

CITY OF FREDERICKSBURG, TEXAS

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2023



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



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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
June 18, 2024



CITY OF FREDERICKSBURG, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2023

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, 2023. 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, 2023 by \$75,125,258 (net position). Of this amount, \$6,669,947 (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 \$9,690,113.
- ❖ As of the close of the current fiscal year, the City of Fredericksburg's governmental funds reported combined fund balances of \$19,782,254 of which \$14,738,558 was unassigned and is available for spending at the City's discretion.
- ❖ As of September 30, 2023, unassigned fund balance for the general fund was \$14,738,558 or 48% of the current year's total general fund expenditures of \$30,616,399. 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 \$7,084,458.

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 33-63 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 66-79 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 \$75,125,258 as of September 30, 2023, compared to \$65,341,981 as of September 30, 2022.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 22,323,539	\$ 22,272,721	\$ 25,513,756	\$ 24,156,047	\$ 47,837,295	\$ 46,428,768
Capital assets	29,079,592	24,281,008	58,112,979	53,248,488	87,192,571	77,529,496
Total assets	51,403,131	46,553,729	83,626,735	77,404,535	135,029,866	123,958,264
Deferred outflows of resources	4,245,358	1,856,985	3,363,812	1,343,172	7,609,170	3,200,157
Liabilities:						
Current liabilities	3,406,937	3,978,569	7,263,327	7,814,426	10,670,264	11,792,995
Net pension liability	11,801,843	7,406,372	9,436,349	5,549,146	21,238,192	12,955,518
OPEB liability	330,745	480,720	269,636	371,556	600,381	852,276
Noncurrent liabilities	6,335,933	6,699,139	28,390,530	26,198,050	34,726,463	32,897,189
Total liabilities	21,875,458	18,564,800	45,359,842	39,933,178	67,235,300	58,497,978
Deferred inflows of resources	153,924	1,872,249	124,554	1,446,213	278,478	3,318,462
Net position:						
Net investment in capital assets	22,772,406	17,217,681	34,415,642	29,302,911	57,188,048	46,520,592
Restricted for long-term debt	26,188	106,606	5,600,178	3,863,520	5,626,366	3,970,126
Restricted for capital projects	-	-	625,889	571,396	625,889	571,396
Restricted for other	5,015,008	5,547,664	-	-	5,015,008	5,547,664
Unrestricted	5,805,505	5,101,714	864,442	3,630,489	6,669,947	8,732,203
Total net position	\$ 33,619,107	\$ 27,973,665	\$ 41,506,151	\$ 37,368,316	\$ 75,125,258	\$ 65,341,981

By far, the largest portion of the City's net position (76%) 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 \$6,669,947 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, 2023. Governmental activities increased the City's net position by \$5,645,442. Business-type activities increased the City's net position by \$4,044,671.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 4,622,754	\$ 2,721,927	\$ 35,160,789	\$ 30,585,723	\$ 39,783,543	\$ 33,307,650
Operating grants and contributions	1,820,858	1,868,805	-	-	1,820,858	1,868,805
General revenues:						
Property taxes	5,968,766	5,070,285	-	-	5,968,766	5,070,285
Sales taxes	9,138,588	8,680,999	-	-	9,138,588	8,680,999
Hotel occupancy taxes	5,881,916	5,805,870	-	-	5,881,916	5,805,870
Other taxes	980,815	940,952	-	-	980,815	940,952
Miscellaneous	328,307	380,844	-	-	328,307	380,844
Investment earnings	744,161	99,053	521,703	86,204	1,265,864	185,257
Total revenues	<u>29,486,165</u>	<u>25,568,735</u>	<u>35,682,492</u>	<u>30,671,927</u>	<u>65,168,657</u>	<u>56,240,662</u>
Expenses:						
Administration	1,021,098	1,970,325	-	-	1,021,098	1,970,325
Police	7,279,041	5,857,868	-	-	7,279,041	5,857,868
Fire	1,971,271	1,532,367	-	-	1,971,271	1,532,367
Streets	1,956,266	2,447,345	-	-	1,956,266	2,447,345
Parks and recreation	2,684,662	2,731,924	-	-	2,684,662	2,731,924
Tourism	6,166,635	4,724,991	-	-	6,166,635	4,724,991
Health	349,475	233,742	-	-	349,475	233,742
Food and wine festival	176,787	167,089	-	-	176,787	167,089
Emergency management	260,257	204,847	-	-	260,257	204,847
Development services	1,617,226	895,219	-	-	1,617,226	895,219
Municipal court	900,573	283,279	-	-	900,573	283,279
Engineering	250,508	201,447	-	-	250,508	201,447
Interest	181,122	178,490	-	-	181,122	178,490
Electric	-	-	13,528,746	12,329,544	13,528,746	12,329,544
Water and sewer	-	-	7,238,668	6,240,957	7,238,668	6,240,957
Golf	-	-	117,351	110,063	117,351	110,063
Landfill	-	-	3,371,728	3,153,769	3,371,728	3,153,769
EMS	-	-	5,409,361	3,450,338	5,409,361	3,450,338
Drainage utilities	-	-	1,091,035	468,471	1,091,035	468,471
Total expenses	<u>24,814,921</u>	<u>21,428,933</u>	<u>30,756,889</u>	<u>25,753,142</u>	<u>55,571,810</u>	<u>47,182,075</u>
Increase (decrease) in net position before transfers	4,671,244	4,139,802	4,925,603	4,918,785	9,596,847	9,058,587
Gain on retirement of assets	67,297	42,900	25,969	41,705	93,266	84,605
Transfers	<u>906,901</u>	<u>1,440,972</u>	<u>(906,901)</u>	<u>(1,440,972)</u>	<u>-</u>	<u>-</u>
Change in net position	5,645,442	5,623,674	4,044,671	3,519,518	9,690,113	9,143,192
Net position:						
Net position - beginning	27,973,665	22,460,420	37,368,316	33,870,530	65,341,981	56,330,950
Prior period adjustment	<u>-</u>	<u>(110,429)</u>	<u>93,164</u>	<u>(21,732)</u>	<u>93,164</u>	<u>(132,161)</u>
Net position - ending	<u>\$ 33,619,107</u>	<u>\$ 27,973,665</u>	<u>\$ 41,506,151</u>	<u>\$ 37,368,316</u>	<u>\$ 75,125,258</u>	<u>\$ 65,341,981</u>

As a whole, the government's net position increased by \$9,690,113 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 \$19,782,254. 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 \$19,753,566 of which \$14,738,558 is unassigned. Unassigned fund balance is the amount available for any purpose.

The fund balance of the City's general fund increased by \$476,526 during the current fiscal year. The budget estimated a net change in fund balance of \$(7,438,758), but incurred a positive variance of \$7,915,284.

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 \$864,442. Net position of the City's enterprise funds increased by \$4,044,671 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, 2023, amounts to \$87,276,452 (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:

Administration department land, improvements, and equipment	\$ 1,866,334
Police vehicles and equipment	412,122
Fire department equipment	1,467,386
Street department machinery and equipment	447,136
Tourism projects	1,918,548
Emergency management equipment	4,680
Park improvements and equipment	471,351
Engineering department improvements and equipment	16,465
Development services equipment	7,597
Drainage department equipment and improvements	260,370
Electric system improvements and equipment	1,127,945
Water department machinery and equipment	2,251,494
Water and wastewater system improvements	1,642,723
Solid waste department machinery and equipment	1,460,724
EMS department machinery and equipment	2,004,349
Totals	<u>\$ 15,359,224</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 \$26,467,000. The entire amount of debt is backed in full faith and credit of the City.

