



Annual Financial Statements of the
The City of Fredericksburg, Texas

For the Year Ended September 30, 2024

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FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the City) as of and for the year ended September 30, 2024, 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, based on our audit and the report of the other auditor, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The City of Fredericksburg, as of September 30, 2024, 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.

We did not audit the financial statements of the Fredericksburg Convention and Visitor Bureau, which represents 100% of the assets, net position, and revenues of the discretely presented component unit as of September 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fredericksburg Convention and Visitor Bureau is based solely on the report of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Correction of Error

As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of amounts previously reported for capital assets, long-term liabilities, and accounts receivable as of September 30, 2023 were discovered by management of the City during the current year. Accordingly, a restatement has been made to fund balance of the General Fund and the net position of the Electric Fund, Water and Sewer Fund, Golf Fund, Landfill Fund, EMS Fund, Drainage Fund, governmental activities and business-type activities as of October 1, 2023 to correct the error. Our opinions are not modified with respect to that matter.

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 GAAS 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 GAAS 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 Schedule – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System, Schedule of Employer Contributions – Texas Municipal Retirement System, Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios – TESRS, Schedule of City's Contributions to the Pension Plan – TESRS, and Schedule of Changes in Total OPEB Liability and Related Ratios – Supplemental Death Benefits Plan 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025 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.

Eide Bailly LLP

Abilene, Texas
June 6, 2025

As management of the City of Fredericksburg, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The City's total assets and deferred outflows of resources exceeded the City's total liabilities and deferred inflows of resources at the close of the fiscal year with net position of \$77,412,727. Of this amount \$5,610,545 (unrestricted net deficit) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,701,261 which was primarily due to an increase in governmental activity and business-type activity operations.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,996,127, an increase of \$330,928. The general fund reported an increase in fund balance of \$330,928. The capital projects fund had an increase in fund balance of \$4,579 due to the issuance of a new bond offset by the purchase of the City Hall East Campus. Out of the \$19,996,127 of fund balances in the governmental funds, \$15,600,406 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,600,406 or 49% of total general fund expenditures.
- During the current fiscal year, the City determined that reported amounts in the prior fiscal year financial statements were not accurate, resulting in a restatement of the beginning fund balance of the General Fund, Capital Projects Fund, Nonmajor Governmental Funds, Electric Fund, Water and Sewer Fund, Golf Fund, Landfill Fund, Emergency Medical Services (EMS) Fund, Drainage Fund, governmental activities and business-type activities net position. The City determined the hotel tax receivables had been incorrectly recorded. Accordingly, accounts receivable was overstated by \$117,055 in the General Fund. Additionally, the City identified discrepancies between its fixed asset subledger and the financial statements. Moreover, the City identified a lease that had been previously entered into; however, it had not been recorded. Accordingly, governmental activities capital assets were overstated by \$1,058,687, business-type activities capital assets were overstated by \$49,613, governmental activities long-term obligations were understated by \$730,947, and business-type activities long-term obligations were understated by \$61,191. Lastly, the City determined that the allowance for receivables in the EMS fund had been underestimated. Accordingly, accounts receivable were overstated by \$495,525. For additional information, see Note 14 of the Notes to the Financial Statements section of the Basic Financial Statements section of this report.

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 comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The 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 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 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 as incurred regardless of when cash is received or paid. Thus, revenues and expenses are reported on accrual basis even though cash flows occur in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, government administration, health services, and culture and recreation. The business-type activities of the City include electric, water and sewer, storm water drainage, landfill, EMS and golf operations.

The government-wide financial statements can be found on pages 15-18 of this report.

The government-wide financial statements include not only the City itself (known as the primary government), but also a discretely presented component unit, the Fredericksburg Convention and Visitor Bureau for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

Fund Financial Statements

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

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

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

Beginning on page 19 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 and the Capital Projects Fund, which are considered to be major funds. Non-major governmental funds are aggregated in total.

The City adopts an annual appropriated budget for its General Fund. The budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget on pages 61-62.

Proprietary funds – The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and sewer, storm water drainage, landfill, EMS 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 22-26 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 beginning on page 27 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 City's progress in funding its obligation to provide pension and post-employment benefits to its employees. Required supplementary information can be located on pages 61-70 of this report. Supplementary information begins on page 71.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of the close of the current fiscal year, the City's net position totaled \$77,412,727.

The largest portion of the City's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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 generate revenues to liquidate these liabilities.

The City of Fredericksburg
Management Discussion and Analysis
Year Ended September 30, 2024

An additional portion of the City's net position (17%) represents resources that are subject to external restrictions on how they may be used (primarily for debt service, tourism and infrastructure improvements). The remaining balance of net position may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023 (as restated)	2024	2023 (as restated)	2024	2023 (as restated)
ASSETS						
Current and other assets	\$ 22,591,867	\$ 22,206,484	\$ 27,439,197	\$ 25,018,231	\$ 50,031,064	\$ 47,224,715
Capital assets, net	35,316,737	28,020,905	62,619,534	58,162,592	97,936,271	86,183,497
Total assets	57,908,604	50,227,389	90,058,731	83,180,823	147,967,335	133,408,212
Deferred outflows of resources						
Deferred outflows - pension	3,511,962	4,177,821	2,815,105	3,308,752	6,327,067	7,486,573
Deferred outflows - OPEB	112,086	67,537	52,034	55,060	164,120	122,597
Total deferred outflows of resources	3,624,048	4,245,358	2,867,139	3,363,812	6,491,187	7,609,170
LIABILITIES						
Long-term liabilities	24,567,465	19,199,468	46,196,640	38,157,706	70,764,105	57,357,174
Other liabilities	2,552,295	3,406,937	3,115,206	7,263,327	5,667,501	10,670,264
Total liabilities	27,119,760	22,606,405	49,311,846	45,421,033	76,431,606	68,027,438
Deferred inflows of resources						
Deferred inflows - pension	171,751	6,872	148,826	4,671	320,577	11,543
Deferred inflows - OPEB	200,522	147,052	93,090	119,883	293,612	266,935
Total deferred inflows of resources	372,273	153,924	241,916	124,554	614,189	278,478
NET POSITION						
Net investment in capital assets	22,972,284	20,865,717	35,944,184	33,908,539	58,916,468	54,774,256
Restricted	4,337,009	5,041,196	8,548,705	6,226,067	12,885,714	11,267,263
Unrestricted	6,731,326	5,805,505	(1,120,781)	864,442	5,610,545	6,669,947
Total net position	\$ 34,040,619	\$ 31,712,418	\$ 43,372,108	\$ 40,999,048	\$ 77,412,727	\$ 72,711,466

The City of Fredericksburg
Management Discussion and Analysis
Year Ended September 30, 2024

The following table on the next two pages provides a summary of the City's operations for the year ending September 30, 2024.

