investments consist of demand deposits and balances in public funds investment pools. Short-term investments are stated at cost.

For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement Number 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Investments are stated at fair value and categorized by using the fair value hierarchy established by generally accepted accounting principles. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies (continued)

#### Cash and investments (continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### Accounts receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no balances that were considered "advanced to/from other funds" at September 30, 2021. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rates.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Gillespie Central Appraisal District ("GCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the GCAD. The Gillespie Central Appraisal District Tax Assessor performs billings and collection of tax levies.

#### Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories in the proprietary funds are valued at cost (first-in, first-out method).

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets such as equipment are defined as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 – 50 years
Improvements other than buildings	10 – 50 years
Equipment	5 – 15 years
Infrastructure	30 years

Compensated absences

It is the City’s policy to permit employees to accumulate earned but unused personal time off (PTO). Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees may only carry 480 hours of PTO over into the next calendar year. Expenditures are reported for these amounts.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year of issuance of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies (continued)

#### Fund balance

The City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. 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 a spendable form (such as inventory) or are required to be maintained intact;
- 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 reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the City Council to the City Manager.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City’s council or its designated official has provided otherwise in its commitments or assignment actions.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (1) Summary of significant accounting policies (continued)

#### Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

#### 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 expenses during the reporting period. Actual results could differ from those estimates.

#### 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 Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Other postemployment benefits (OPEB)

The OPEB liability has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB and OPEB expense.

#### Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. The reclassifications did not change total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, total fund equity, total revenue of funds and total expense/expenditures.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(2) Stewardship, compliance and accountability

Budgetary information

The City Council follows the following procedures in establishing the budgetary data reflected in the financial statements:

- At least 30 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The proposed budget includes estimated revenue and proposed expenditures for the general fund.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally adopted on a fund basis by the City Council.
- The City Council can adjust the budget during its formal City Council meetings.
- Actual expenditures cannot exceed the legally-adopted budget.
- Appropriations lapse at the end of the year.
- Budgets are adopted on a basis consistent with generally accepted accounting principles.

(3) Deposits and investments

As of September 30, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Investments recorded as cash equivalents		
TexPool - valued at amortized cost	\$ 476,297	34
Total investments recorded as cash equivalents	476,297	
Cash at bank	33,543,468	
Cash on-hand	5,130	
Total cash and cash equivalents	<u>\$ 34,024,895</u>	
Investments		
Certificates of deposits - valued at amortized cost	<u>\$ 1,250,000</u>	280
Portfolio weighted average maturity		212

The City’s investment pools are 2a7-like pools. A 2a7 like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(3) Deposits and investments (continued)

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by maintaining a weighted average days to maturity for the operating fund portfolio of less than 360 days. The maximum allowable maturity for any investment is 3 years.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2021, the City had cash deposits at the bank of \$33,834,234. The total fair market value of pledged securities held as collateral amounted to \$39,466,89. In addition, \$250,000 of the deposits are covered by FDIC coverage.

Credit risk. It is the City's policy to limit its investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investments as of September 30, 2021, were rated as follows:

Investment Type	Rating	Rating Agency
TexPool	AAAm	Standard and Poor's

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with an area financial institution, the City is authorized to place available deposits and investments in the following:

- Obligations of the U.S., its agencies and instrumentalities;
- Certificates of deposit issued by state and national banks or savings or loan associations domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Section 2256.010, the Texas Government Code, in face amount not to exceed \$250,000;
- No load money market mutual funds; and
- TexPool, Lone Star Investment Pool and MBIA Class.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year end are representative of the types of investments maintained by the City during the year.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

**(4) Receivables**

Receivables as of year end for the government’s individual major funds, nonmajor funds and enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Government		Enterprises Funds					Totals
	Funds		Water	Golf	Landfill	EMS	Drainage	
	General	Electric						
Taxes	\$ 2,792,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,792,864
Due from other governments	262,840	26,690	41,608	264	1,385	76,681	3,093	412,561
Customer accounts	68,442	1,139,237	874,761	2,206	329,951	545,284	55,091	3,014,972
Interest	2,771	-	4	-	17	-	-	2,792
Gross receivables	3,126,917	1,165,927	916,373	2,470	331,353	621,965	58,184	6,223,189
Less: allowance for uncollectibles	17,897	43,617	24,011	-	62,376	74,169	1,479	223,549
Net total receivables	<u>\$ 3,109,020</u>	<u>\$ 1,122,310</u>	<u>\$ 892,362</u>	<u>\$ 2,470</u>	<u>\$ 268,977</u>	<u>\$ 547,796</u>	<u>\$ 56,705</u>	<u>\$ 5,999,640</u>