The City carries bond ratings from Standard 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, 2023, the adopted property tax rate remained the same as the prior year rate of \$0.1958 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
2023	0.1958	0.1699	0.0259	\$ 5,924,882	93.35%	99.36%
2022	0.1958	0.1680	0.0278	5,040,338	93.87%	99.32%
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%

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 Krista Wareham, Director of Finance, 126 West Main Street, Fredericksburg, Texas 78264 or call (830) 990-2039.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Assets:				
Cash and cash equivalents	\$ 18,796,918	\$ 19,655,288	\$ 38,452,206	\$ 3,711,147
Investments - current	400,000	650,000	1,050,000	-
Tax receivables (net of allowances for uncollectibles)	1,412,486	-	1,412,486	-
Internal balances	278,745	(278,745)	-	-
Intergovernmental receivable	1,435,390	4,616	1,440,006	-
Due from others	-	3,979,371	3,979,371	-
Inventories	-	1,503,226	1,503,226	-
Prepaid expenses	-	-	-	61,500
Property and equipment (net of depreciation):				
Land	8,428,390	1,129,948	9,558,338	-
Buildings	5,373,918	3,132,745	8,506,663	-
Improvements	9,821,312	9,868,255	19,689,567	-
Machinery and equipment	4,714,589	42,685,176	47,399,765	16,415
Right to use assets - equipment	399,212	398,832	798,044	-
Right to use SBITAs	342,171	898,023	1,240,194	-
Total assets	51,403,131	83,626,735	135,029,866	3,789,062
Deferred outflows of resources:				
Deferred outflow related to TMRS pension	4,058,628	3,308,752	7,367,380	-
Deferred outflow related to TESRS pension	119,193	-	119,193	-
Deferred outflow related to TMRS OPEB	67,537	55,060	122,597	-
Total deferred outflows of resources	4,245,358	3,363,812	7,609,170	-
Total assets and deferred outflows of resources	\$ 55,648,489	\$ 86,990,547	\$ 142,639,036	\$ 3,789,062

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

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Liabilities:				
Accounts payable	\$ 1,441,639	\$ 3,314,698	\$ 4,756,337	\$ 104,696
Accrued payroll	173,855	155,881	329,736	16,046
Intergovernmental payable	17,580	63,190	80,770	-
Accrued interest payable	17,165	143,027	160,192	-
Unearned revenues	701,826	-	701,826	-
Other current liabilities	-	915,262	915,262	-
Net pension liability - TMRS	11,574,947	9,436,349	21,011,296	-
Net pension liability - TESRS	226,896	-	226,896	-
OPEB liability - TMRS	330,745	269,636	600,381	-
Noncurrent liabilities:				
Due within one year	1,054,872	2,671,269	3,726,141	-
Due in more than one year	<u>6,335,933</u>	<u>28,390,530</u>	<u>34,726,463</u>	-
Total liabilities	<u>21,875,458</u>	<u>45,359,842</u>	<u>67,235,300</u>	<u>120,742</u>
Deferred inflows of resources:				
Deferred inflow related to TMRS pension	5,731	4,671	10,402	-
Deferred inflow related to TESRS	1,141	-	1,141	-
Deferred inflow related to TMRS OPEB	<u>147,052</u>	<u>119,883</u>	<u>266,935</u>	-
Total deferred inflows of resources	<u>153,924</u>	<u>124,554</u>	<u>278,478</u>	-
Net position:				
Net investment in capital assets	22,772,406	34,415,642	57,188,048	-
Restricted for:				
Long-term debt	26,188	5,600,178	5,626,366	-
Capital projects	-	625,889	625,889	-
Tourism	5,000,547	-	5,000,547	-
Court technology	14,461	-	14,461	-
Unrestricted	<u>5,805,505</u>	<u>864,442</u>	<u>6,669,947</u>	<u>3,668,320</u>
Total net position	<u>33,619,107</u>	<u>41,506,151</u>	<u>75,125,258</u>	<u>3,668,320</u>
Total liabilities, deferred inflows of resources, and net position				
	<u>\$ 55,648,489</u>	<u>\$ 86,990,547</u>	<u>\$ 142,639,036</u>	<u>\$ 3,789,062</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, 2023

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Municipal court	\$ 900,573	\$ 222,226	\$ -
Administration	1,021,098	42,176	642,339
Tourism	6,166,635	-	1,017,905
Engineering	250,508	-	-
Police	7,279,041	190,014	84,829
Fire	1,971,271	1,781,797	-
Emergency management	260,257	-	-
Streets	1,956,266	-	58,053
Parks	2,684,662	1,521,430	-
Health	349,475	293,328	17,732
Food and wine festival	176,787	152,131	-
Development services	1,617,226	419,652	-
Interest and other fees	181,122	-	-
Total governmental activities	<u>24,814,921</u>	<u>4,622,754</u>	<u>1,820,858</u>
Business-type activities:			
Electric	13,528,746	15,086,097	-
Water	7,238,668	10,648,814	-
Golf	117,351	12,158	-
Landfill	3,371,728	3,692,673	-
EMS	5,409,361	4,664,662	-
Drainage	1,091,035	1,056,385	-
Total business-type activities	<u>30,756,889</u>	<u>35,160,789</u>	<u>-</u>
Total primary government	<u>\$ 55,571,810</u>	<u>\$ 39,783,543</u>	<u>\$ 1,820,858</u>
Component unit:			
Fredericksburg Convention and Visitor Bureau	<u>\$ 3,923,392</u>		

General revenues:

Taxes:

Property taxes

Sales tax

Hotel occupancy tax

Other taxes

Miscellaneous revenue

Investment earnings

Transfers in (out)

Gain (loss) on retirement of capital assets

Total general revenues

Change in net position

Net position - beginning of year

Prior period adjustment

Net position - beginning, as restated

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	
\$ (678,347)	\$ -	\$ (678,347)	
(336,583)	-	(336,583)	
(5,148,730)	-	(5,148,730)	
(250,508)	-	(250,508)	
(7,004,198)	-	(7,004,198)	
(189,474)	-	(189,474)	
(260,257)	-	(260,257)	
(1,898,213)	-	(1,898,213)	
(1,163,232)	-	(1,163,232)	
(38,415)	-	(38,415)	
(24,656)	-	(24,656)	
(1,197,574)	-	(1,197,574)	
(181,122)	-	(181,122)	
<u>(18,371,309)</u>	<u>-</u>	<u>(18,371,309)</u>	
-	1,557,351	1,557,351	
-	3,410,146	3,410,146	
-	(105,193)	(105,193)	
-	320,945	320,945	
-	(744,699)	(744,699)	
<u>-</u>	<u>(34,650)</u>	<u>(34,650)</u>	
<u>-</u>	<u>4,403,900</u>	<u>4,403,900</u>	
<u>(18,371,309)</u>	<u>4,403,900</u>	<u>(13,967,409)</u>	
			\$ <u>(3,923,392)</u>
5,968,766	-	5,968,766	-
9,138,588	-	9,138,588	-
5,881,916	-	5,881,916	-
980,815	-	980,815	-
328,307	-	328,307	5,334,914
744,161	521,703	1,265,864	5,603
906,901	(906,901)	-	-
<u>67,297</u>	<u>25,969</u>	<u>93,266</u>	<u>-</u>
<u>24,016,751</u>	<u>(359,229)</u>	<u>21,970,085</u>	<u>5,340,517</u>
5,645,442	4,044,671	9,690,113	1,417,125
27,973,665	37,368,316	65,341,981	2,251,195
-	93,164	93,164	-
<u>27,973,665</u>	<u>37,461,480</u>	<u>65,435,145</u>	<u>1,065,010</u>
<u>\$ 33,619,107</u>	<u>\$ 41,506,151</u>	<u>\$ 75,125,258</u>	<u>\$ 3,668,320</u>

CITY OF FREDERICKSBURG, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2023

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Assets:				
Cash and cash equivalents	\$ 18,471,561	\$ -	\$ 48,661	\$ 18,520,222
Investments	400,000	-	-	400,000
Taxes receivable (net of allowances for uncollectibles)	1,335,901	-	-	1,335,901
Receivable (net of allowances)	76,585	-	-	76,585
Intergovernmental receivables	1,435,390	-	-	1,435,390
Due from other funds	305,525	2,500	6,548	314,573
Total assets	\$ 22,024,962	\$ 2,500	\$ 55,209	\$ 22,082,671
Liabilities:				
Accounts payable	\$ 1,256,666	\$ -	\$ -	\$ 1,256,666
Wages and salaries payable	173,855	-	-	173,855
Compensated absences	11,862	-	-	11,862
Intergovernmental payable	17,580	-	-	17,580
Due to other funds	6,807	-	29,021	35,828
Deferred revenues	701,826	-	-	701,826
Total liabilities	2,168,596	-	29,021	2,197,617
Deferred inflows of resources:				
Unearned revenue - property taxes	102,800	-	-	102,800
Fund balances:				
Restricted for:				
Debt service	-	-	26,188	26,188
Capital improvements	-	2,500	-	2,500
Court technology	14,461	-	-	14,461
Tourism	5,000,547	-	-	5,000,547
Unassigned	14,738,558	-	-	14,738,558
Total fund balances	19,753,566	2,500	26,188	19,782,254
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,024,962	\$ 2,500	\$ 55,209	\$ 22,082,671

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, 2023

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 19,782,254

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. 91,723

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 29,079,592

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 102,800

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds. (960,277)

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. (6,418,666)

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. (8,041,154)

Accrued interest payable on general obligation bonds are not due and payable in the current period and, therefore, not reported in the funds. (17,165)

NET POSITION OF GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION \$ 33,619,107