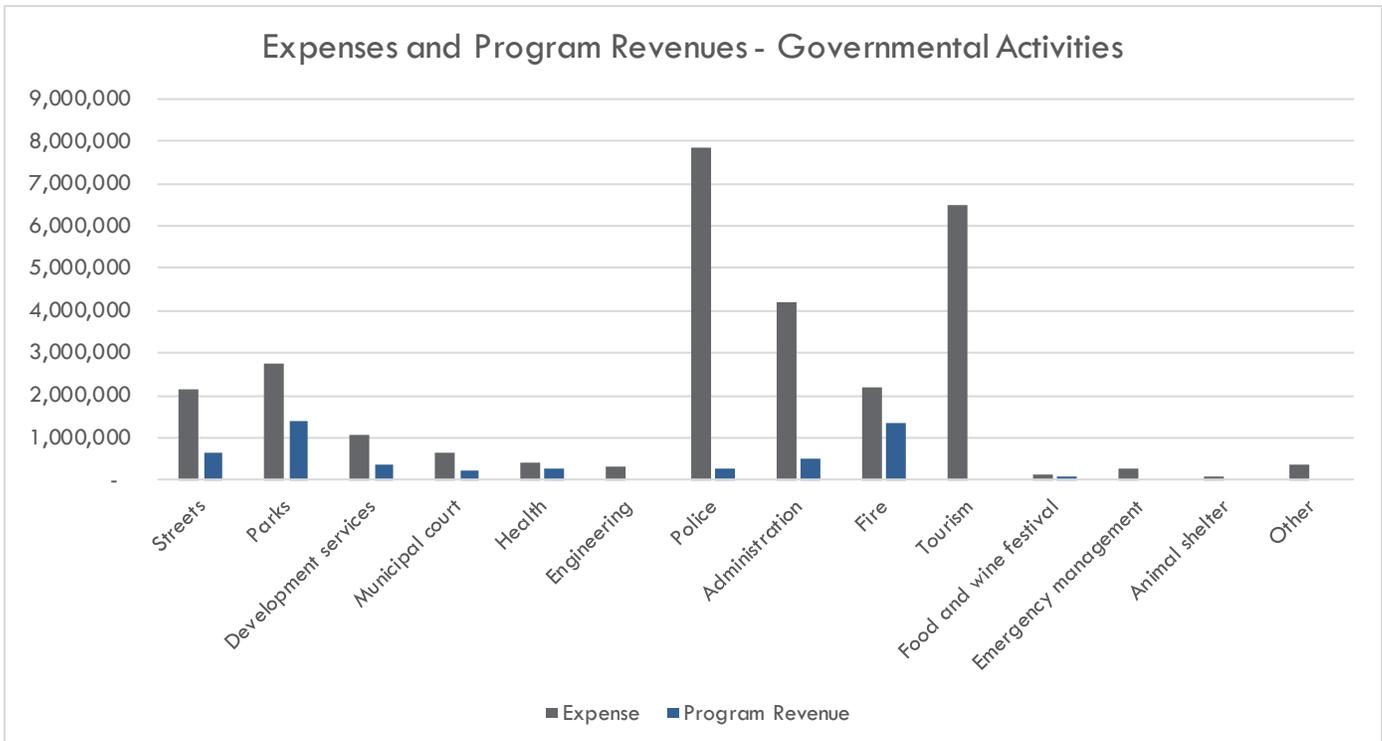
	Governmental Activities		Business-Type Activities		Total	
	2024	2023 (as restated)	2024	2023 (as restated)	2024	2023 (as restated)
REVENUES						
Program revenues						
Charges for services	\$ 2,447,190	\$ 4,622,754	\$ 32,299,000	\$ 34,665,264	\$ 34,746,190	\$ 39,288,018
Operating grants and contributions	2,012,409	1,820,858	-	-	2,012,409	1,820,858
Capital grants and contributions	645,278	-	1,686,562	-	2,331,840	-
General revenues					-	
Property taxes	6,147,014	5,968,766	-	-	6,147,014	5,968,766
Sales taxes	9,454,171	9,138,588	-	-	9,454,171	9,138,588
Hotel occupancy tax	5,672,265	5,764,861	-	-	5,672,265	5,764,861
Other taxes	1,013,708	980,815	-	-	1,013,708	980,815
Investment income	929,511	744,161	689,277	521,703	1,618,788	1,265,864
Other income	183,590	328,307	1,151,600	-	1,335,190	328,307
Total revenues	28,505,136	29,369,110	35,826,439	35,186,967	64,331,575	64,556,077
EXPENSES						
General government						
Streets	2,154,679	1,956,266	-	-	2,154,679	1,956,266
Parks	2,743,619	2,684,662	-	-	2,743,619	2,684,662
Development services	1,051,955	1,617,226	-	-	1,051,955	1,617,226
Municipal court	658,744	900,573	-	-	658,744	900,573
Health	410,569	349,475	-	-	410,569	349,475
Engineering	301,211	250,508	-	-	301,211	250,508
Police	7,876,171	7,279,041	-	-	7,876,171	7,279,041
Administration	4,186,320	1,021,098	-	-	4,186,320	1,021,098
Fire	2,206,164	1,971,271	-	-	2,206,164	1,971,271
Tourism	6,506,853	6,166,635	-	-	6,506,853	6,166,635
Food and wine festival	114,842	176,787	-	-	114,842	176,787
Emergency management	259,069	260,257	-	-	259,069	260,257
Animal shelter	69,340	-	-	-	69,340	-
Interest on long-term debt	361,208	181,122	873,569	-	1,234,777	181,122
Electric	-	-	12,397,159	13,528,746	12,397,159	13,528,746
Water and Sewer	-	-	7,068,663	7,238,668	7,068,663	7,238,668
Golf	-	-	97,841	117,351	97,841	117,351
Landfill	-	-	3,918,936	3,371,728	3,918,936	3,371,728
EMS	-	-	5,540,000	5,409,361	5,540,000	5,409,361
Drainage	-	-	1,023,315	1,091,035	1,023,315	1,091,035
Total expenses	28,900,744	24,814,921	30,919,483	30,756,889	59,820,227	55,571,810

	Governmental Activities		Business-Type Activities		Total	
	2024	2023 (as restated)	2024	2023 (as restated)	2024	2023 (as restated)
Increase in net position before transfers	(395,608)	4,554,189	4,906,956	4,430,078	4,511,348	8,984,267
Gain on retirement of assets	142,051	67,297	47,862	25,969	189,913	93,266
Net transfers	2,581,758	906,901	(2,581,758)	(906,901)	-	-
Change in net position	2,328,201	5,528,387	2,373,060	3,549,146	4,701,261	9,077,533
Net position, beginning, as restated	31,712,418	28,184,031	40,999,048	37,449,902	72,711,466	65,633,933
Net position, ending	\$ 34,040,619	\$ 33,712,418	\$ 43,372,108	\$ 40,999,048	\$ 77,412,727	\$ 74,711,466

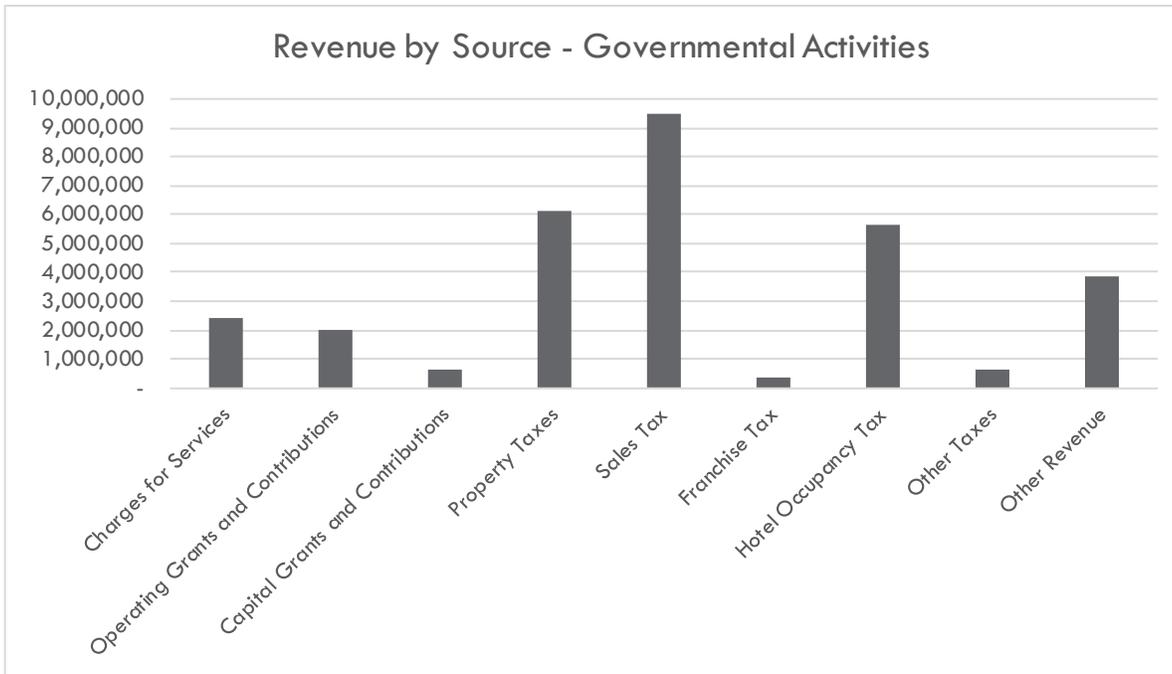
The City’s net position increased by \$4,701,261. Total assets increased by \$14,559,123. Capital assets increased by \$11,752,774, while current and other assets increased by \$2,806,349.

Governmental Activities

Governmental activities increased the City’s net position by \$2,328,201 compared to prior year primarily due to a transfer from business-type activities to governmental activities.