**(5) Capital assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 7,583,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,583,656</u>
Total capital assets, not being depreciated	<u>7,583,656</u>	<u>-</u>	<u>-</u>	<u>7,583,656</u>
Capital assets, being depreciated:				
Buildings	9,741,333	306,600	(20,028)	10,027,905
Improvements other than buildings	21,188,995	369,844	(67,706)	21,491,133
Equipment	<u>8,381,812</u>	<u>274,901</u>	<u>(249,721)</u>	<u>8,406,992</u>
Total capital assets, being depreciated	<u>39,312,140</u>	<u>951,345</u>	<u>(337,455)</u>	<u>39,926,030</u>
Less accumulated depreciation:				
Buildings	(5,515,571)	(316,828)	19,503	(5,812,896)
Improvements other than buildings	(11,766,125)	(908,349)	59,574	(12,614,900)
Equipment	<u>(6,212,833)</u>	<u>(535,173)</u>	<u>265,202</u>	<u>(6,482,804)</u>
Total accumulated depreciation	<u>(23,494,529)</u>	<u>(1,760,350)</u>	<u>344,279</u>	<u>(24,910,600)</u>
Total capital assets being depreciated, net	<u>15,817,611</u>	<u>(809,005)</u>	<u>6,824</u>	<u>15,015,430</u>
Governmental activities capital assets, net	<u>\$ 23,401,267</u>	<u>\$ (809,005)</u>	<u>\$ 6,824</u>	<u>\$ 22,599,086</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(5) Capital assets (continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,126,948	\$ -	\$ -	\$ 1,126,948
Total capital assets, not being depreciated	<u>1,126,948</u>	<u>-</u>	<u>-</u>	<u>1,126,948</u>
Capital assets, being depreciated:				
Buildings and improvements	9,010,441	318,765	-	9,329,206
Improvements other than buildings	14,591,300	1,046	-	14,592,346
Equipment	<u>63,869,034</u>	<u>9,220,329</u>	<u>(87,033)</u>	<u>73,002,330</u>
Total capital assets, being depreciated	<u>87,470,775</u>	<u>9,540,140</u>	<u>(87,033)</u>	<u>96,923,882</u>
Less accumulated depreciation:				
Buildings and improvements	(5,717,213)	(218,980)	-	(5,936,193)
Improvements other than buildings	(4,944,181)	(295,751)	-	(5,239,932)
Equipment	<u>(33,939,564)</u>	<u>(2,885,823)</u>	<u>87,033</u>	<u>(36,738,354)</u>
Total accumulated depreciation	<u>(44,600,958)</u>	<u>(3,400,554)</u>	<u>87,033</u>	<u>(47,914,479)</u>
Total capital assets being depreciated, net	<u>42,869,817</u>	<u>6,139,586</u>	<u>-</u>	<u>49,009,403</u>
Business-type capital assets, net	<u>\$ 43,996,765</u>	<u>\$ 6,139,586</u>	<u>\$ -</u>	<u>\$ 50,136,351</u>

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:	
Administration	\$ 131,516
Police	322,167
Fire	53,576
Streets	798,204
Parks	416,936
Health	1,373
Engineering	18,129
Emergency management	3,677
Tourism	<u>14,772</u>
Total depreciation expense - governmental activities	<u>\$ 1,760,350</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(5) Capital assets (continued)

Business-type activities		
Electric	\$	370,153
Water and sewer		1,808,492
Golf		104,037
Landfill		586,990
EMS		205,127
Drainage utilities		<u>325,755</u>
Total depreciation expense - business-type activities	\$	<u><u>3,400,554</u></u>

(6) Interfund receivables, payables and transfers

	<u>Due To</u>	<u>Due From</u>
General fund:		
Electric - in lieu of taxes	\$ -	\$ 91,800
Water - in lieu of taxes	-	79,700
Landfill - in lieu of taxes	-	24,800
Drainage - in lieu of taxes		4,700
EMS	-	313,821
Drainage	259	-
Emergency management		-
Debt service	5,289	26,521
Electric fund:		
General fund - in lieu of taxes	91,800	-
Golf	-	633,345
Water and sewer fund:		
General fund - in lieu of taxes	79,700	-
Golf fund:		
Electric	633,345	-
Landfill	633,345	-
Landfill:		
General fund - in lieu of taxes	24,800	-
Golf	-	633,345
EMS:		
General fund	313,821	-
Drainage fund:		
General fund	-	259
General fund - in lieu of taxes	4,700	
Debt service:		
General fund	26,521	5,289
Capital projects	2,500	-
Capital projects:		
Debt service	<u>-</u>	<u>2,500</u>
Total due to / due from	<u>\$ 1,816,080</u>	<u>\$ 1,816,080</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

**(6) Interfund receivables, payables and transfers (continued)**

The balances of \$633,345 due to the electric fund and the solid waste fund represent amounts that were lent to the golf course to fund 2011-12 renovations to the golf course. The note's terms include a 1% annual interest rate and a twenty year amortization period with a 10/1/2034 maturity date.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and payments between funds are made.