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, 2023

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Revenues:				
General property taxes	\$ 5,181,645	\$ -	\$ 790,119	\$ 5,971,764
General sales and use taxes	9,138,588	-	-	9,138,588
Hotel occupancy taxes	5,881,916	-	-	5,881,916
Other taxes	628,084	-	-	628,084
Franchise fees	352,731	-	-	352,731
License and permits	419,652	-	-	419,652
Fines	96,496	-	-	96,496
Pavilion and camping fees	799,242	-	-	799,242
Rentals	332,002	-	-	332,002
Intergovernmental revenue	1,839,444	-	-	1,839,444
Grants	783,153	-	-	783,153
Investment earnings	728,721	-	170	728,891
Other revenues	<u>2,501,930</u>	<u>-</u>	<u>-</u>	<u>2,501,930</u>
Total revenues	<u>28,683,604</u>	<u>-</u>	<u>790,289</u>	<u>29,473,893</u>
Expenditures:				
Current:				
Municipal court	821,314	-	-	821,314
Administration	1,719,011	-	-	1,719,011
Tourism	5,646,547	-	-	5,646,547
Police	6,671,178	-	-	6,671,178
Fire	1,792,072	-	-	1,792,072
Emergency management	238,472	-	-	238,472
Streets	1,780,207	-	-	1,780,207
Parks and recreation	2,446,281	-	-	2,446,281
Health	316,962	-	-	316,962
Food and wine festival	161,989	-	-	161,989
Development services	1,529,923	-	-	1,529,923
Engineering	227,574	-	-	227,574
Debt service:				
Principal	503,359	-	670,000	1,173,359
Interest	46,079	-	144,781	190,860
Capital outlay	<u>6,715,431</u>	<u>-</u>	<u>-</u>	<u>6,715,431</u>
Total expenditures	<u>30,616,399</u>	<u>-</u>	<u>814,781</u>	<u>31,431,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,932,795)</u>	<u>-</u>	<u>(24,492)</u>	<u>(1,957,287)</u>
Other financing sources (uses):				
Sale of real and personal property	67,297	-	-	67,297
Transfers in	3,552,070	-	-	3,552,070
Transfers out	(1,789,243)	-	(55,926)	(1,845,169)
Capital leases	<u>579,197</u>	<u>-</u>	<u>-</u>	<u>579,197</u>
Total other financing sources (uses)	<u>2,409,321</u>	<u>-</u>	<u>(55,926)</u>	<u>2,353,395</u>
Net change in fund balances	476,526	-	(80,418)	396,108
Fund balances at beginning of year	<u>19,277,040</u>	<u>2,500</u>	<u>106,606</u>	<u>19,386,146</u>
Fund balances at end of year	<u>\$ 19,753,566</u>	<u>\$ 2,500</u>	<u>\$ 26,188</u>	<u>\$ 19,782,254</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, 2023

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 396,108

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. (53,790)

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 \$2,211,934 did not exceed capital outlay (\$6,715,431) and gain on disposal of \$67,297. 4,570,794

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 193,656

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. 133,475

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. 520,255

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. (122,929)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,645,442

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

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Current assets:			
Cash and cash equivalents	\$ 487,189	\$ 12,708,634	\$ 136,707
Investments	-	400,000	-
Due from other funds	537,251	-	-
Intergovernmental receivable	1,421	2,415	482
Accounts receivable (net of allowance)	1,626,886	863,748	2,639
Inventory	<u>1,077,550</u>	<u>425,676</u>	<u>-</u>
Total current assets	<u>3,730,297</u>	<u>14,400,473</u>	<u>139,828</u>
Noncurrent assets:			
Property and equipment:			
Land	89,475	525,525	305,399
Buildings	4,285,526	2,795,738	1,771,506
Improvements	-	-	3,207,056
Machinery and equipment	12,124,149	65,029,120	548,473
Less accumulated depreciation	<u>(10,980,628)</u>	<u>(23,832,832)</u>	<u>(3,290,661)</u>
Total noncurrent assets	<u>5,518,522</u>	<u>44,517,551</u>	<u>2,541,773</u>
Deferred outflows of resources:			
Deferred outflow - TMRS pension	703,452	820,898	7,581
Deferred outflow - OPEB	<u>11,706</u>	<u>13,660</u>	<u>127</u>
Total deferred outflows of resources	<u>715,158</u>	<u>834,558</u>	<u>7,708</u>
Total assets and deferred outflows of resources	<u>\$ 9,963,977</u>	<u>\$ 59,752,582</u>	<u>\$ 2,689,309</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
\$ 2,690,598	\$ 439,681	\$ 3,192,479	\$ 19,655,288	\$ 276,696
250,000	-	-	650,000	-
537,251	-	259	1,074,761	-
92	-	206	4,616	-
327,231	1,102,550	56,317	3,979,371	-
-	-	-	1,503,226	-
<u>3,805,172</u>	<u>1,542,231</u>	<u>3,249,261</u>	<u>26,867,262</u>	<u>276,696</u>
209,549	-	-	1,129,948	-
107,770	368,666	-	9,329,206	-
7,096,016	32,759	5,257,359	15,593,190	-
4,905,329	3,550,311	1,255,666	87,413,048	-
(10,007,359)	(1,962,613)	(5,278,320)	(55,352,413)	-
<u>2,311,305</u>	<u>1,989,123</u>	<u>1,234,705</u>	<u>58,112,979</u>	<u>-</u>
640,381	1,027,898	108,542	3,308,752	-
10,657	17,104	1,806	55,060	-
<u>651,038</u>	<u>1,045,002</u>	<u>110,348</u>	<u>3,363,812</u>	<u>-</u>
<u>\$ 6,767,515</u>	<u>\$ 4,576,356</u>	<u>\$ 4,594,314</u>	<u>\$ 88,344,053</u>	<u>\$ 276,696</u>

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Current liabilities:			
Accounts payable	\$ 1,321,752	\$ 1,840,420	\$ 1,391
Accrued payroll	32,127	40,448	278
Intergovernmental payable	55,960	-	-
Accrued interest payable	10,829	88,574	65
Due to other funds	149,801	87,001	1,074,502
Other current liabilities	652,246	235,741	-
Leases/SBITAs payable	354,895	98,836	1,449
Bonds payable - current maturity:			
Revenue bonds	<u>370,000</u>	<u>915,000</u>	<u>-</u>
Total current liabilities	<u>2,947,610</u>	<u>3,306,020</u>	<u>1,077,685</u>
Noncurrent liabilities:			
Bonds payable:			
Revenue bonds	755,000	17,725,000	-
Leases/SBITAs payable	678,527	418,564	2,216
Net pension liability - TMRS	2,006,202	2,341,147	21,620
OPEB liability	57,325	66,897	618
Unamortized premiums on bonds	-	699,824	-
Compensated absences	189,826	202,934	3,035
Closure and post-closure liability	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>3,686,880</u>	<u>21,454,366</u>	<u>27,489</u>
Total liabilities	<u>6,634,490</u>	<u>24,760,386</u>	<u>1,105,174</u>
Deferred inflows of resources:			
Deferred inflow - TMRS pension	993	1,159	11
Deferred inflow - OPEB	<u>25,487</u>	<u>29,743</u>	<u>275</u>
Total deferred inflows of resources	<u>26,480</u>	<u>30,902</u>	<u>286</u>
Net position:			
Net investment in capital assets	3,360,100	24,660,327	2,538,108
Restricted for long-term debt	181,963	5,348,179	-
Restricted for capital projects	-	-	-
Unrestricted	<u>(239,056)</u>	<u>4,952,788</u>	<u>(954,259)</u>
Total net position	<u>3,303,007</u>	<u>34,961,294</u>	<u>1,583,849</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,963,977</u>	<u>\$ 59,752,582</u>	<u>\$ 2,689,309</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
\$ 84,951	\$ 42,609	\$ 23,575	\$ 3,314,698	\$ 184,973
31,265	46,648	5,115	155,881	-
7,230	-	-	63,190	-
3,357	34,513	5,689	143,027	-
36,701	-	5,501	1,353,506	-
27,275	-	-	915,262	-
168,073	437,502	167,047	1,227,802	-
-	-	93,000	1,378,000	-
<u>358,852</u>	<u>561,272</u>	<u>299,927</u>	<u>8,551,366</u>	<u>184,973</u>
-	-	2,119,000	20,599,000	-
121,506	701,238	121,186	2,043,237	-
1,826,325	2,931,500	309,555	9,436,349	-
52,186	83,765	8,845	269,636	-
-	-	-	699,824	-
125,704	218,956	19,421	759,876	-
<u>4,354,060</u>	<u>-</u>	<u>-</u>	<u>4,354,060</u>	<u>-</u>
<u>6,479,781</u>	<u>3,935,459</u>	<u>2,578,007</u>	<u>38,161,982</u>	<u>-</u>
<u>6,838,633</u>	<u>4,496,731</u>	<u>2,877,934</u>	<u>46,713,348</u>	<u>184,973</u>
904	1,451	153	4,671	-
<u>23,203</u>	<u>37,242</u>	<u>3,933</u>	<u>119,883</u>	<u>-</u>
<u>24,107</u>	<u>38,693</u>	<u>4,086</u>	<u>124,554</u>	<u>-</u>
2,021,726	850,383	984,998	34,415,642	-
-	-	70,036	5,600,178	-
625,889	-	-	625,889	-
<u>(2,742,840)</u>	<u>(809,451)</u>	<u>657,260</u>	<u>864,442</u>	<u>91,723</u>
<u>(95,225)</u>	<u>40,932</u>	<u>1,712,294</u>	<u>41,506,151</u>	<u>91,723</u>
<u>\$ 6,767,515</u>	<u>\$ 4,576,356</u>	<u>\$ 4,594,314</u>	<u>\$ 88,344,053</u>	<u>\$ 276,696</u>

CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Operating revenues:			
Electric sales	\$ 14,607,538	\$ -	\$ -
Water sales	-	4,960,271	-
Sewer sales	-	3,910,191	-
Garbage collection and tipping fees	-	-	-
EMS fees	-	-	-
Drainage utilities	-	-	-
Licenses and permits	58,315	56,649	-
Property taxes	-	-	-
Rents and royalties	45,087	600	-
Other revenue	<u>375,157</u>	<u>1,061,069</u>	<u>12,158</u>
Total operating revenues	<u>15,086,097</u>	<u>9,988,780</u>	<u>12,158</u>
Operating expenses:			
Salaries and wages	1,333,653	1,546,417	24,280
Employee benefits	593,341	428,439	441
Contracted services	124,280	44,370	-
Other operating expenses	10,998,307	1,931,490	10,039
Depreciation	<u>441,334</u>	<u>2,568,078</u>	<u>71,250</u>
Total operating expenses	<u>13,490,915</u>	<u>6,518,794</u>	<u>106,010</u>
Operating income (loss)	<u>1,595,182</u>	<u>3,469,986</u>	<u>(93,852)</u>
Nonoperating revenues (expenses):			
Investment income	90,340	207,787	17
Gain on transfer to Touchstone Golf	-	-	-
Interest expense	(37,831)	(719,874)	(11,341)
Amortization of bond premium	-	36,271	-
Grant income	-	653,735	-
Transfers to other funds	(1,369,791)	(916,701)	-
Transfers from other funds	-	-	147,183
Contributed capital	-	-	-
Gain (loss) on sale of fixed assets	-	(5,304)	-
Total nonoperating revenues (expenses)	<u>(1,317,282)</u>	<u>(744,086)</u>	<u>135,859</u>
Changes in net position	277,900	2,725,900	42,007
Total net position - beginning	<u>3,018,790</u>	<u>32,183,223</u>	<u>1,541,842</u>
Prior period adjustment	<u>6,317</u>	<u>52,171</u>	<u>-</u>
Total net position - beginning restated	<u>3,025,107</u>	<u>32,235,394</u>	<u>1,541,842</u>
Total net position - ending	<u>\$ 3,303,007</u>	<u>\$ 34,961,294</u>	<u>\$ 1,583,849</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
\$ -	\$ -	\$ -	\$ 14,607,538	\$ -
-	-	-	4,960,271	-
-	-	-	3,910,191	-
3,668,348	-	-	3,668,348	-
-	2,589,866	-	2,589,866	-
-	-	665,856	665,856	-
-	-	-	114,964	-
-	-	-	-	-
-	-	-	45,687	-
<u>24,325</u>	<u>2,074,796</u>	<u>-</u>	<u>3,547,505</u>	<u>2,883,747</u>
<u>3,692,673</u>	<u>4,664,662</u>	<u>665,856</u>	<u>34,110,226</u>	<u>2,883,747</u>
1,205,198	2,136,379	207,236	6,453,163	-
478,090	1,370,593	282,762	3,153,666	-
33,084	125,660	3,459	330,853	-
1,062,389	1,397,678	103,788	15,503,691	2,152,807
<u>586,099</u>	<u>343,740</u>	<u>484,975</u>	<u>4,495,476</u>	<u>-</u>
<u>3,364,860</u>	<u>5,374,050</u>	<u>1,082,220</u>	<u>29,936,849</u>	<u>2,152,807</u>
			-	
<u>327,813</u>	<u>(709,388)</u>	<u>(416,364)</u>	<u>4,173,377</u>	<u>730,940</u>
106,185	10,218	107,156	521,703	15,270
-	-	-	-	-
(6,868)	(35,311)	(8,815)	(820,040)	-
-	-	(29,972)	6,299	-
-	-	390,529	1,044,264	-
(347,551)	-	(62,101)	(2,696,144)	(800,000)
-	1,642,060	-	1,789,243	-
-	-	-	-	-
<u>31,611</u>	<u>(338)</u>	<u>-</u>	<u>25,969</u>	<u>-</u>
<u>(216,623)</u>	<u>1,616,629</u>	<u>396,797</u>	<u>(128,706)</u>	<u>(784,730)</u>
111,190	907,241	(19,567)	4,044,671	(53,790)
<u>(241,968)</u>	<u>(863,355)</u>	<u>1,729,784</u>	<u>37,368,316</u>	<u>145,513</u>
<u>35,553</u>	<u>(2,954)</u>	<u>2,077</u>	<u>93,164</u>	<u>-</u>
<u>(206,415)</u>	<u>(866,309)</u>	<u>1,731,861</u>	<u>37,461,480</u>	<u>-</u>
<u>\$ (95,225)</u>	<u>\$ 40,932</u>	<u>\$ 1,712,294</u>	<u>\$ 41,506,151</u>	<u>\$ 91,723</u>

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2023

	<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	\$ 14,627,977	\$ 9,987,330	\$ 12,887
Cash payments to employees for services	(1,863,313)	(2,210,775)	(29,653)
Cash payments for suppliers	<u>(11,009,226)</u>	<u>(2,661,886)</u>	<u>(105,361)</u>
Net cash provided (used) by operating activities	<u>1,755,438</u>	<u>5,114,669</u>	<u>(122,127)</u>
Cash flows from noncapital financing activities:			
Operating transfers out	(1,369,791)	(916,701)	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>147,183</u>
Net cash provided (used) by noncapital financing activities	<u>(1,369,791)</u>	<u>(916,701)</u>	<u>147,183</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,211,466)	(4,382,789)	(8,622)
Capital lease proceeds	761,879	561,099	6,391
Debt issuance proceeds	-	-	-
Grant income	-	653,735	-
Principal paid on capital debt	(791,236)	(1,581,950)	(2,726)
Interest paid on capital debt	(35,943)	(730,676)	(11,276)
Proceeds (loss) from the sale of capital assets	<u>-</u>	<u>(5,304)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,276,766)</u>	<u>(5,485,885)</u>	<u>(16,233)</u>
Cash flows from investing activities			
Interest received on investments	90,340	207,787	17
Net increase (decrease) in cash and cash equivalents	(770,779)	(1,080,130)	8,840
Cash and cash equivalents, beginning	<u>1,257,968</u>	<u>13,788,764</u>	<u>127,867</u>
Cash and cash equivalents, ending	<u>\$ 487,189</u>	<u>\$ 12,708,634</u>	<u>\$ 136,707</u>

SCHEDULE OF NONCASH ACTIVITIES

Actuarially determined change in net pension/OPEB liability	\$ 711,199	\$ 835,294	\$ 7,765
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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	Activities Internal Service Fund
\$ 3,660,753	\$ 4,315,612	\$ 664,390	\$ 33,268,949	\$ 2,883,747
(1,753,860)	(2,943,458)	(300,431)	(9,101,490)	-
<u>(703,715)</u>	<u>(2,035,875)</u>	<u>(104,595)</u>	<u>(16,620,658)</u>	<u>(2,151,988)</u>
<u>1,203,178</u>	<u>(663,721)</u>	<u>259,364</u>	<u>7,546,801</u>	<u>731,759</u>
(347,551)	-	(62,101)	(2,696,144)	(800,000)
<u>-</u>	<u>1,642,060</u>	<u>-</u>	<u>1,789,243</u>	<u>-</u>
<u>(347,551)</u>	<u>1,642,060</u>	<u>(62,101)</u>	<u>(906,901)</u>	<u>(800,000)</u>
(1,425,175)	(1,903,931)	(311,508)	(9,243,491)	-
115,072	1,353,382	180,706	2,978,529	-
-	-	2,212,000	2,212,000	-
-	-	390,528	1,044,263	-
(225,044)	(480,935)	(154,160)	(3,236,051)	-
(6,794)	(3,894)	(6,065)	(794,648)	-
<u>31,611</u>	<u>(338)</u>	<u>-</u>	<u>25,969</u>	<u>-</u>
<u>(1,510,330)</u>	<u>(1,035,716)</u>	<u>2,311,501</u>	<u>(7,013,429)</u>	<u>-</u>
106,185	10,218	107,156	521,703	15,270
(548,518)	(47,159)	2,615,920	148,174	(52,971)
<u>3,239,116</u>	<u>486,840</u>	<u>576,559</u>	<u>19,477,114</u>	<u>329,667</u>
<u>\$ 2,690,598</u>	<u>\$ 439,681</u>	<u>\$ 3,192,479</u>	<u>\$ 19,625,288</u>	<u>\$ 276,696</u>