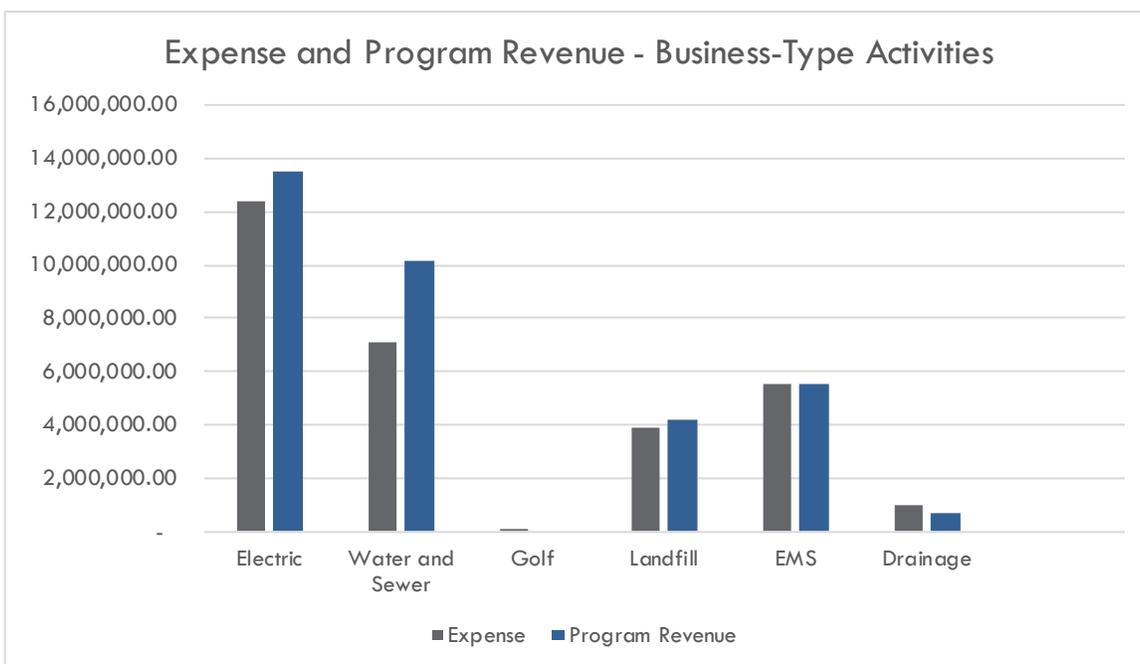


Taxes represent 69% of revenue for governmental activities.



Business-type Activities

Business-type activities increased the City’s net position by \$2,373,060. Business-type revenues decreased by \$639,472 from the prior year.



Financial Analysis of the Government's 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. 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 \$19,996,127, an increase of \$330,928 in comparison with the prior year. Approximately 78% of this total amount (\$15,600,406) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has already been restricted for:

Restricted fund balance consisted of \$86,492 restricted for debt service, \$7,079 restricted for capital projects, \$15,543 restricted for court technology and \$4,286,607 restricted for tourism.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,600,406. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49% of total general fund expenditures (excluding transfers to other funds).

The fund balance of the City's General Fund increased by \$266,045, during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail. Charges for services in proprietary funds totaled \$32,299,000, a decrease of \$2,366,264 from the prior year. Total revenue (\$35,826,439) increased by \$639,472 from the prior year. Operating expenses totaled \$30,919,483, an increase of \$162,594, driven by an increase in landfill costs.

General Fund Budgetary Highlights

During the year, there was a slight decrease in appropriations of \$505,462 between the original and final budget. Overall, revenues had a \$632,413 positive variance primarily due to receiving more investment income due to the effects of higher interest rates during fiscal year. There was a favorable variance of \$13,383,407 between final budget and actual expenditures.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$97,936,271 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, machinery and equipment, right of use assets and subscription assets. The City’s total depreciation/amortization expense for its governmental activities amounts to \$2,928,803 and business-type activities \$4,395,971.

Capital Assets (Net of Depreciation and Amortization)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023 (as restated)	2024	2023 (as restated)	2024	2023 (as restated)
Land	\$ 8,428,390	\$ 8,428,390	\$ 1,129,948	\$ 1,129,948	\$ 9,558,338	\$ 9,558,338
Buildings	10,513,754	5,373,921	8,321,375	3,132,747	18,835,129	8,506,668
Improvements other than buildings	11,114,427	9,824,472	47,457,991	48,052,456	58,572,418	57,876,928
Machinery and equipment	3,985,685	3,021,736	4,596,971	4,605,097	8,582,656	7,626,833
Right to use leased assets	1,091,062	613,529	450,983	349,120	1,542,045	962,649
Right to use SBITA assets	183,419	342,171	662,266	898,027	845,685	1,240,198
	<u>\$ 35,316,737</u>	<u>\$ 27,604,219</u>	<u>\$ 62,619,534</u>	<u>\$ 58,167,395</u>	<u>\$ 97,936,271</u>	<u>\$ 85,771,614</u>

Additional information on the City’s capital assets can be found in Note 6 to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$37,212,915. The entire amount represents debt backed by the full faith and credit of the City. The City also has lease obligations of \$1,752,041, subscription payables of \$848,533, compensated absences of \$1,727,854 and financed purchase liabilities of \$3,848,232 at fiscal year-end. The City also has a closure and post-closure liability of \$4,846,196.

The City’s general and revenue obligations maintain an AA+ rating, respectively from Standard & Poor’s and an Aa3 rating respectively from Moody’s Investors Service. The high rating speaks well of the City’s proactive approach to economic development and financial management.

Additional information on the City’s long-term debt can be found in the Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Gillespie County is 2.6 percent. This is below the state's average unemployment of 3.7 percent and the national unemployment rate (unadjusted) at 3.8 percent.
- The region's inflationary trends are favorable to national indexes.
- The expense budget for the general fund for fiscal year 2025 is \$26,064,124, which represents a 28.5 percent decrease over the amended fiscal year 2024 budget.
- The revenue budget for the general fund for fiscal year 2025 is \$23,975,856, which represents a 1.8 percent increase over the amended fiscal year 2024 budget.
- The property tax rate of \$.205326 per \$100 valuation for fiscal year 2025 represents an increase of \$.0415 or 24.30 percent over the fiscal year 2024 budget.
- The minimum charge for residential water remained at \$11.60 per 0 gallons.
- The minimum charge for residential sewer remained at \$11.55 per 0 gallons.
- The monthly charge for residential garbage/refuse remained at \$14.00.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, The City Fredericksburg, 126 West Main Street, Fredericksburg, Texas 78264 or call (830) 990-2039.

The City of Fredericksburg
Statement of Net Position (Exhibit A-1)
Year Ended September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Assets				
Cash and cash equivalents	\$ 19,171,140	\$ 21,520,253	\$ 40,691,393	\$ 4,425,639
Investments	388,902	1,053,831	1,442,733	-
Receivables (net of allowance)	2,792,580	3,199,120	5,991,700	-
Due from other governments	-	5,877	5,877	-
Prepaid expense	-	-	-	566,127
Inventories	-	1,899,361	1,899,361	-
Internal balances	239,245	(239,245)	-	-
Capital assets not being depreciated				
Land	8,428,390	1,129,948	9,558,338	-
Capital assets (net of accumulated depreciation/amortization)				
Buildings	10,513,754	8,321,375	18,835,129	-
Machinery and equipment	3,985,685	4,596,971	8,582,656	57,274
Improvements	11,114,427	47,457,991	58,572,418	-
Right to use leased assets	1,091,062	450,983	1,542,045	62,371
Right to use SBITA assets	183,419	662,266	845,685	56,298
Total assets	<u>57,908,604</u>	<u>90,058,731</u>	<u>147,967,335</u>	<u>5,167,709</u>
Deferred Outflows of Resources				
Deferred outflows - pension	3,511,962	2,815,105	6,327,067	-
Deferred outflows - OPEB	112,086	52,034	164,120	-
Total deferred outflows of resources	<u>3,624,048</u>	<u>2,867,139</u>	<u>6,491,187</u>	<u>-</u>
Liabilities				
Accounts payable	1,681,568	1,737,633	3,419,201	352,403
Accrued liabilities	230,730	233,796	464,526	49,228
Accrued interest payable	58,712	169,503	228,215	-
Customer deposits	560,068	903,827	1,463,895	-
Due to other governments	21,217	70,447	91,664	-
Noncurrent liabilities				
Due within one year	1,163,380	3,402,204	4,565,584	12,976
Due in more than one year	12,157,104	33,513,083	45,670,187	106,748
Net pension liability	10,892,070	8,973,819	19,865,889	-
Total OPEB liability	354,911	307,534	662,445	-
Total liabilities	<u>27,119,760</u>	<u>49,311,846</u>	<u>76,431,606</u>	<u>521,355</u>
Deferred Inflows of Resources				
Deferred inflows - pension	171,751	148,826	320,577	-
Deferred inflows - OPEB	200,522	93,090	293,612	-
Total deferred inflows of resources	<u>372,273</u>	<u>241,916</u>	<u>614,189</u>	<u>-</u>
Net Position				
Net investment in capital assets	22,972,284	35,944,184	58,916,468	56,219
Restricted for capital projects	7,079	1,337,986	1,345,065	-
Restricted for court technology	15,543	-	15,543	-
Restricted for debt service	27,780	7,210,719	7,238,499	-
Restricted for tourism	4,286,607	-	4,286,607	-
Unrestricted	6,731,326	(1,120,781)	5,610,545	4,590,135
Total net position	<u>\$ 34,040,619</u>	<u>\$ 43,372,108</u>	<u>\$ 77,412,727</u>	<u>\$ 4,646,354</u>