	Transfers In	Transfers Out
General fund:		
Electric	\$ 1,100,300	\$ -
Water and sewer	858,100	-
Landfill	275,700	-
Drainage	56,100	-
EMS	-	693,024
Golf	-	139,604
Internal service fund		400,000
Debt service fund:		
Capital projects fund	163,229	-
Capital projects fund:		
Debt service fund	-	163,229
Electric fund:		
General fund	-	1,100,300
Water and sewer fund:		
General fund	-	858,100
Landfill:		
General fund	-	275,700
Drainage fund:		
General fund	-	56,100
EMS:		
General fund	693,024	-
Golf:		
General fund	139,604	-
Internal service fund:		
General fund	400,000	-
Total transfers	\$ 3,686,057	\$ 3,686,057

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as the debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(6) Interfund receivables, payables and transfers (continued)

In the year ended September 30, 2021, the City made payments from various funds to the general fund in lieu of taxes. GASB 34 requires that these payments be treated as transfers. Transfers were made from the following funds:

Electric	\$	863,800
Water and sewer		737,000
Landfill		228,900
Drainage		<u>56,100</u>
 Total	 \$	 <u>1,885,800</u>

(7) Capital leases – direct borrowing

The government has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 187,723	\$ 1,040,985
2023	109,347	690,704
2024	109,347	227,376
2025	109,347	227,376
2026	109,347	-
Thereafter	<u>109,347</u>	<u>-</u>
Total minimum lease payments	734,458	2,186,441
Less: amount representing interest	<u>49,146</u>	<u>68,968</u>
Present value of minimum lease payments	<u>\$ 685,312</u>	<u>\$ 2,117,473</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

**(8) Long-term liabilities**

The long-term liability activity for the year ended September 30, 2021, was as follows:

	Outstanding October 1, 2020	Increases	Decreases	Balance September 30, 2021	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,135,000	\$ -	\$ (150,000)	\$ 1,985,000	\$ 155,000
Unlimited tax notes	4,320,000	-	(490,000)	3,830,000	500,000
Add: unamortized premiums	<u>94,470</u>	<u>-</u>	<u>(7,873)</u>	<u>86,597</u>	<u>7,873</u>
Total bonds payable	<u>6,549,470</u>	<u>-</u>	<u>(647,873)</u>	<u>5,901,597</u>	<u>662,873</u>
Capitalized leases	994,657	-	(309,345)	685,312	172,739
Compensated absences	<u>913,487</u>	<u>166,980</u>	<u>(228,372)</u>	<u>852,095</u>	<u>237,316</u>
Total governmental activities	<u>8,457,614</u>	<u>166,980</u>	<u>(1,185,590)</u>	<u>7,439,004</u>	<u>1,072,928</u>
<b>Business-type activities:</b>					
<b>Revenue bonds and notes:</b>					
Revenue bonds	21,290,000	-	(850,000)	20,440,000	885,000
Revenue tax notes	2,020,000	-	(265,000)	1,755,000	270,000
Add: unamortized premium	<u>826,359</u>	<u>-</u>	<u>(45,909)</u>	<u>780,450</u>	<u>45,909</u>
Total revenue bonds and notes	<u>24,136,359</u>	<u>-</u>	<u>(1,160,909)</u>	<u>22,975,450</u>	<u>1,200,909</u>
Capitalized leases	2,289,416	1,114,373	(1,286,316)	2,117,473	999,368
Compensated absences	<u>693,237</u>	<u>156,204</u>	<u>(173,307)</u>	<u>676,134</u>	<u>169,033</u>
Total business-type activities	<u>27,119,012</u>	<u>1,270,577</u>	<u>(2,620,532)</u>	<u>25,769,057</u>	<u>2,369,310</u>
Total long-term liabilities	<u>\$ 35,576,626</u>	<u>\$ 1,437,557</u>	<u>\$ (3,806,122)</u>	<u>\$ 33,208,061</u>	<u>\$ 3,442,238</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