\$ 649,447 \$ 1,031,854 \$ 106,740 \$ 3,342,299 \$ -

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,595,182	\$ 3,469,986	\$ (93,852)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation/amortization	441,334	2,568,078	71,250
(Increase) decrease in operating assets:			
Accounts receivable	(462,008)	(5,423)	854
Interfund receivables	3,888	3,973	-
Due from other governments	-	-	(125)
Inventories	(141,700)	17,973	-
Increase (decrease) in operating liabilities:			
Accounts payable	14,691	(36,806)	1,253
Wages payable	8,245	10,907	58
Interest payable	-	-	-
Due to other funds	106,488	4,001	(96,575)
Due to other governments	15,136	-	-
Compensated absences payable	(2,826)	(1,721)	295
Net pension/OPEB liability	58,262	(245,105)	(5,285)
Landfill closure liability	-	-	-
Other current liabilities	118,746	(671,194)	-
Net cash provided by operating activities	\$ 1,755,438	\$ 5,114,669	\$ (122,127)

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
\$ 327,813	\$ (709,388)	\$ (416,364)	\$ 4,173,377	\$ 730,940
586,099	343,740	484,975	4,495,476	-
(31,928)	(391,757)	(1,484)	(891,746)	819
48,287	42,707	-	98,855	-
8	-	18	(99)	-
-	-	-	(123,727)	-
20,163	19,890	2,151	21,342	-
6,435	13,478	2,236	41,359	-
-	-	-	-	-
8,701	(286,935)	501	(263,819)	-
106	(245,492)	-	(230,250)	-
(12,299)	34,453	3,094	20,996	-
(64,705)	515,583	184,237	442,987	-
310,223	-	-	310,223	-
4,275	-	-	(548,173)	-
<u>\$ 1,203,178</u>	<u>\$ (663,721)</u>	<u>\$ 259,364</u>	<u>\$ 7,546,801</u>	<u>\$ 731,759</u>



NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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.

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, 2023

(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, 2023

(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, 2023

(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 revenues and expenses not meeting this definition are reported as nonoperating revenues 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, 2023

(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, 2023. 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, 2023

(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, 2023

(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.

New accounting policy

As of October 1, 2022, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objectives of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. The statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were classified as operating agreements. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. A government is required to recognize a SBITA liability and an intangible right to use asset.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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, 2023

(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, 2023, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Investments recorded as cash equivalents		
TexPool - valued at amortized cost	\$ 501,879	24
Total investments recorded as cash equivalents	501,879	
Cash at bank	37,939,197	
Cash on-hand	11,130	
Total cash and cash equivalents	<u>\$ 38,452,206</u>	
Investments		
Certificates of deposits - valued at amortized cost	<u>\$ 1,050,000</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, 2023

(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, 2023, the City had cash deposits at the bank of \$38,283,926. The total fair market value of pledged securities held as collateral amounted to \$41,068,929. 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, 2023, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
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;
- 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, 2023

(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	\$ 2,786,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,786,155
Due from other governments	2,159	1,421	2,415	482	92	-	206	6,775
Customer accounts	74,908	1,692,627	883,627	2,639	393,622	1,321,327	57,512	4,426,262
Interest	1,678	-	432	-	26	-	-	2,136
Gross receivables	2,864,900	1,694,048	886,474	3,121	393,740	1,321,327	57,718	7,221,328
Less allowance for uncollectibles	17,024	65,741	20,311	-	66,417	218,777	1,195	389,465
Net total receivables	<u>\$ 2,847,876</u>	<u>\$ 1,628,307</u>	<u>\$ 866,163</u>	<u>\$ 3,121</u>	<u>\$ 327,323</u>	<u>\$ 1,102,550</u>	<u>\$ 56,523</u>	<u>\$ 6,831,863</u>

(5) Capital assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,583,156	\$ 845,234	\$ -	\$ 8,428,390
Total capital assets, not being depreciated	<u>7,583,156</u>	<u>845,234</u>	<u>-</u>	<u>8,428,390</u>
Capital assets, being depreciated:				
Buildings	10,290,199	1,594,672	-	11,884,871
Improvements other than buildings	22,710,299	1,635,577	-	24,345,876
Equipment	9,367,265	2,531,231	(213,247)	11,685,249
Right to use assets - equipment	993,781	252,125	(336,006)	909,900
SBITAs	328,033	175,272	-	503,305
Total capital assets, being depreciated	<u>43,689,577</u>	<u>6,188,877</u>	<u>(549,253)</u>	<u>49,329,201</u>
Less accumulated depreciation:				
Buildings	(5,955,950)	(555,003)	-	(6,510,953)
Improvements other than buildings	(13,512,164)	(1,012,400)	-	(14,524,564)
Equipment	(6,684,890)	(499,017)	213,247	(6,970,660)
Right to use assets - equipment	(510,688)	(29,072)	29,072	(510,688)
SBITAs	(44,692)	(116,442)	-	(161,134)
Total accumulated depreciation	<u>(26,708,384)</u>	<u>(2,211,934)</u>	<u>242,319</u>	<u>(28,677,999)</u>
Total capital assets being depreciated, net	<u>16,981,193</u>	<u>3,976,943</u>	<u>(306,934)</u>	<u>20,651,202</u>
Governmental activities capital assets, net	<u>\$ 24,564,349</u>	<u>\$ 4,822,177</u>	<u>\$ (306,934)</u>	<u>\$ 29,079,592</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(5) Capital assets (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,126,948	\$ 3,000	\$ -	\$ 1,129,948
Total capital assets, not being depreciated	1,126,948	3,000	-	1,129,948
Capital assets, being depreciated:				
Buildings and improvements	9,329,206	-	-	9,329,206
Improvements other than buildings	14,592,346	1,000,844	-	15,593,190
Equipment	78,573,808	7,019,090	(152,617)	85,440,281
Right to use assets - equipment	716,660	232,305	(101,072)	847,893
SBITAs	1,054,999	69,874	-	1,124,873
Total capital assets, being depreciated	104,267,019	8,322,113	(253,689)	112,335,443
Less accumulated depreciation:				
Buildings and improvements	(6,001,467)	(194,994)	-	(6,196,461)
Improvements other than buildings	(5,393,032)	(331,903)	-	(5,724,935)
Equipment	(39,281,067)	(3,626,654)	152,616	(42,755,105)
Right to use assets - equipment	(414,918)	(115,075)	80,932	(449,061)
SBITAs	-	(226,850)	-	(226,850)
Total accumulated depreciation	(51,090,484)	(4,495,476)	233,548	(55,352,412)
Total capital assets being depreciated, net	53,176,535	3,826,637	(20,141)	56,983,031
Business-type capital assets, net	\$ 54,303,483	\$ 3,829,637	\$ (20,141)	\$ 58,112,979

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:	
Administration	\$ 194,362
Police	609,421
Fire	163,708
Streets	279,066
Parks	223,471
Health	28,955
Engineering	20,789
Development services	139,760
Emergency management	21,785
Tourism	530,617
Total depreciation expense - governmental activities	\$ 2,211,934

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(5) Capital assets (continued)

business-type activities		
Electric	\$	441,334
Water and sewer		2,568,078
Golf		71,250
Landfill		586,099
EMS		343,740
Drainage		<u>484,975</u>
 Total depreciation expense - business-type activities	\$	<u><u>4,495,476</u></u>