See Notes to Financial Statements

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
Streets	\$ 2,154,679	\$ -	\$ -	\$ 645,278
Parks	2,743,619	1,397,076	-	-
Development services	1,051,955	346,476	-	-
Municipal court	658,744	204,534	-	-
Health	410,569	166,691	107,012	-
Engineering	301,211	-	-	-
Police	7,876,171	194,071	93,952	-
Administration	4,186,320	35,438	461,948	-
Fire	2,206,164	9,846	1,349,497	-
Tourism	6,506,853	-	-	-
Food and wine festival	114,842	93,058	-	-
Emergency management	259,069	-	-	-
Animal shelter	69,340	-	-	-
Interest on long-term debt	361,208	-	-	-
Total governmental activities	<u>28,900,744</u>	<u>2,447,190</u>	<u>2,012,409</u>	<u>645,278</u>
Business-type activities				
Electric	12,397,159	13,483,143	-	-
Water and Sewer	7,068,663	8,434,013	-	1,686,562
Golf	97,841	-	-	-
Landfill	3,918,936	4,202,155	-	-
EMS	5,540,000	5,504,851	-	-
Drainage	1,023,315	674,838	-	-
Total business-type activities	<u>30,045,914</u>	<u>32,299,000</u>	<u>-</u>	<u>1,686,562</u>
Total primary government	<u>\$ 58,946,658</u>	<u>\$ 34,746,190</u>	<u>\$ 2,012,409</u>	<u>\$ 2,331,840</u>
Component units				
Fredericksburg Convention and Visitor Bureau	\$ 4,406,520	\$ -	\$ 5,354,914	\$ -
General Revenues				
Taxes				
Property taxes				
Sales taxes				
Franchise taxes				
Hotel occupancy tax				
Vehicle tax				
Investment income (loss)				
Other income				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning, as previously reported				
Prior period adjustment (Note 14)				
Net position, beginning, as restated				
Net position, ending				

See Notes to Financial Statements.

The City of Fredericksburg
Statement of Activities (Exhibit A-2)
Year Ended September 30, 2024

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Fredericksburg Convention and Visitor Bureau
\$ (1,509,401)	\$ -	\$ (1,509,401)	
(1,346,543)	-	(1,346,543)	
(705,479)	-	(705,479)	
(454,210)	-	(454,210)	
(136,866)	-	(136,866)	
(301,211)	-	(301,211)	
(7,588,148)	-	(7,588,148)	
(3,688,934)	-	(3,688,934)	
(846,821)	-	(846,821)	
(6,506,853)	-	(6,506,853)	
(21,784)	-	(21,784)	
(259,069)	-	(259,069)	
(69,340)	-	(69,340)	
<u>(361,208)</u>	<u>(873,569)</u>	<u>(1,234,777)</u>	
<u>(23,795,867)</u>	<u>(873,569)</u>	<u>(24,669,436)</u>	
-	1,085,984	1,085,984	
-	3,051,912	3,051,912	
-	(97,841)	(97,841)	
-	283,219	283,219	
-	(35,149)	(35,149)	
-	<u>(348,477)</u>	<u>(348,477)</u>	
-	<u>3,939,648</u>	<u>3,939,648</u>	
<u>(23,795,867)</u>	<u>3,066,079</u>	<u>(20,729,788)</u>	
			<u>948,394</u>
6,147,014	-	6,147,014	-
9,454,171	-	9,454,171	-
346,294	-	346,294	-
5,672,265	-	5,672,265	-
667,414	-	667,414	-
929,511	689,277	1,618,788	29,640
183,590	1,151,600	1,335,190	-
142,051	47,862	189,913	-
2,581,758	(2,581,758)	-	-
<u>26,124,068</u>	<u>(693,019)</u>	<u>25,431,049</u>	<u>29,640</u>
<u>2,328,201</u>	<u>2,373,060</u>	<u>4,701,261</u>	<u>978,034</u>
33,619,107	41,506,151	75,125,258	3,668,320
(1,906,689)	(507,103)	(2,413,792)	-
<u>31,712,418</u>	<u>40,999,048</u>	<u>72,711,466</u>	<u>3,668,320</u>
<u>\$ 34,040,619</u>	<u>\$ 43,372,108</u>	<u>\$ 77,412,727</u>	<u>\$ 4,646,354</u>

The City of Fredericksburg
Balance Sheet – Governmental Funds (Exhibit A-3)
Year Ended September 30, 2024

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 18,698,989	\$ -	\$ 113,274	\$ 18,812,263
Investments	388,902	-	-	388,902
Receivables (net of allowance)				
Property taxes	87,067	-	-	87,067
Hotel occupancy taxes	888,945	-	-	888,945
Interest	1,678	-	-	1,678
Warrants	49,782	-	-	49,782
Miscellaneous	24,920	-	-	24,920
Due from other governments	1,740,188	-	-	1,740,188
Due from other funds	258,948	7,079	6,818	272,845
Total assets	<u>\$ 22,139,419</u>	<u>\$ 7,079</u>	<u>\$ 120,092</u>	<u>\$ 22,266,590</u>
Liabilities				
Accounts payable	\$ 1,314,498	\$ -	\$ -	\$ 1,314,498
Accrued salaries and benefits	230,730	-	-	230,730
Compensated absences	7,850	-	-	7,850
Due to other governments	21,217	-	-	21,217
Due to other funds	-	-	33,600	33,600
Deposits	560,068	-	-	560,068
Total liabilities	<u>2,134,363</u>	<u>-</u>	<u>33,600</u>	<u>2,167,963</u>
Deferred Inflows of Resources				
Unavailable revenue	102,500	-	-	102,500
Total deferred inflows of resources	<u>102,500</u>	<u>-</u>	<u>-</u>	<u>102,500</u>
Fund Balances				
Restricted for debt service	-	-	86,492	86,492
Restricted for construction	-	7,079	-	7,079
Restricted for court technology	15,543	-	-	15,543
Restricted for tourism	4,286,607	-	-	4,286,607
Unassigned	15,600,406	-	-	15,600,406
Total fund balances	<u>19,902,556</u>	<u>7,079</u>	<u>86,492</u>	<u>19,996,127</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,139,419</u>	<u>\$ 7,079</u>	<u>\$ 120,092</u>	<u>\$ 22,266,590</u>

The City of Fredericksburg

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Exhibit A-4)

Year Ended September 30, 2024

Total Fund Balances - Governmental Funds \$ 19,996,127

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

The City uses an internal service fund for health insurance. The assets and liabilities are included in the governmental activities. (8,193)

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 35,316,737

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. As a result, these liabilities decrease net position:

Lease obligations	(1,210,561)
SBITA obligations	(135,498)
Bonds payable and unamortized premium	(9,454,266)
Financed purchase obligations	(1,544,128)
Accrued compensated absences	(968,181)

Payables for bond interest which are not due in the current period are not reported in the fund financial statements but are included in the statement of net position. This results in a decrease in net position. (58,712)

Included in liabilities is the recognition of the City's net pension liability in the amount of \$10,892,070, a deferred inflow of resources of \$171,751 and a deferred outflow of resources of \$3,511,962. This results in a decrease in net position. (7,551,859)

Included in liabilities is the recognition of the City's total OPEB liability in the amount of \$354,911, a deferred inflow of resources of \$200,522, and a deferred outflow of resources of \$112,086. This results in a decrease in net position. (443,347)

Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Net property taxes receivable of were unavailable to pay for the current period expenditures and are deferred inflows in the governmental funds but are recognized as revenue in the government wide statements. This results in an increase in net position. 102,500

Net Position of Governmental Activities \$ 34,040,619

The City of Fredericksburg

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit A-5)

Year Ended September 30, 2024

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property	\$ 5,675,945	\$ -	\$ 471,369	\$ 6,147,314
Sales	9,454,171	-	-	9,454,171
Hotel occupancy tax	5,672,265	-	-	5,672,265
Franchise	346,294	-	-	346,294
Other Taxes	667,414	-	-	667,414
Licenses and permits	121,323	-	-	121,323
Building permits	225,153	-	-	225,153
Fines and forfeitures	5,700	-	-	5,700
Municipal Court fees	204,534	-	-	204,534
Health fees	166,691	-	-	166,691
Parks and recreation fees	133,810	-	-	133,810
Pavilion and camping fees	1,263,266	-	-	1,263,266
Police revenue	194,071	-	-	194,071
Fire Department revenues	9,846	-	-	9,846
Tourism	93,058	-	-	93,058
Grants	887,230	-	-	887,230
Intergovernmental revenue	1,770,457	-	-	1,770,457
Rental income	29,738	-	-	29,738
Interest income	929,217	-	294	929,511
Other revenue	183,590	-	-	183,590
Total revenues	28,033,773	-	471,663	28,505,436
Expenditures				
Current				
Streets	1,840,318	-	-	1,840,318
Parks	2,503,906	-	-	2,503,906
Development services	899,373	-	-	899,373
Municipal court	665,466	-	-	665,466
Health	382,668	-	-	382,668
Engineering	280,597	-	-	280,597
Police	7,256,781	-	-	7,256,781
Administration	3,582,115	-	-	3,582,115
Fire	1,868,539	-	-	1,868,539
Tourism	5,892,623	-	-	5,892,623
Food and wine festival	114,842	-	-	114,842
Emergency management	237,310	-	-	237,310
Animal shelter	70,119	-	-	70,119
Debt service				
Principal	871,877	-	330,000	1,201,877
Interest	91,433	-	137,285	228,718
Issuance cost and fees	-	98,816	-	98,816
Capital outlay	5,050,946	5,127,893	-	10,178,839
Total expenditures	31,608,913	5,226,709	467,285	37,302,907
Excess (Deficiency) of Revenues over (under) Expenditures	(3,575,140)	(5,226,709)	4,378	(8,797,471)