**(8) Long-term liabilities (continued):**

Governmental activities long-term liabilities at September 30, 2021, consisted of the following:

Series	Governmental Activities		
	Original Issue	Interest Rate	Debt Outstanding
2012 general obligation bonds - privately placed	\$ 3,200,000	2.88%	\$ 1,985,000
2016 limited tax notes - privately placed	1,530,000	1.39%	695,000
2017 tax and limited pledge rev CO's	<u>3,530,000</u>	3.00%	<u>3,135,000</u>
Totals	<u>\$ 11,864,164</u>		<u>\$ 5,815,000</u>

Compensated absences are generally liquidated by the general fund. The funds utilized for the repayment of long-term liabilities for governmental activities are the debt service fund and the general fund.

Business-type activities long-term liabilities at September 30, 2021, consisted of the following:

Series	Business-Type Activities		
	Original Issue	Interest Rate	Debt Outstanding
2018 revenue bonds	\$ 17,305,000	2.07-3.87%	\$ 15,670,000
2020 revenue refunding bonds - privately placed	5,120,000	1.850%	4,770,000
2020 revenue notes - privately placed	<u>2,300,000</u>	1.775%	<u>1,755,000</u>
Totals	<u>\$ 35,175,836</u>		<u>\$ 22,195,000</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2021, are as follows:

Fiscal Year	Governmental Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 155,000	\$ 96,400	\$ 251,400	\$ 500,000	\$ 62,852	\$ 562,852	\$ 655,000	\$ 159,252	\$ 814,252
2023	160,000	91,675	251,675	510,000	53,105	563,105	670,000	144,780	814,780
2024	165,000	86,800	251,800	165,000	45,674	210,674	330,000	132,474	462,474
2025	170,000	81,775	251,775	170,000	40,855	210,855	340,000	122,630	462,630
2026	175,000	76,599	251,599	175,000	35,892	210,892	350,000	112,491	462,491
2027-2031	950,000	300,120	1,250,120	950,000	99,978	1,049,978	1,900,000	400,098	2,300,098
2032-2036	1,115,000	140,920	1,255,920	210,000	3,021	213,021	1,325,000	143,941	1,468,941
2037	245,000	4,287	249,287	-	-	-	245,000	4,287	249,287
Totals	<u>\$ 3,135,000</u>	<u>\$ 878,576</u>	<u>\$ 4,013,576</u>	<u>\$ 2,680,000</u>	<u>\$ 341,377</u>	<u>\$ 3,021,377</u>	<u>\$ 5,815,000</u>	<u>\$ 1,219,953</u>	<u>\$ 7,034,953</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

**(8) Long-term liabilities (continued):**

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2021, are as follows:

Fiscal Year	Business-Type Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 525,000	\$ 653,825	\$ 1,178,825	\$ 630,000	\$ 116,066	\$ 746,066	\$ 1,155,000	\$ 769,891	\$ 1,924,891
2023	550,000	631,075	1,181,075	725,000	104,568	829,568	1,275,000	735,643	2,010,643
2024	570,000	611,475	1,181,475	740,000	91,379	831,379	1,310,000	702,854	2,012,854
2025	600,000	586,500	1,186,500	750,000	77,920	827,920	1,350,000	664,420	2,014,420
2026	620,000	556,000	1,176,000	765,000	64,234	829,234	1,385,000	620,234	2,005,234
2027-2031	3,625,000	2,270,850	5,895,850	2,045,000	176,351	2,221,351	5,670,000	2,447,201	8,117,201
2032-2036	6,005,000	1,312,100	7,317,100	870,000	16,187	886,187	6,875,000	1,328,287	8,203,287
2037-2038	3,175,000	128,300	3,303,300	-	-	-	3,175,000	128,300	3,303,300
Totals	<u>\$ 15,670,000</u>	<u>\$ 6,750,125</u>	<u>\$ 22,420,125</u>	<u>\$ 6,525,000</u>	<u>\$ 646,705</u>	<u>\$ 7,171,705</u>	<u>\$ 22,195,000</u>	<u>\$ 7,396,830</u>	<u>\$ 29,591,830</u>

**(9) Defined benefit pension plan**

**Plan description**

The City participates as one of 895 plans in the defined benefit cash balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution and interest.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

Benefits provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

**Employees covered by benefit terms**

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>171</u>
Total	<u>349</u>

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The City’s contribution rate is based on the actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 22.11% and 16.45% for calendar years 2021 and 2020 respectively. The City’s contributions to TMRS for the year ended September 30, 2021 and 2020 were \$2,309,826 and \$1,589,343 and were equal to the required contributions in 2021 and 2020, respectively.