(6) Interfund receivables, payables and transfers

	<u>Due To</u>	<u>Due From</u>
General fund:		
Electric - in lieu of taxes	\$ -	\$ 149,801
Water - in lieu of taxes	-	87,001
Landfill - in lieu of taxes	-	36,701
Drainage - in lieu of taxes	-	5,501
Drainage	259	-
Debt service	6,548	26,521
Electric fund:		
General fund - in lieu of taxes	149,801	-
Golf	-	537,251
Water and sewer fund:		
General fund - in lieu of taxes	87,001	-
Golf fund:		
Electric	537,251	-
Landfill	537,251	-
Landfill:		
General fund - in lieu of taxes	36,701	-
Golf	-	537,251
Drainage fund:		
General fund	5,501	259
Debt service:		
General fund	26,521	6,548
Capital projects	2,500	-
Capital projects:		
Debt service	<u>-</u>	<u>2,500</u>
 Total due to / due from	<u><u>\$ 1,389,334</u></u>	<u><u>\$ 1,389,334</u></u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

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

The balances of \$537,251 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Electric	\$ 1,369,791	\$ -
Water and sewer	916,701	-
Landfill	347,551	-
Drainage	62,101	-
EMS	-	1,642,060
Debt service fund	55,926	-
Golf	-	147,183
Internal service fund	800,000	-
Debt service fund:		
General fund	-	55,926
Electric fund:		
General fund	-	1,369,791
Water and sewer fund:		
General fund	-	916,701
Landfill:		
General fund	-	347,551
Drainage fund:		
General fund	-	62,101
EMS:		
General fund	1,642,060	-
Golf:		
General fund	147,183	-
Internal service fund:		
General fund	-	800,000
	<u> -</u>	<u> -</u>
Total transfers	<u>\$ 5,341,313</u>	<u>\$ 5,341,313</u>

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, 2023

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

In the year ended September 30, 2023, 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	\$	1,369,791
Water and sewer		916,701
Landfill		347,551
Drainage		<u>62,101</u>
 Total	 \$	 <u>2,696,144</u>

(7) 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, 2023 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2024	\$ 386,305	\$ 1,090,069
2025	276,284	725,587
2026	257,264	166,873
2027	257,258	166,873
2028	72,551	-
Thereafter	<u>72,551</u>	<u>-</u>
Total minimum lease payments	1,322,213	2,149,402
Less amount representing interest	<u>76,905</u>	<u>106,514</u>
Present value of minimum lease payments	<u>\$ 1,245,308</u>	<u>\$ 2,042,888</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2023

(8) Long-term liabilities

The long-term liability activity for the year ended September 30, 2023, was as follows:

	Outstanding October 1, 2022	Increases	Decreases	Balance September 30, 2023	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 1,830,000	\$ -	\$ (160,000)	\$ 1,670,000	\$ 165,000
Unlimited tax notes	3,330,000	-	(510,000)	2,820,000	165,000
Add unamortized premiums	<u>78,724</u>	<u>-</u>	<u>(7,873)</u>	<u>70,851</u>	<u>7,873</u>
Total bonds payable	<u>5,238,724</u>	<u>-</u>	<u>(677,873)</u>	<u>4,560,851</u>	<u>337,873</u>
Leases - direct	1,206,837	403,925	(365,454)	1,245,308	357,106
Leases - right to use assets	620,766	252,125	(477,764)	395,127	34,975
SBITAs	283,342	135,722	(201,684)	217,380	81,883
Compensated absences	<u>967,857</u>	<u>246,246</u>	<u>(241,964)</u>	<u>972,139</u>	<u>243,035</u>
Total governmental activities	<u>8,317,526</u>	<u>1,038,018</u>	<u>(1,964,739)</u>	<u>7,390,805</u>	<u>1,054,872</u>
Business-type activities:					
Revenue bonds and notes:					
Revenue bonds	19,555,000	2,212,000	(915,000)	20,852,000	1,033,000
Revenue tax notes	1,485,000	-	(360,000)	1,125,000	370,000
Add unamortized premium	<u>730,179</u>	<u>-</u>	<u>(50,271)</u>	<u>679,908</u>	<u>45,909</u>
Total revenue bonds and notes	<u>21,770,179</u>	<u>2,212,000</u>	<u>(1,325,271)</u>	<u>22,656,908</u>	<u>1,448,909</u>
Leases - direct	1,836,516	1,732,183	(1,525,805)	2,042,894	1,032,391
Leases - right to use assets	338,882	232,305	(219,442)	351,745	32,045
SBITAs	1,034,530	52,922	(211,052)	876,400	163,366
Compensated absences	<u>738,880</u>	<u>205,716</u>	<u>(184,720)</u>	<u>759,876</u>	<u>189,969</u>
Total business-type activities	<u>24,684,457</u>	<u>4,149,899</u>	<u>(3,035,796)</u>	<u>26,687,823</u>	<u>2,671,269</u>
Total long-term liabilities	<u>\$ 33,001,983</u>	<u>\$ 5,187,917</u>	<u>\$ (5,000,535)</u>	<u>\$ 34,078,628</u>	<u>\$ 3,726,141</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(8) Long-term liabilities (continued)

Governmental activities long-term liabilities at September 30, 2023, consisted of the following:

Series	Governmental Activities		
	Original Issue	Interest Rate	Debt Outstanding
2012 general obligation bonds - privately placed	\$ 3,200,000	2.88%	\$ 1,670,000
2017 tax and limited pledge rev CO's	<u>3,530,000</u>	3.00%	<u>2,820,000</u>
Totals	<u>\$ 11,864,164</u>		<u>\$ 4,490,000</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, 2023, consisted of the following:

Series	Business-Type Activities		
	Original Issue	Interest Rate	Debt Outstanding
2018 revenue bonds	\$ 17,305,000	2.07-3.87%	\$ 14,595,000
2020 revenue refunding bonds - privately placed	5,120,000	1.850%	4,045,000
2020 revenue notes - privately placed	2,300,000	1.775%	1,125,000
2022 revenue bonds - privately placed	<u>2,212,000</u>	0.000%	<u>2,212,000</u>
Totals	<u>\$ 37,387,836</u>		<u>\$ 21,977,000</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2023, are as follows:

Fiscal Year	Governmental Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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	76,559	251,559	175,000	35,892	210,892	350,000	112,451	462,451
2027	180,000	71,274	251,274	180,000	30,785	210,785	360,000	102,059	462,059
2028	185,000	65,799	250,799	185,000	25,534	210,534	370,000	91,333	461,333
2029-2033	1,010,000	241,320	1,251,320	795,000	46,680	841,680	1,805,000	288,000	2,093,000
2034-2037	935,000	66,934	1,001,934	-	-	-	935,000	66,934	1,001,934
Totals	<u>\$ 2,820,000</u>	<u>\$ 690,461</u>	<u>\$ 3,510,461</u>	<u>\$ 1,670,000</u>	<u>\$ 225,420</u>	<u>\$ 1,895,420</u>	<u>\$ 4,490,000</u>	<u>\$ 915,881</u>	<u>\$ 5,405,881</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(8) Long-term liabilities (continued)

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2023, are as follows:

Fiscal Year	Business-Type Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 570,000	\$ 611,475	\$ 1,181,475	\$ 833,000	\$ 91,379	\$ 924,379	\$ 1,403,000	\$ 702,854	\$ 2,105,854
2025	600,000	586,500	1,186,500	843,000	77,920	920,920	1,443,000	664,420	2,107,420
2026	620,000	556,000	1,176,000	858,000	64,234	922,234	1,478,000	620,234	2,098,234
2027	655,000	524,125	1,179,125	488,000	50,274	538,274	1,143,000	574,399	1,717,399
2028	690,000	490,500	1,180,500	492,000	42,920	534,920	1,182,000	533,420	1,715,420
2029-2033	3,970,000	1,923,625	5,893,625	2,580,000	99,345	2,679,345	6,550,000	2,022,970	8,572,970
2034-2038	7,490,000	773,000	8,263,000	460,000	-	460,000	7,950,000	773,000	8,723,000
2039-2043	-	-	-	460,000	-	460,000	460,000	-	460,000
2044-2048	-	-	-	368,000	-	368,000	368,000	-	368,000
Totals	\$ 14,595,000	\$ 5,465,225	\$ 20,060,225	\$ 7,382,000	\$ 426,072	\$ 7,808,072	\$ 21,977,000	\$ 5,891,297	\$ 27,868,297

Right to use lease obligations

At September 30, 2023, the City was obligated under the right to use lease obligations for various equipment at a fixed interest rate of 1.6%. The leases are not renewable and the City will not acquire the equipment at the end of the terms. Future minimum lease payments on these leases are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 34,975	\$ 6,923	\$ 41,898	\$ 32,046	\$ 6,512	\$ 38,558
2025	132,403	27,505	159,908	114,651	25,537	140,188
2026	96,185	24,768	120,953	80,368	22,910	103,278
2027	74,118	22,671	96,789	64,591	21,413	86,004
2028	53,026	18,767	71,793	51,969	18,583	70,552
Thereafter	4,420	1,704	6,124	8,120	3,256	11,376
	<u>\$ 395,127</u>	<u>\$ 102,338</u>	<u>\$ 497,465</u>	<u>\$ 351,745</u>	<u>\$ 98,211</u>	<u>\$ 449,956</u>

Right to use SBITA liability

At September 30, 2023, the City was obligated under the right to use SBITAs for various subscription agreements. Future minimum payments on the SBITA agreements are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 81,883	\$ 4,005	\$ 85,888	\$ 163,366	\$ 21,828	\$ 185,194
2025	92,574	2,223	94,797	175,002	18,233	193,235
2026	20,339	209	20,548	151,142	14,345	165,487
2027	20,406	142	20,548	157,741	11,099	168,840
2028	2,178	72	2,250	110,948	7,634	118,582
Thereafter	-	-	-	118,201	3,938	122,139
	<u>\$ 217,380</u>	<u>\$ 6,651</u>	<u>\$ 224,031</u>	<u>\$ 876,400</u>	<u>\$ 77,077</u>	<u>\$ 953,477</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(9) Defined benefit pension plan

Plan description

The City participates as one of 919 plans in the defined benefit cash-balance 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 TMRS 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.