The City of Fredericksburg

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit A-5) -

continued

Year Ended September 30, 2024

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Bond proceeds	-	4,743,900	-	4,743,900
Premium on bonds issued	-	487,388	-	487,388
Proceeds from sale of capital assets	142,051	-	-	142,051
Issuance of leases	1,173,302	-	-	1,173,302
Transfers out	(198,768)	-	-	(198,768)
Transfers in	2,724,600	-	55,926	2,780,526
Total other financing sources (uses)	<u>3,841,185</u>	<u>5,231,288</u>	<u>55,926</u>	<u>9,128,399</u>
Net Change in Fund Balance	266,045	4,579	60,304	330,928
Fund Balance - October 1 (Beginning), as previously reported	19,753,566		28,688	19,782,254
Adjustment (Note 14)	<u>(117,055)</u>	<u>2,500</u>	<u>(2,500)</u>	<u>(117,055)</u>
Fund Balance - October 1 (Beginning), as restated	<u>19,636,511</u>	<u>2,500</u>	<u>26,188</u>	<u>19,665,199</u>
Fund Balance - September 30 (Ending)	<u>\$ 19,902,556</u>	<u>\$ 7,079</u>	<u>\$ 86,492</u>	<u>\$ 19,996,127</u>

The City of Fredericksburg

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit A-6)
Year Ended September 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 330,928
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements.	10,224,635
The City uses an internal service fund to charge the cost of health insurance. The loss of this fund is consolidated into governmental activities.	(99,916)
Depreciation and amortization are not recognized as an expenditure in governmental funds since it does not require the use of current financial resources.	(2,928,803)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Issuance of bonds and bond premium	(5,231,288)
Issuance of leases	(288,601)
Issuance of financed purchase obligations	(884,701)
Bond principal repayments	330,000
Lease principal repayment	204,114
SBITA principal repayment	81,882
Financed purchase obligations repayment	585,881
Amortization of bond premium	<u>7,873</u>
	(5,194,840)
Changes in long-term liabilities for compensated absences are not reported in the governmental funds but are included in the statement of activities.	(7,904)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The current year change in the interest accrual is a decrease in net position.	(41,547)
Certain pension expenditures that are recorded in the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$241,783. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's pension expense must be recognized. These cause the change in net position to decrease in the amount of \$162,748.	79,035
Certain OPEB expenditures that are recorded in the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$391. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's OPEB expense must be recognized. These cause the change in net position to decrease in the amount of \$33,478.	(33,087)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of resources as revenue, adjusting current year revenue to include the revenue earned from current year's tax levy, and eliminating interfund transactions. These adjustments result in a decrease in net position.	<u>(300)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,328,201</u>

The City of Fredericksburg
Statement of Net Position – Proprietary Funds (Exhibit A-7)
Year Ended September 30, 2024

	Enterprise Funds						Totals Enterprise Funds	Governmental Activities
	Electric Fund	Water and Sewer Fund	Golf Fund	Landfill Fund	EMS Fund	Drainage Fund		Internal Service Fund
Assets								
Current assets								
Cash and cash equivalents	\$ 249,647	\$ 14,092,383	\$ 139,392	\$ 3,579,510	\$ 627,938	\$ 2,831,383	\$ 21,520,253	\$ 358,877
Investments	171,082	505,880	163	302,843	-	73,863	1,053,831	-
Receivables (net of allowance)								
Accounts	1,305,692	877,763	2,018	276,215	679,531	57,901	3,199,120	-
Due from other governments	1,421	2,415	576	92	1,167	206	5,877	-
Inventories	1,272,019	627,342	-	-	-	-	1,899,361	-
Due from other funds	488,479	-	-	488,479	-	259	977,217	-
Total current assets	<u>3,488,340</u>	<u>16,105,783</u>	<u>142,149</u>	<u>4,647,139</u>	<u>1,308,636</u>	<u>2,963,612</u>	<u>28,655,659</u>	<u>358,877</u>
Noncurrent assets								
Capital assets								
Land	89,475	525,525	305,399	209,549	-	-	1,129,948	-
Buildings	4,285,526	8,167,845	1,771,506	114,711	368,666	-	14,708,254	-
Machinery and equipment	1,242,838	4,606,000	562,287	5,114,491	3,578,637	1,160,144	16,264,397	-
Improvements	10,841,197	61,522,881	3,184,620	7,089,075	32,758	5,430,493	88,101,024	-
Right to use assets	534,279	837,521	8,622	355,236	112,548	138,347	1,986,553	-
Less accumulated amortization	(187,989)	(411,910)	(5,354)	(113,037)	(66,495)	(88,519)	(873,304)	-
Less accumulated depreciation	<u>(11,223,433)</u>	<u>(25,674,759)</u>	<u>(3,356,310)</u>	<u>(10,498,729)</u>	<u>(2,399,737)</u>	<u>(5,544,370)</u>	<u>(58,697,338)</u>	-
Total capital assets, net	<u>5,581,893</u>	<u>49,573,103</u>	<u>2,470,770</u>	<u>2,271,296</u>	<u>1,626,377</u>	<u>1,096,095</u>	<u>62,619,534</u>	-
Total assets	<u>9,070,233</u>	<u>65,678,886</u>	<u>2,612,919</u>	<u>6,918,435</u>	<u>2,935,013</u>	<u>4,059,707</u>	<u>91,275,193</u>	<u>358,877</u>
Deferred Outflows of Resources								
Deferred charge on refunding								
Deferred outflows - pension	567,309	723,192	5,859	542,359	853,457	122,929	2,815,105	-
Deferred outflows - OPEB liability	10,486	13,367	108	10,025	15,776	2,272	52,034	-
Total deferred outflows of resources	<u>577,795</u>	<u>736,559</u>	<u>5,967</u>	<u>552,384</u>	<u>869,233</u>	<u>125,201</u>	<u>2,867,139</u>	-

The City of Fredericksburg
Statement of Net Position – Proprietary Funds (Exhibit A-7) - continued
Year Ended September 30, 2024

	Enterprise Funds						Totals Enterprise Funds	Governmental Activities
	Electric Fund	Water and Sewer Fund	Golf Fund	Landfill Fund	EMS Fund	Drainage Fund		Internal Service Fund
Liabilities								
Current liabilities								
Accounts payable	911,618	685,119	805	32,847	68,105	39,139	1,737,633	367,070
Accrued liabilities	43,204	59,900	391	47,541	72,290	10,470	233,796	-
Accrued interest payable	12,801	99,818	65	17,133	35,766	3,920	169,503	-
Customer deposits	593,142	281,310	-	29,375	-	-	903,827	-
Due to other funds	119,001	84,801	976,958	30,301	-	5,401	1,216,462	-
Due to other governments	43,617	-	-	7,398	19,432	-	70,447	-
Current portion of compensated absences	44,253	51,215	733	31,126	52,886	7,744	187,957	-
Current portion of right to use asset payable	86,281	126,620	1,496	83,114	24,575	21,241	343,327	-
Current portion of financed purchases	428,206	196,457	-	205,754	482,529	54,974	1,367,920	-
Current portion of bonds	375,000	1,035,000	-	-	-	93,000	1,503,000	-
Total current liabilities	<u>2,657,123</u>	<u>2,620,240</u>	<u>980,448</u>	<u>484,589</u>	<u>755,583</u>	<u>235,889</u>	<u>7,733,872</u>	<u>367,070</u>
Noncurrent liabilities								
Closure and post-closure liability	-	-	-	4,846,196	-	-	4,846,196	-
Net pension liability	1,808,434	2,305,348	18,677	1,728,898	2,720,597	391,865	8,973,819	-
Total OPEB liability	61,975	79,005	640	59,250	93,235	13,429	307,534	-
Compensated absences	132,758	153,643	2,199	93,377	158,657	23,232	563,866	-
Right to use asset payable	300,150	358,810	720	192,052	23,834	35,622	911,188	-
Financed purchases	141,569	192,999	-	123,013	478,603	-	936,184	-
Bonds	380,000	23,849,649	-	-	-	2,026,000	26,255,649	-
Total noncurrent liabilities	<u>2,824,886</u>	<u>26,939,454</u>	<u>22,236</u>	<u>7,042,786</u>	<u>3,474,926</u>	<u>2,490,148</u>	<u>42,794,436</u>	<u>-</u>
Total liabilities	<u>5,482,009</u>	<u>29,559,694</u>	<u>1,002,684</u>	<u>7,527,375</u>	<u>4,230,509</u>	<u>2,726,037</u>	<u>50,528,308</u>	<u>367,070</u>
Deferred Inflows of Resources								
Deferred inflows - pension	29,992	38,233	310	28,673	45,119	6,499	148,826	-
Deferred inflows - OPEB	18,759	23,914	194	17,935	28,223	4,065	93,090	-
Total deferred inflows of resources	<u>48,751</u>	<u>62,147</u>	<u>504</u>	<u>46,608</u>	<u>73,342</u>	<u>10,564</u>	<u>241,916</u>	<u>-</u>
Net Position								
Net investment in capital assets	3,870,687	26,088,335	2,468,554	1,667,363	616,836	1,232,409	35,944,184	-
Restricted for capital projects	657,544	-	-	680,442	-	-	1,337,986	-
Restricted for debt service	171,082	6,965,774	-	-	-	73,863	7,210,719	-
Unrestricted	(582,045)	3,739,495	(852,856)	(2,450,969)	(1,116,441)	142,035	(1,120,781)	(8,193)
Total net position	<u>\$ 4,117,268</u>	<u>\$ 36,793,604</u>	<u>\$ 1,615,698</u>	<u>\$ (103,164)</u>	<u>\$ (499,605)</u>	<u>\$ 1,448,307</u>	<u>\$ 43,372,108</u>	<u>\$ (8,193)</u>