Net pension liability

The City’s net pension liability (NPL) was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return *	6.75%, net of pension plan investment expense, including inflation

\* Presented net of pension plan investment expense, including inflation

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

**Discount rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in net pension liability**

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2020:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 54,933,378	\$ 44,724,456	\$ 10,208,922
Changes for the year:			
Service cost	1,846,917	-	1,846,917
Interest	4,037,770	-	4,037,770
Changes in current period benefits	4,932,372	-	4,932,372
Difference between expected and actual experience	269,471	-	269,471
Changes of assumptions	-	-	-
Contributions - employer	-	1,746,763	(1,746,763)
Contributions - employee	-	646,152	(646,152)
Net investment income	-	3,394,685	(3,394,685)
Benefit payments, including refunds of employee contributions	(1,940,785)	(1,940,785)	-
Administrative expense	-	(21,967)	21,967
Other changes	-	(857)	857
Net changes	<u>9,145,745</u>	<u>3,823,991</u>	<u>5,321,754</u>
Balance at December 31, 2020	<u>\$ 64,079,123</u>	<u>\$ 48,548,447</u>	<u>\$ 15,530,676</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$ <u>24,163,402</u>	\$ <u>15,530,676</u>	\$ <u>8,375,173</u>

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained on the internet at [www.tnrs.com](http://www.tnrs.com).

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2021, the City recognized pension expense of \$6,888,379.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 578,581	\$ 44,536
Changes in actuarial assumptions	-	36,745
Difference between projected and actual investment earnings	-	1,261,837
Contributions subsequent to the measurement date	<u>1,815,135</u>	<u>-</u>
Total	<u>\$ 2,393,716</u>	<u>\$ 1,343,118</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(9) Defined benefit pension plan (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The City reported \$1,815,315 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	
2022	\$ (279,562)
2023	167,799
2024	(621,117)
2025	(31,657)
2026	-
Thereafter	-
Total	<u>\$ (764,537)</u>

(10) Texas Emergency Services Retirement System

Background and reporting entity

The Texas Emergency Services Retirement System (TESRS) is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83<sup>rd</sup> Legislature via the passage of HB 220, effective September 1, 2013, to assume the functions of the abolished Office of the Fire Fighter's Pension Commissioner. While the agency is new, the system has been in existence since 1977. TESRS, which is under the authority of Title 8 Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested services, as well as their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuation which may be of interest are also available at the same link.

Information that is available in the annual financial report is not repeated in the allocation schedules and related notes.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(10) Texas Emergency Services Retirement System (continued)

Background and reporting entity (continued)

The preparation of the schedules of participating department allocations and collective pension amounts in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

Schedule of participating department allocations

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate.

Participating department contributions for the fiscal year ended August 31, 2021 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below:

- For newly participating departments, lump sum contributions were eliminated and contributions were annualized;
- MTES contributions for legacy departments were eliminated;
- Prior service buybacks were eliminated
- Interest on contributions and administrative penalties were eliminated
- 13<sup>th</sup> checks, which are passed directly through to the participants, were eliminated.

TESRS has prepared the schedule of collective pension amounts. The collective pension expense based on TESRS' fiscal year ended August 31, 2021 is shown in the following table:

Service cost	\$	8,451
Interest		60,387
Projected earnings on pension plan investments		(50,232)
Amortization of differences between projected and actual earnings on plan investments		(15,633)
Amorization of changes of assumptions		(144)
Amortizations of differences between expected and actual experience		(4,218)
Pension plan administrative expense		1,458
Changes in benefit provisions		-
Total pension expense	\$	<u>69</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(10) Texas Emergency Services Retirement System (continued)

Schedule of participating department allocations (continued)

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to TESRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 2,302
Changes in actuarial assumptions	-	79
Difference between projected and actual investment earnings	-	54,478
Contributions subsequent to the measurement date	15,900	-
Total	\$ 15,900	\$ 56,859

Amounts reported a deferred outflows of resources related to pensions will be recognized in pension expense in future years as follows:

Fiscal Year Ended		
August 31,		
2022	\$	(15,367)
2023		(9,464)
2024		(17,858)
2025		(14,170)
Total	\$	(56,859)

Each participating department will need to calculate two additional types of deferred outflows of resources and deferred inflows of resources, which are participating department specific amounts. These amounts relate to differences between actual contributions made by a participating department and their proportionate share of total contributions calculated based on the allocation percentage.