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 member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	129
Inactive employees entitled to but not yet receiving benefits	80
Active employees	<u>182</u>
Total	<u><u>391</u></u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(9) Defined benefit pension plan (continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City's 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 liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 22.12% and 22.28% for calendar years 2023 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2023 and 2022 were \$3,087,580 and \$2,822,429 and were equal to the required contributions in 2023 and 2022, respectively.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2022, 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, 2022 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

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 are 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.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

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. The assumptions 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) the 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	100.00%	

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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, 2022:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2021	\$ 68,483,361	\$ 55,754,739	\$ 12,728,622
Changes for the year:			
Service cost	2,221,561	-	2,221,561
Interest	4,602,193	-	4,602,193
Changes in current period benefits	-	-	-
Difference between expected and actual experience	1,155,954	-	1,155,954
Changes of assumptions	-	-	-
Contributions - employer	-	2,862,717	(2,862,717)
Contributions - employee	-	899,417	(899,417)
Net investment income	-	(4,071,908)	4,071,908
Benefit payments, including refunds of employee contributions	(2,826,998)	(2,826,998)	-
Administrative expense	-	(35,218)	35,218
Other changes	-	42,026	(42,026)
Net changes	<u>5,152,710</u>	<u>(3,129,964)</u>	<u>8,282,674</u>
Balance at December 31, 2022	<u>\$ 73,636,071</u>	<u>\$ 52,624,775</u>	<u>\$ 21,011,296</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ <u>30,828,103</u>	\$ <u>21,011,296</u>	\$ <u>12,880,561</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 at tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$3,637,639.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,400,408	\$ -
Changes in actuarial assumptions	-	10,402
Difference between projected and actual investment earnings	3,610,837	-
Contributions subsequent to the measurement date	<u>2,356,135</u>	-
Total	<u>\$ 7,367,380</u>	<u>\$ 10,402</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(9) Defined benefit pension plan (continued)

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

\$2,356,135 reported 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2023	\$ 694,639
2024	1,284,099
2025	1,282,873
2026	1,739,232
2027	-
Thereafter	-
Total	<u>\$ 5,000,843</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 83rd 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 Annual Comprehensive 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. 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, 2023

(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;
- 13th 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	\$	8,607
Interest		63,566
Projected earnings on pension plan investments		(59,295)
Amortization of differences between projected and actual earnings on plan investments		18,258
Amorization of changes of assumptions		(760)
Amortizations of differences between expected and actual experience		2,797
Pension plan administrative expense		1,335
Changes in benefit provisions		13,434
Total pension expense	\$	<u>47,942</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(10) Texas Emergency Services Retirement System (continued)

Schedule of participating department allocations (continued)

At September 30, 2023, 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	\$ 8,637	\$ -
Changes in actuarial assumptions	-	1,141
Difference between projected and actual investment earnings	83,676	-
Contributions subsequent to the measurement date	26,880	-
Total	\$ 119,193	\$ 1,141

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,	
2023	\$ 26,307
2024	16,330
2025	17,051
2026	31,484
Total	\$ 91,172

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, 2021 and August 31, 2022 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, 2023 was \$226,896. Contributions at fiscal year September 30, 2023 were \$32,880.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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 0.38% and 0.25% for calendar years 2023 and 2022, respectively. The City's contributions to TMRS were \$48,684 and \$31,499 for the SDBF program for the fiscal year ended September 30, 2023 and 2022, respectively, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>182</u>
Total	<u>317</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(11) Other postemployment benefit plan (continued)

OPEB liability

The City's total OPEB liability of \$600,381 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2022 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 *	4.05%
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, 2022.

The actuarial assumptions used in the December 31, 2022 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, 2023

(11) Other postemployment benefit plan (continued)

OPEB liability (continued)

Changes in the OPEB liability:

Balance at December 31, 2021	\$ 852,276
Changes for the year:	
Service cost	39,831
Interest on the OPEB liability	15,906
Changes of benefit terms	-
Difference between expected and actual experience	6,046
Change of assumptions	(298,260)
Benefit payments	<u>(15,418)</u>
Net changes	<u>(251,895)</u>
Balance at December 31, 2022	<u>\$ 600,381</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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

<u>1% Decrease in</u> <u>Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in</u> <u>Discount Rate (5.05%)</u>
<u>\$ 714,320</u>	<u>\$ 600,831</u>	<u>\$ 510,482</u>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$39,204.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual economic experience	\$ 4,975	\$ 14,278
Changes in actuarial assumptions	101,644	252,657
Contributions subsequent to the measurement date	<u>15,978</u>	<u>-</u>
Total	<u>\$ 122,597</u>	<u>\$ 266,935</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(11) Other postemployment benefit plan (continued)

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

The City reported \$15,978 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, 2024. 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,		
2024	\$	(23,006)
2025		(18,800)
2026		(35,659)
2027		(49,232)
2028		(33,619)
Thereafter		-
Total	\$	<u>(160,316)</u>

(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, 2023.

(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.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

(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 \$4,354,060 at September 30, 2023, which is based on 94.76% usage of current open cells and 57.46% 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, 2023. 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 June 18, 2024, 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, 2023

	Budget Amounts		GAAP Basis Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
General property taxes	\$ 5,160,529	\$ 5,160,529	\$ 5,181,645	\$ 21,116
General sales and use taxes	8,874,998	8,874,998	9,138,588	263,590
Hotel occupancy tax	6,037,100	6,037,100	5,881,916	(155,184)
Other taxes	580,115	580,115	628,084	47,969
Franchise fees	347,368	347,368	352,731	5,363
License and permits	477,545	477,545	419,652	(57,893)
Fines	11,600	11,600	96,496	84,896
Pavilion and camping fees	818,000	818,000	799,242	(18,758)
Rentals	14,800	14,800	332,002	317,202
Intergovernmental revenue	1,305,729	1,499,417	1,839,444	340,027
Grants	932,248	932,248	783,153	(149,095)
Investment earnings	21,250	21,250	728,721	707,471
Other revenues	1,346,240	2,346,240	2,501,930	155,690
Total revenues	25,927,522	27,121,210	28,683,604	1,562,394
Expenditures:				
Municipal court	749,148	904,898	821,314	83,584
Engineering	254,324	254,324	227,574	26,750
Administration	4,558,999	5,484,233	1,719,011	3,765,222
Tourism	6,754,784	7,819,784	5,646,547	2,173,237
Police	7,654,723	7,694,723	6,671,178	1,023,545
Fire	2,462,341	3,092,904	1,792,072	1,300,832
Emergency management	297,273	297,273	238,472	58,801
Streets	3,690,290	3,690,290	1,780,207	1,910,083
Parks	3,093,074	3,093,074	2,446,281	646,793
Health	349,454	349,454	316,962	32,492
Food and wine festival	282,700	282,700	161,989	120,711
Development services	1,596,311	1,596,311	1,529,923	66,388
Debt service:				
Principal	-	-	503,359	(503,359)
Interest and fiscal charges	-	-	46,079	(46,079)
Capital outlays	-	-	6,715,431	(6,715,431)
Total expenditures	31,743,421	34,559,968	30,616,399	3,943,569

(continued)

CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30, 2023

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	\$ (5,815,899)	\$ (7,438,758)	\$ (1,932,795)	\$ 5,505,963
Other financing sources (uses):				
Sale of real and personal property	-	-	67,297	67,297
Transfers in	-	-	3,552,070	3,552,070
Transfers out	-	-	(1,789,243)	(1,789,243)
Proceeds from capital leases	-	-	579,197	579,197
Total other financing sources (uses)	-	-	2,409,321	2,409,321
Net change in fund balance	(5,815,899)	(7,438,758)	476,526	7,915,284
Fund balance - beginning of year	19,277,040	19,277,040	19,277,040	-
Fund balance - end of year	\$ 13,461,141	\$ 11,838,282	\$ 19,753,566	\$ 7,915,284

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			
	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 2,221,561	\$ 1,963,090	\$ 1,846,917	\$ 1,495,978
Interest (on the total pension liability)	4,602,193	4,310,479	4,037,770	3,451,697
Changes of benefit terms	-	-	4,932,372	4,413,316
Difference between expected and actual experience	1,155,954	534,109	269,471	517,459
Change of assumptions	-	-	-	(63,087)
Benefit payments, including refunds of employee contributions	<u>(2,826,998)</u>	<u>(2,403,440)</u>	<u>(1,940,785)</u>	<u>(1,713,855)</u>
Net change in total pension liability	5,152,710	4,404,238	9,145,745	8,101,508
Total pension liability - beginning	<u>68,483,361</u>	<u>64,079,123</u>	<u>54,933,378</u>	<u>46,831,870</u>
Total pension liability - ending (a)	<u>\$ 73,636,071</u>	<u>\$ 68,483,361</u>	<u>\$ 64,079,123</u>	<u>\$ 54,933,378</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 2,862,717	\$ 2,506,293	\$ 1,746,763	\$ 1,216,750
Contributions - employee	899,417	802,197	646,152	520,884
Net investment income	(4,071,908)	6,330,327	3,394,685	5,990,998
Benefit payments, including refunds of employee contributions	(2,826,998)	(2,403,440)	(1,940,785)	(1,713,855)
Administrative expense	(35,218)	(29,284)	(21,967)	(33,845)
Other	<u>42,026</u>	<u>199</u>	<u>(857)</u>	<u>(1,019)</u>
Net change in plan fiduciary net position	(3,129,964)	7,206,292	3,823,991	5,979,913
Plan fiduciary net position - beginning	<u>55,754,739</u>	<u>48,548,447</u>	<u>44,724,456</u>	<u>38,744,543</u>
Plan fiduciary net position - ending (b)	<u>\$ 52,624,775</u>	<u>\$ 55,754,739</u>	<u>\$ 48,548,447</u>	<u>\$ 44,724,456</u>
Net pension liability (a) - (b)	<u>\$ 21,011,296</u>	<u>\$ 12,728,622</u>	<u>\$ 15,530,676</u>	<u>\$ 10,208,922</u>
Plan fiduciary net position as a percentage of total pension liability	0.00%	81.41%	75.76%	81.42%
Covered payroll	<u>\$ 12,848,821</u>	<u>\$ 11,459,952</u>	<u>\$ 10,608,762</u>	<u>\$ 10,417,674</u>
Net pension liability as a percentage of total covered payroll	163.53%	111.07%	146.39%	98.00%

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

Measurement Year		
2018	2017	2016
\$ 1,190,542	\$ 1,074,769	\$ 1,004,489
2,981,765	2,674,435	2,528,093
1,917,387	-	-
(104,329)	301,986	(47,068)
-	-	-
<u>(1,630,273)</u>	<u>(1,316,569)</u>	<u>(1,388,695)</u>
4,355,092	2,734,621	2,096,819
<u>42,476,778</u>	<u>39,742,157</u>	<u>37,645,338</u>
<u>\$ 46,831,870</u>	<u>\$ 42,476,778</u>	<u>\$ 39,742,157</u>
\$ 961,243	\$ 931,010	\$ 843,151
500,649	488,976	455,757
(1,202,616)	4,877,963	2,235,297
(1,630,273)	(1,316,569)	(1,388,695)
(23,238)	(25,272)	(25,238)
<u>(1,214)</u>	<u>(1,282)</u>	<u>(1,360)</u>
(1,395,449)	4,954,826	2,118,912
<u>40,139,992</u>	<u>35,185,166</u>	<u>33,066,254</u>
<u>\$ 38,744,543</u>	<u>\$ 40,139,992</u>	<u>\$ 35,185,166</u>
<u>\$ 8,087,327</u>	<u>\$ 2,336,786</u>	<u>\$ 4,556,991</u>
82.73%	94.50%	88.53%
<u>\$ 10,012,971</u>	<u>\$ 9,779,519</u>	<u>\$ 9,115,142</u>
80.77%	23.89%	49.99%

CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 3,087,580	\$ 2,822,429	\$ 2,309,826	\$ 1,589,343	\$ 1,146,021	\$ 958,161
Contributions in relation to the actuarially determined contributions	<u>3,087,580</u>	<u>2,822,429</u>	<u>2,309,826</u>	<u>1,589,343</u>	<u>1,146,021</u>	<u>958,161</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	<u>\$ 13,934,572</u>	<u>\$ 12,726,149</u>	<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	22.16%	22.18%	21.45%	14.98%	11.12%	9.58%

*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			
	2022	2021	2020	2019
Total Pension Liability				
City's proportion of the net pension liability	0.543%	0.543%	0.543%	0.585%
City's proportionate share of net pension liability	<u>\$ 226,896</u>	<u>\$ 226,896</u>	<u>\$ 58,178</u>	<u>\$ 147,484</u>
Plan fiduciary net position as a percentage of the total pension liability	83.20%	83.20%	83.20%	83.20%

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

Measurement Year		
2018	2017	2016
0.640%	0.731%	0.716%
<u>\$ 181,412</u>	<u>\$ 158,265</u>	<u>\$ 171,852</u>
80.20%	84.26%	81.40%

CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contributions	\$ 34,200	\$ 32,880	\$ 33,330	\$ 35,130
Contributions in relation to the actuarially determined contributions	<u>34,200</u>	<u>32,880</u>	<u>33,330</u>	<u>35,130</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 37,374	\$ 55,956	\$ 45,710
<u>37,374</u>	<u>55,956</u>	<u>45,710</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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					
	2022	2021	2020	2019	2018	2017
OPEB liability						
Service cost	\$ 39,831	\$ 35,526	\$ 26,924	\$ 17,710	\$ 22,029	\$ 18,581
Interest (on the OPEB liability)	15,906	16,069	18,311	19,783	18,323	17,987
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	6,046	(5,096)	(9,196)	(12,748)	(14,581)	-
Change of assumptions	(298,260)	26,398	105,698	107,513	(39,852)	43,885
Benefit payments **	<u>(15,418)</u>	<u>(12,607)</u>	<u>(4,308)</u>	<u>(4,167)</u>	<u>(4,006)</u>	<u>(4,890)</u>
Net change in OPEB liability	(251,895)	60,290	137,429	128,091	(18,087)	75,563
OPEB liability - beginning	<u>852,276</u>	<u>791,986</u>	<u>654,557</u>	<u>526,466</u>	<u>544,553</u>	<u>468,990</u>
OPEB liability - ending	<u>\$ 600,381</u>	<u>\$ 852,276</u>	<u>\$ 791,986</u>	<u>\$ 654,557</u>	<u>\$ 526,466</u>	<u>\$ 544,553</u>
Covered payroll	<u>\$ 12,848,821</u>	<u>\$ 11,459,952</u>	<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	4.67%	7.44%	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 sixth 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 48,684	\$ 31,499	\$ 26,934	\$ 24,400	\$ 23,429	\$ 22,286
Contributions in relation to the actuarially determined contributions	<u>48,684</u>	<u>31,499</u>	<u>26,934</u>	<u>24,400</u>	<u>23,429</u>	<u>22,286</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	<u>\$ 13,934,572</u>	<u>\$ 12,726,149</u>	<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	0.35%	0.25%	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 sixth year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2023

(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	23 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:

There were no benefit changes during the year.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2023

(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 *	1.84%
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, 2021.

Other information:

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

San Antonio, Texas

June 18, 2024

INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF TREASURY
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR
AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT

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

We have examined of the City of Fredericksburg, Texas (the “City”) compliance with the compliance requirements “activities allowed or unallowed” and “allowable cost/cost principles” (the specified requirements) as described in Part IV “Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds” of the CSLFRF section of the 2022 OMB Compliance Supplement (referred to herein as “Requirements for an Alternative CSLFRF Compliance Examination Engagement”) during the year ended September 30, 2023. Management of the City is responsible for the City’s compliance with the specified requirements. Our responsibility is to express an opinion on the City’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the “Requirements for an Alternative CSLFRF Compliance Examination Engagement.” Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City’s compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2023.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City of Fredericksburg, Texas complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2023. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
June 18, 2024