The City of Fredericksburg
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds (Exhibit A-8)
Year Ended September 30, 2024

	Enterprise Funds						Totals Enterprise Funds	Governmental Activities Internal Service Fund
	Electric Fund	Water and Sewer Fund	Golf Fund	Landfill Fund	EMS Fund	Drainage Fund		
Operating Revenues								
Charges for sales and services:								
Electric sales	\$ 13,483,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,483,143	\$ -
Water sales	-	4,494,876	-	-	-	-	4,494,876	-
Sewer sales	-	3,867,793	-	-	-	-	3,867,793	-
Garbage collection	-	-	-	1,114,048	-	-	1,114,048	-
Landfill fees	-	-	-	3,088,107	-	-	3,088,107	-
EMS fees	-	-	-	-	5,504,851	-	5,504,851	-
Drainage utilities	-	-	-	-	-	674,838	674,838	-
Permits and inspections	-	71,344	-	-	-	-	71,344	-
Rents and royalties	66,764	1,460	-	-	-	-	68,224	-
Other revenue	759,468	303,168	448	15,194	2,351	3,195	1,083,824	3,341,834
Total Operating Revenues	14,309,375	8,738,641	448	4,217,349	5,507,202	678,033	33,451,048	3,341,834
Operating Expenses								
Wages and benefits	1,937,591	2,682,586	4,489	1,983,435	3,270,384	540,720	10,419,205	-
Professional services and contracts	161,087	62,796	13,668	60,198	-	3,828	301,577	-
Other operating expenses	9,822,906	2,011,600	8,681	1,127,638	1,772,912	130,973	14,874,710	3,453,403
Amortization	106,650	152,207	2,703	73,625	23,041	16,886	375,112	-
Depreciation	368,925	2,159,474	68,300	674,040	473,663	330,908	4,075,310	-
Total Operating Expenses	12,397,159	7,068,663	97,841	3,918,936	5,540,000	1,023,315	30,045,914	3,453,403
Operating Income	1,912,216	1,669,978	(97,393)	298,413	(32,798)	(345,282)	3,405,134	(111,569)
Nonoperating Revenues (Expenses)								
Interest income	93,769	284,273	17	136,048	10,462	164,260	688,829	11,653
Amortization of bond premium	-	76,102	-	-	-	-	76,102	-
Gain (Loss) on sale of capital assets	-	-	-	48,200	(338)	-	47,862	-
Interest expense	(22,446)	(703,950)	(10,298)	(26,593)	(2,019)	(7,571)	(772,877)	-
Bond issuance costs	-	(176,794)	-	-	-	-	(176,794)	-
Total Nonoperating (Expenses) Revenues	71,323	(520,369)	(10,281)	157,655	8,105	156,689	(136,878)	11,653
Income Before Contributions and Transfers	1,983,539	1,149,609	(107,674)	456,068	(24,693)	(188,593)	3,268,256	(99,916)
Contributions and Transfers								
Special assessment - water and sewer impact fees	-	1,686,562	-	-	-	-	1,686,562	-
Transfers in	-	-	142,842	-	-	-	142,842	-
Transfers out	(1,300,800)	(961,700)	-	(398,700)	-	(63,400)	(2,724,600)	-
Total Contributions and Transfers	(1,300,800)	724,862	142,842	(398,700)	-	(63,400)	(895,196)	-
Change in Net Position	682,739	1,874,471	35,168	57,368	(24,693)	(251,993)	2,373,060	(99,916)
Net Position, Beginning, as Previously Reported	3,303,007	34,961,294	1,583,849	(95,225)	40,932	1,712,294	41,506,151	91,723
Prior Period Adjustment (Note 14)	131,522	(42,161)	(3,319)	(65,307)	(515,844)	(11,994)	(507,103)	-
Net Position, Beginning, as Restated	3,434,529	34,919,133	1,580,530	(160,532)	(474,912)	1,700,300	40,999,048	91,723
Net Position, Ending	\$ 4,117,268	\$ 36,793,604	\$ 1,615,698	\$ (103,164)	\$ (499,605)	\$ 1,448,307	\$ 43,372,108	\$ (8,193)

The City of Fredericksburg
Statement of Cash Flows – Proprietary Funds (Exhibit A-9)
Year Ended September 30, 2024

	Enterprise Funds						Governmental	
	Electric Fund	Water and Sewer Fund	Golf Fund	Landfill Fund	EMS Fund	Drainage Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities								
Receipts from customers	\$ 14,571,465	\$ 8,770,195	\$ 975	\$ 4,270,465	\$ 5,433,529	\$ 676,449	\$ 33,723,078	\$ 3,341,834
Payments to or on behalf of employees	(1,972,813)	(2,555,657)	(5,441)	(1,937,568)	(3,243,170)	(445,291)	(10,159,940)	
Payments to suppliers	(10,600,939)	(3,431,363)	(22,935)	(747,636)	(1,727,984)	(119,237)	(16,650,094)	(3,271,306)
Net Cash Provided by Operating Activities	1,997,713	2,783,175	(27,401)	1,585,261	462,375	111,921	6,913,044	70,528
Cash Flows from Noncapital Financing Activities								
Transfers out	(1,282,828)	(963,900)	(97,544)	(405,100)	-	(63,500)	(2,812,872)	-
Transfers in	-	-	142,842	48,772	-	-	191,614	-
Net Cash Used by Noncapital Financing Activities	(1,282,828)	(963,900)	45,298	(356,328)	-	(63,500)	(2,621,258)	-
Cash Flows from Capital and Related Financing Activities								
Acquisition of capital assets	38,276	(6,722,344)	(3,320)	-	-	(209,354)	(6,896,742)	-
Issuance of bonds	-	6,384,133	-	-	-	-	6,384,133	-
Principal paid on bonds	(370,000)	(940,000)	-	-	-	(93,000)	(1,403,000)	-
Principal paid on other debt	(522,916)	(329,564)	(1,448)	(463,611)	(629,062)	(188,220)	(2,134,821)	-
Interest paid on debt	(20,474)	(692,706)	(10,298)	(12,817)	(766)	(9,340)	(746,401)	-
Proceeds from sale of assets	-	-	-	53,202	345,248	-	398,450	-
Special assessments- impact fees	-	1,686,562	-	-	-	-	1,686,562	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(875,114)	(613,919)	(15,066)	(423,226)	(284,580)	(499,914)	(2,711,819)	-
Cash Flows from Investing Activities								
Decrease (increase) in short-term investments	(171,082)	(105,880)	(163)	(52,843)	-	(73,863)	(403,831)	-
Interest received	93,769	284,273	17	136,048	10,462	164,260	688,829	11,653
Net Cash (Used) Provided by Investing Activities	(77,313)	178,393	(146)	83,205	10,462	90,397	284,998	11,653
Net Change in Cash and Cash Equivalents	(237,542)	1,383,749	2,685	888,912	188,257	(361,096)	1,864,965	82,181
Cash and Cash Equivalents, Beginning	487,189	12,708,634	136,707	2,690,598	439,681	3,192,479	19,655,288	276,696
Cash and Cash Equivalents, Ending	\$ 249,647	\$ 14,092,383	\$ 139,392	\$ 3,579,510	\$ 627,938	\$ 2,831,383	\$ 21,520,253	\$ 358,877

The City of Fredericksburg
Statement of Cash Flows – Proprietary Funds (Exhibit A-9) - continued
Year Ended September 30, 2024