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2020 and August 31, 2021 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2021 as shown in the schedule of participating department allocations. The City's allocation percentage is 0.543%. The proportionate share of the City's net pension liability at September 30, 2021 was \$58,178. Contributions at fiscal year September 30, 2021 were \$33,330.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(11) Other postemployment benefit plan

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefit provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The contribution rate for the City was 0.24% for calendar years 2021 and 2020. The City's contributions to TMRS were \$26,934 and \$24,400 for the SDBF program for the fiscal year ended September 30, 2021 and 2020, respectively, and were equal to the required contributions.

**Employees covered by benefit terms**

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>171</u>
Total	<u>290</u>

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(11) Other postemployment benefit plan (continued)

OPEB liability

The City's total OPEB liability of \$791,986 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(11) Other postemployment benefit plan (continued)

OPEB liability (continued)

Changes in the OPEB liability:

Balance at December 31, 2019	\$	654,558
Changes for the year:		
Service cost		26,923
Interest on the OPEB liability		18,311
Changes of benefit terms		-
Difference between expected and actual experience		(9,196)
Change of assumptions		105,698
Benefit payments		<u>(4,308)</u>
Net changes		<u>137,428</u>
Balance at December 31, 2020	\$	<u><u>791,986</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
<u>\$ 969,736</u>	<u>\$ 791,986</u>	<u>\$ 655,222</u>

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$76,657.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(11) Other postemployment benefit plan (continued)

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 23,362
Changes in actuarial assumptions	172,864	20,253
Contributions subsequent to the measurement date	19,919	-
Total	\$ 192,783	\$ 43,615

The City reported \$19,919 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of OPEB for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expense as follows:

Year Ended September 30,		
2021	\$	31,423
2022		31,423
2023		24,950
2024		29,156
2025		12,297
Thereafter		-
Total	\$	129,249

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

### (12) Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers' Compensation Fund to insure the City for workers' compensation claims. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgements is only reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2021.

### (13) Contingent liabilities

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### (14) Closure and post-closure care costs

State and federal laws and regulations require that the City of Fredericksburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability must be recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill capacity used to date. Estimated liability for landfill closure and post-closure care costs has a balance of \$3,465,009 at September 30, 2021, which is based on 87.03% usage of current open cells and 49.71% usage of the entire landfill. The landfill is expected to be filled to capacity in 2043. The estimated total current cost of the landfill closure and post-closure care is based on a third party completing the actual work. The amount includes costs for equipment, facilities, and services required to close, monitor, and maintain the landfill as if purchased at September 30, 2021. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

### (15) Subsequent events

The City has evaluated subsequent events through April 18, 2022, the date which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements.



**CITY OF FREDERICKSBURG, TEXAS**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**For the year ended September 30, 2021**

	Budget Amounts		GAAP Basis Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 4,185,200	\$ 4,179,421	\$ 4,199,111	\$ 19,690
General sales and use taxes	5,500,000	6,688,370	7,962,705	1,274,335
Hotel occupancy tax	3,465,319	3,465,319	5,468,043	2,002,724
Other taxes	355,000	466,229	521,266	55,037
Franchise fees	343,000	352,900	346,092	(6,808)
License and permits	206,400	214,400	337,567	123,167
Fines	110,900	110,900	110,064	(836)
Pavilion and camping fees	499,000	714,000	734,348	20,348
Rentals	111,750	111,750	145,813	34,063
Intergovernmental revenue	781,278	781,278	723,365	(57,913)
Grants	19,600	58,600	35,081	(23,519)
Investment earnings	65,260	65,260	18,551	(46,709)
Other revenues	841,793	1,041,283	992,539	(48,744)
<b>Total revenues</b>	<b>16,484,500</b>	<b>18,249,710</b>	<b>21,594,545</b>	<b>3,344,835</b>
<b>Expenditures:</b>				
Municipal court	189,961	200,150	194,486	5,664
Engineering	238,596	243,321	209,472	33,849
Administration	1,348,164	1,310,534	1,276,731	33,803
Tourism	3,309,403	3,309,403	3,324,463	(15,060)
Police	5,389,008	5,501,375	5,055,149	446,226
Fire	1,447,175	1,479,486	1,336,943	142,543
Emergency management	213,250	213,250	197,826	15,424
Streets	1,999,655	2,171,864	1,866,458	305,406
Parks	2,083,413	2,240,510	2,100,795	139,715
Health	230,105	261,475	236,908	24,567
Food and wine festival	76,360	76,360	52,264	24,096
Development services	884,620	1,091,465	819,158	272,307
<b>Debt service:</b>				
Principal	305,708	305,708	309,035	(3,327)
Interest and fiscal charges	19,968	19,968	21,383	(1,415)
Capital outlays	677,519	925,137	951,345	(26,208)
<b>Total expenditures</b>	<b>18,412,905</b>	<b>19,350,006</b>	<b>17,952,416</b>	<b>1,397,590</b>

**CITY OF FREDERICKSBURG, TEXAS**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**For the year ended September 30, 2021**

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,928,405)	\$ (1,100,296)	\$ 3,642,129	\$ 4,742,425
Other financing sources (uses):				
Sale of real and personal property	52,000	52,000	100,186	48,186
Transfers in	2,067,181	2,067,181	2,290,250	223,069
Transfers out	(1,146,449)	(1,146,449)	(1,232,678)	(86,229)
Proceeds from capital leases	-	-	-	-
Total other financing sources (uses)	<u>972,732</u>	<u>972,732</u>	<u>1,157,758</u>	<u>185,026</u>
Net change in fund balance	<u>(955,673)</u>	<u>(127,564)</u>	<u>4,799,887</u>	<u>4,927,451</u>
Fund balance - beginning of year	<u>10,759,455</u>	<u>10,759,455</u>	<u>10,759,455</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,803,782</u>	<u>\$ 10,631,891</u>	<u>\$ 15,559,342</u>	<u>\$ 4,927,451</u>

**CITY OF FREDERICKSBURG, TEXAS**

**TMRS NET PENSION LIABILITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**For the measurement year ended December 31,**

	Measurement Year				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service cost	\$ 1,846,917	\$ 1,495,978	\$ 1,190,542	\$ 1,074,769	\$ 1,004,489
Interest (on the total pension liability)	4,037,770	3,451,697	2,981,765	2,674,435	2,528,093
Changes of benefit terms	4,932,372	4,413,316	1,917,387	-	-
Difference between expected and actual experience	269,471	517,459	(104,329)	301,986	(47,068)
Change of assumptions	-	(63,087)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,940,785)</u>	<u>(1,713,855)</u>	<u>(1,630,273)</u>	<u>(1,316,569)</u>	<u>(1,388,695)</u>
Net change in total pension liability	9,145,745	8,101,508	4,355,092	2,734,621	2,096,819
Total pension liability - beginning	<u>54,933,378</u>	<u>46,831,870</u>	<u>42,476,778</u>	<u>39,742,157</u>	<u>37,645,338</u>
Total pension liability - ending (a)	<u>\$ 64,079,123</u>	<u>\$ 54,933,378</u>	<u>\$ 46,831,870</u>	<u>\$ 42,476,778</u>	<u>\$ 39,742,157</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 1,746,763	\$ 1,216,750	\$ 961,243	\$ 931,010	\$ 843,151
Contributions - employee	646,152	520,884	500,649	488,976	455,757
Net investment income	3,394,685	5,990,998	(1,202,616)	4,877,963	2,235,297
Benefit payments, including refunds of employee contributions	(1,940,785)	(1,713,855)	(1,630,273)	(1,316,569)	(1,388,695)
Administrative expense	(21,967)	(33,845)	(23,238)	(25,272)	(25,238)
Other	<u>(857)</u>	<u>(1,019)</u>	<u>(1,214)</u>	<u>(1,282)</u>	<u>(1,360)</u>
Net change in plan fiduciary net position	3,823,991	5,979,913	(1,395,449)	4,954,826	2,118,912
Plan fiduciary net position - beginning	<u>44,724,456</u>	<u>38,744,543</u>	<u>40,139,992</u>	<u>35,185,166</u>	<u>33,066,254</u>
Plan fiduciary net position - ending (b)	<u>\$ 48,548,447</u>	<u>\$ 44,724,456</u>	<u>\$ 38,744,543</u>	<u>\$ 40,139,992</u>	<u>\$ 35,185,166</u>
Net pension liability (a) - (b)	<u>\$ 15,530,676</u>	<u>\$ 10,208,922</u>	<u>\$ 8,087,327</u>	<u>\$ 2,336,786</u>	<u>\$ 4,556,991</u>
Plan fiduciary net position as a percentage of total pension liability	75.76%	81.42%	82.73%	94.50%	88.53%
Covered payroll	<u>\$ 10,608,762</u>	<u>\$ 10,417,674</u>	<u>\$ 10,012,971</u>	<u>\$ 9,779,519</u>	<u>\$ 9,115,142</u>
Net pension liability as a percentage of total covered payroll	146.39%	98.00%	80.77%	23.89%	49.99%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