	Enterprise Funds						Governmental	
	Electric Fund	Water and Sewer Fund	Golf Fund	Landfill Fund	EMS Fund	Drainage Fund	Total Enterprise Funds	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities								
Operating income (loss)	\$ 1,912,216	\$ 1,669,978	\$ (97,393)	\$ 298,413	\$ (32,798)	\$ (345,282)	\$ 3,405,134	\$ (111,569)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities								
Depreciation and amortization	475,575	2,311,681	71,003	747,665	496,704	347,794	4,450,422	-
(Increase) decrease in accounts receivable	321,194	(14,015)	621	51,016	(72,506)	(1,584)	284,726	-
(Increase) decrease in due from others	-	-	(94)	-	(1,167)	-	(1,261)	-
(Increase) decrease in inventories	(194,469)	(201,666)	-	-	-	-	(396,135)	-
Increase (decrease) in accrued wages	11,077	19,452	113	16,276	25,642	5,355	77,915	-
Increase (decrease) in accounts payable	(410,134)	(1,155,301)	(586)	(52,104)	25,496	15,564	(1,577,065)	182,097
Increase (decrease) in customer deposits	(59,104)	45,569	-	2,100	-	-	(11,435)	-
Increase (decrease) in due to governments	(12,343)	-	-	168	19,432	-	7,257	-
Increase (decrease) in accrued liabilities	(46,299)	107,477	(1,065)	29,591	1,572	90,074	181,350	-
Increase in landfill closure/post-closure costs	-	-	-	492,136	-	-	492,136	-
Net Cash Provided by Operating Activities	\$ 1,997,713	\$ 2,783,175	\$ (27,401)	\$ 1,585,261	\$ 462,375	\$ 111,921	\$ 6,913,044	\$ 70,528
Noncash Investing and Financing Activities								
Assets acquired through debt issuance	\$ 425,000	\$ 683,110	\$ -	\$ 763,100	\$ 490,000	\$ -	\$ 2,361,210	\$ -

Note 1 - Reporting Entity

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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The financial statements of the City have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended, include whether:

- the organization is legally separate (can sue and be sued in their own name),
- the City holds the corporate powers of the organization,
- the City appoints a voting majority of the organization's board,
- the City is able to impose its will on the organization,
- the organization has the potential to impose a financial benefit/burden on the City,
- there is fiscal dependency by the organization on the City.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in the financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Based on the criteria above, the City has the following component unit:

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 the City Council. In addition, the annual budget for the Bureau is approved by the City Council.

The Fredericksburg Convention and Visitor Bureau mission is to create a positive environment, take a leadership role in community affairs, be an information resource for its members, help in providing 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.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

Note 3 - 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, as are 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 as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, certain charges for services 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.

The City reports the following major governmental funds:

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** is used to account for resources obtained from the issuance of the 2024 Combination Tax and Limited Pledge Revenue Certificates of Obligation.

The City reports the following major proprietary fund types:

- **Electric Fund** – The Electric Fund provides electric services to the residents and businesses of Fredericksburg. This fund is used to account for the acquisition, operation and maintenance of the electric utility, supported by user charges to the public.
- **Water and Sewer Fund** – The Water and Wastewater Fund provides water and sewer services to the residents and businesses of Fredericksburg. This fund is used to account for the acquisition, operation and maintenance of the water and sewer utility, supported by user charges to the public.
- **Golf Fund** – The Golf Fund is used to account for the operation and maintenance of the golf course, supported by user charges to the public.
- **Landfill Fund**– The Landfill Fund provides solid waste and sanitary landfill services to the residents and businesses of Fredericksburg. This fund is used to account for the operation and maintenance of the landfill, supported by user charges to the public.
- **Emergency Medical Services Fund (EMS)**– The EMS Fund is used to account for the joint EMS services with the County of Gillespie and is intended to be self-supporting.
- **Drainage Fund**– The Drainage Fund provides drainage services to the residents and businesses of Fredericksburg. This fund is used to account for the acquisition, operation and maintenance of the drainage utility, supported by user charges to the public.

Additionally, the City reports the following fund types:

- Nonmajor debt service funds that are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- Internal service fund to account for the health insurance services provided to the departments of the City on a cost reimbursement basis.

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. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include cost of sales and services, administrative expenses and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Implementation of GASB Statement No. 100

As of October 1, 2023, the City adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements related to the error correction and accounting changes in the financial statements for the year ended September 30, 2024. The additional disclosures required by this standard are included in Note 14.

Note 4 - Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of investments approved by PFIA, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits. Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Investments

Investments for the City are reported at fair value (generally based on quoted market prices), except for the positions in TexPool. In accordance with state law, TexPool operates in conformity with the requirements of the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended.

Accordingly, TexPool qualifies as 2a-7 like pools and are reported at amortized cost. The Pools are subject to regulatory oversight by the State Comptroller, although they are not registered with the SEC.

Fair Value Measurements

Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1 that are for similar assets or liabilities. U.S. government-backed securities are valued using Level 2 inputs that are based on market data obtained from independent sources.
- Level 3 inputs are unobservable inputs for an asset or liability either directly or indirectly.

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 “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 receivables for uncollectibles. The property tax receivable allowance is based on historical collection rates. The allowance totaled \$25,555 for the General Fund, \$89,837 for Electric Fund, \$87,564 for Landfill Fund, \$1,030,411 for EMS Fund, and \$1,905 for Drainage Fund.

Property tax revenues are recognized in the fund financial statements when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the period 60 days after year-end were recorded as revenue. The balance of taxes receivable, net of allowance, is reported as deferred inflow of resources. Property taxes attach as an enforceable lien on property as of January 1.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

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.

OPEB

The fiduciary net position of the TMRS Supplemental Death Benefits Plan (SDBP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from SDBP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The City has deferred outflows of resources related to pensions as described in Notes 7 and 8. The City also has deferred outflows of resources related to its Supplemental Death Benefits Plan as described in Note 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Second, the City has deferred inflows of resources related to pensions as described in Note 7. Third, the City also has deferred inflows of resources related to its Supplemental Death Benefits Plan as described in Note 9.

Capital Assets

Capital assets, which include property, plant and 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 as well as the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. Other property, plant, equipment, and infrastructure of the City, as well as the component units, are depreciated using the straight-line method over the following useful lives:

Buildings	10 - 50 years
Improvements other than buildings	10 - 50 years
Machinery and equipment	5 - 15 years

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 17 months to 10 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 are reported as debt service expenditures.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

Subscription liabilities represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the City.

Compensated Absences

Accumulated earned but unused vacation, holiday, compensatory time and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. 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.

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 amount of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Property Taxes

Property is appraised and a lien on such property becomes enforceable as of January 1st of each year. Taxes are levied on and payable the following October 1. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services including the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2024, was \$0.165180 per \$100 of assessed valuation.

Fund Balance

The City classifies governmental fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

- *Nonspendable* fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable fund balance at September 30, 2024.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled \$86,492 as of September 30, 2024. Fund balance restricted for future capital projects included in the Capital Projects Fund totaled \$7,079. Restricted fund balance of the general fund included amounts restricted for court technology of \$15,543, and tourism of \$4,286,607 of September 30, 2024.
- *Committed* fund balance is established and modified by a resolution from City Council, the City's highest level of decision-making authority, and can be used only for the specified purposes determined by the Council's resolution. The City did not have any committed fund balance as of September 30, 2024.
- *Assigned* fund balance includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds, other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund but does not meet the criteria to be classified as restricted or committed. The Council has authorized the City Manager to assign fund balance. The City did not have any assigned fund balance as of September 30, 2024.
- *Unassigned* fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

Flow Assumptions

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. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned, then unassigned fund balance.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets is the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets.

Restricted for Capital Projects is the component of net position that reports the difference between assets and liabilities with constraints placed on their use by external parties.

Restricted for Tourism is the component of net position that reports the difference between assets and liabilities with constraints placed on their use by external parties.

Restricted for Debt Service is the component of net position that reports the difference between assets and liabilities of the Debt Service Fund, net of accrued interest, with constraints placed on their use by the bond covenants.

Restricted for Court Technology is the component of net position that reports the difference between assets and liabilities with constraints placed on their use by external parties.

Unrestricted is the difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for capital projects, and net position restricted for specific programs.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and the Debt Service fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with budgets.

Note 6 - Detailed Notes on All Funds

Cash and Investments

Custodial Credit Risk. Cash deposits of the City and the Bureau at September 30, 2024, were entirely secured by FDIC insurance and pledged collateral held by the City’s agent bank.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) Texas local government investment pools; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); (6) and reverse repurchase agreements not to exceed 90 days to stated maturity.