**CITY OF FREDERICKSBURG, TEXAS**

**TMRS NET PENSION LIABILITY  
SCHEDULE OF CONTRIBUTIONS\***

**For the year ended September 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 2,309,826	\$ 1,589,343	\$ 1,146,021	\$ 958,161	\$ 914,856
Contributions in relation to the actuarially determined contributions	<u>2,309,826</u>	<u>1,589,343</u>	<u>1,146,021</u>	<u>958,161</u>	<u>914,856</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,769,197</u>	<u>\$ 10,608,762</u>	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>	<u>\$ 9,685,874</u>
Contributions as a percentage of covered payroll	21.45%	14.98%	11.12%	9.58%	9.45%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

**CITY OF FREDERICKSBURG, TEXAS**

**SCHEDULE OF CHANGES IN TESRS NET PENSION  
LIABILITY AND RELATED RATIOS\***

**For the measurement year ended August 31,**

	Measurement Year				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
City's proportion of the net pension liability	0.543%	0.585%	0.640%	0.731%	0.716%
City's proportionate share of net pension liability	<u>\$ 58,178</u>	<u>\$ 147,484</u>	<u>\$ 181,412</u>	<u>\$ 158,265</u>	<u>\$ 171,852</u>
Plan fiduciary net position as a percentage of the total pension liability	83.20%	83.20%	80.20%	84.26%	81.40%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

**CITY OF FREDERICKSBURG, TEXAS**

**TESRS NET PENSION LIABILITY  
SCHEDULE OF CONTRIBUTIONS\***

**For the year ended September 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 33,330	\$ 35,130	\$ 37,374	\$ 55,956	\$ 45,710
Contributions in relation to the actuarially determined contributions	<u>33,330</u>	<u>35,130</u>	<u>37,374</u>	<u>55,956</u>	<u>45,710</u>
Contribution deficiency (excess)	<u>\$ -</u>				

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

**CITY OF FREDERICKSBURG, TEXAS**

**SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT  
BENEFIT PLAN LIABILITY AND RELATED RATIOS\***

**For the measurement year ended December 31,**

	Measurement Year			
	2020	2019	2018	2017
<b>OPEB liability</b>				
Service cost	\$ 26,924	\$ 17,710	\$ 22,029	\$ 18,581
Interest (on the OPEB liability)	18,311	19,783	18,323	17,987
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(9,196)	(12,748)	(14,581)	-
Change of assumptions	105,698	107,513	(39,852)	43,885
Benefit payments **	<u>(4,308)</u>	<u>(4,167)</u>	<u>(4,006)</u>	<u>(4,890)</u>
Net change in OPEB liability	137,429	128,091	(18,087)	75,563
OPEB liability - beginning	<u>654,557</u>	<u>526,466</u>	<u>544,553</u>	<u>468,990</u>
OPEB liability - ending	<u>\$ 791,986</u>	<u>\$ 654,557</u>	<u>\$ 526,466</u>	<u>\$ 544,553</u>
Covered payroll	<u>\$ 10,608,762</u>	<u>\$ 10,417,674</u>	<u>\$ 10,012,971</u>	<u>\$ 9,779,519</u>
OPEB liability as a percentage of total covered payroll	7.47%	6.28%	5.26%	5.57%

\*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 75. The City will develop the schedule prospectively.

\*\*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**CITY OF FREDERICKSBURG, TEXAS**

**OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY  
SCHEDULE OF CONTRIBUTIONS\***

**For the year ended September 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 26,934	\$ 24,400	\$ 23,429	\$ 22,286
Contributions in relation to the actuarially determined contributions	<u>26,934</u>	<u>24,400</u>	<u>23,429</u>	<u>22,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,769,197</u>	<u>\$ 10,608,762</u>	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>
Contributions as a percentage of covered payroll	0.25%	0.23%	0.23%	0.22%

\*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 75. The City will develop the schedule prospectively.

# CITY OF FREDERICKSBURG, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

### (1) Budget information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The City Manager may transfer budgeted amounts within departments within any fund; however, transfers between departments and funds must be approved by City Council.

### (2) Schedule of contributions – net pension liability

#### **Valuation date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

#### **Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: PUB (10) mortality tables, with the Public Safety table used for males and the general employee table used for females. The rates are projected on a fully generational basis with scale UMP.

#### **Other information:**

Increased employee contributions rate from 5% to 6%.

**CITY OF FREDERICKSBURG, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2021**

(3) Schedule of contributions – other postemployment benefit liability

**Valuation date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

**Methods and assumptions used to determine Contribution rates:**

Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Discount rate *	2.00%
Retiree' share of benefit related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

**Other information:**

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.