Following are the City’s investments at September 30, 2024, including classification by level, within the fair value hierarchy:

Primary Government

<u>Investment Pools</u>	<u>Reported Value</u>	<u>Level</u>	<u>S&P Rating</u>	<u>Weighted Average Maturity</u>	<u>Withdrawal or Liquidity Restrictions</u>
TexPool	\$ 527,693	N/A	AAAm	< 60 days	None
Certificates of deposit	915,040	N/A	N/A	< 60 days	None
Total Investments	<u>\$ 1,442,733</u>				

Fredericksburg Convention and Visitor Bureau

<u>Investment Pools</u>	<u>Reported Value</u>	<u>Level</u>	<u>S&P Rating</u>	<u>Weighted Average Maturity</u>	<u>Withdrawal or Liquidity Restrictions</u>
Certificates of deposit	\$ 1,000,000	N/A	N/A	< 60 days	None
Total Investments	<u>\$ 1,000,000</u>				

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to decline in fair value of securities by limiting the City to securities with maturities not to exceed 36 months from date of purchase. The City also manages the weighted average days to maturity for the operating funds portfolio to 270 days.

The City invests in the public funds investment pool, TexPool, listed above, which has specified maximum weighted average maturities for their investment portfolios. The maximum weighted average maturity (WAM) of TexPool investment portfolios cannot exceed 60 days.

Credit Risk. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the City’s investments in TexPool is rated AAAM by Standard & Poor’s.

Concentration of Credit Risk. The City’s investment policy limits the investment portfolio by the following:

<u>Investment</u>	<u>of Portfolio</u>
U.S. Treasury Obligations	100%
Authorized Local Government Investment Pool	75%
Fully Collateralized Certificates of Deposit	75%

Capital Assets

A summary of changes in capital assets follows:

	(Restated) Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 8,428,390	\$ -	\$ -	\$ 8,428,390
Total assets not being depreciated	<u>8,428,390</u>	<u>-</u>	<u>-</u>	<u>8,428,390</u>
Capital assets, being depreciated:				
Buildings	11,884,871	5,591,994	-	17,476,865
Improvements other than buildings	24,343,687	2,392,445	-	26,736,132
Machinery and equipment	10,219,567	1,951,595	(350,929)	11,820,233
Right-to-use lease assets (buildings)	681,260	-	-	681,260
Right-to-use lease assets (machinery and equipment)	909,262	288,601	(79,375)	1,118,488
Right-to-use subscription assets	503,305	-	(106,478)	396,827
Total capital assets being depreciated	<u>48,541,952</u>	<u>10,224,635</u>	<u>(536,782)</u>	<u>58,229,805</u>
Less accumulated depreciation/amortization				
Buildings	6,510,950	452,161	-	6,963,111
Improvements other than buildings	14,519,215	1,102,490	-	15,621,705
Machinery and equipment	7,197,831	987,646	(350,929)	7,834,548
Right-to-use lease assets (buildings)	67,731	67,731	-	135,462
Right-to-use lease assets (machinery and equipment)	492,576	160,023	(79,375)	573,224
Right-to-use subscription assets	161,134	158,752	(106,478)	213,408
Total accumulated depreciation/amortization	<u>28,949,437</u>	<u>2,928,803</u>	<u>(536,782)</u>	<u>31,341,458</u>
Total capital assets being depreciated, net	<u>19,592,515</u>	<u>7,295,832</u>	<u>-</u>	<u>26,888,347</u>
Governmental activities capital assets, net	<u>\$ 28,020,905</u>	<u>\$ 7,295,832</u>	<u>\$ -</u>	<u>\$ 35,316,737</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,129,948	\$ -	\$ -	\$ 1,129,948
Total assets not being depreciated	<u>1,129,948</u>	<u>-</u>	<u>-</u>	<u>1,129,948</u>
Capital assets, being depreciated:				
Buildings	9,336,147	5,372,107	-	14,708,254
Improvements other than buildings	86,087,055	2,013,969	-	88,101,024
Machinery and equipment	15,093,773	1,220,825	(50,201)	16,264,397
Right-to-use lease assets	828,783	241,209	(177,953)	892,039
Right-to-use subscription assets	1,124,872	-	(30,358)	1,094,514
Total capital assets being depreciated	<u>112,470,630</u>	<u>8,848,110</u>	<u>(258,512)</u>	<u>121,060,228</u>
Less accumulated depreciation/amortization				
Buildings	6,203,400	183,479	-	6,386,879
Improvements other than buildings	38,034,599	2,608,434	-	40,643,033
Machinery and equipment	10,488,676	1,228,951	(50,201)	11,667,426
Right-to-use lease assets	479,663	139,346	(177,953)	441,056
Right-to-use subscription assets	226,845	235,761	(30,358)	432,248
Total accumulated depreciation/amortization	<u>55,433,183</u>	<u>4,395,971</u>	<u>(258,512)</u>	<u>59,570,642</u>
Total capital assets being depreciated, net	<u>57,037,447</u>	<u>4,452,139</u>	<u>-</u>	<u>61,489,586</u>
Business activities capital assets, net	<u>\$ 58,167,395</u>	<u>\$ 4,452,139</u>	<u>\$ -</u>	<u>\$ 62,619,534</u>

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Administration	\$ 563,127
Police	714,569
Fire	191,954
Streets	327,215
Parks	262,028
Health	33,951
Engineering	24,376
Development Services	163,874
Emergency Management	25,544
Tourism	622,165
Total depreciation/amortization expense - Governmental activities	\$ 2,928,803
Business-type activities	
Electric	\$ 475,575
Water and Sewer	2,311,681
Golf	71,003
Landfill	693,214
EMS	496,704
Drainage	347,794
Total depreciation/amortization expense - Business-type activities	\$ 4,395,971

Lessee Activities

The City entered into various lease agreements as lessee for the use of buildings, machinery and equipment, and infrastructure. As of September 30, 2024, the value of the lease liability was \$1,752,041. The City is required to make monthly or annual principal and interest payments through August 2032. The lease liability was valued using a discount rate ranging from 0.25% to 3.50% as determined by the City's management based on the City's estimated incremental borrowing rate.

Subscription IT Activities

As of September 30, 2024, the value of the SBITA liability was \$848,533. The City is required to make annual principal and interest payments through November 2029. The subscription liability was valued using a discount rate ranging from 0.25% to 3.33% as determined by the City's management based on the City's estimated incremental borrowing rate.

Interfund Balances

The composition of interfund balances as of September 30, 2024, is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 7,079
Debt Service	General	26,521
Electric	Debt Service	6,818
Electric	General	112,183
Water and Sewer	General	84,801
Landfill	General	30,042
Drainage	General	5,401
Landfill	Drainage	259
Golf	Electric	488,479
Golf	Landfill	488,479
		<u>\$ 1,250,062</u>

The balances of \$488,479 due to the electric fund and the landfill 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.

Interfund Transfers

The composition of interfund transfers in/out as of September 30, 2024, is as follows:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
General	Golf	\$ 142,842
Electric	General	1,300,800
Water and Sewer	General	961,700
Landfill	General	398,700
Drainage	General	63,400
General	Other Governmental	55,926
		<u>\$ 2,923,368</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.

Long-term Obligations

Long-term obligations of the City’s governmental activities consist of general obligation bonds, certificates of obligation, right-to-use asset liabilities, subscription asset liabilities, compensated absences and financed purchase obligations. Sources of retirement of general obligation bond are provided from ad valorem tax. Governmental activities long-term obligations are paid by the debt service and general fund.

Long-term obligations of the City’s business-type activities consist of revenue bonds, certificates of obligation, revenue tax notes, right-to-use asset liabilities, subscription asset liabilities, compensated absences and financed purchase obligations. Business-type activities long-term obligations are serviced by revenue from the enterprise funds.

Compensated absences, net pension liability and total OPEB liability are paid from the fund out of which an employee is regularly paid, which includes the General Fund and the Enterprise Funds.

The following is a summary of changes in long-term obligations for the year ended September 30, 2024:

	(Restated) Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,670,000	\$ -	\$ (165,000)	\$ 1,505,000	\$ 170,000
Certificates of obligation	2,820,000	4,743,900	(165,000)	7,398,900	170,000
Unamortized premiums	70,851	487,388	(7,873)	550,366	-
Compensated absences	972,139	30,724	(26,832)	976,031	7,850
Financed purchase obligations	1,245,308	884,701	(585,881)	1,544,128	456,220
Lease obligations	1,126,074	288,601	(204,114)	1,210,561	266,736
SBITA obligation	217,380	-	(81,882)	135,498	92,574
Total governmental activities	<u>\$ 8,121,752</u>	<u>\$ 6,435,314</u>	<u>\$ (1,236,582)</u>	<u>\$ 13,320,484</u>	<u>\$ 1,163,380</u>
Business-type activities					
Revenue bonds	\$ 20,852,000	\$ 1,970,000	\$ (1,033,000)	\$ 21,789,000	\$ 1,128,000
Certificates of obligation	-	4,041,100	-	4,041,100	-
Revenue tax notes	1,125,000	-	(370,000)	755,000	375,000
Unamortized premiums	679,908	543,912	(50,271)	1,173,549	-
Closure and post-closure liability	4,354,060	492,136	-	4,846,196	-
Compensated absences	759,876	13,479	(21,532)	751,823	187,957
Financed purchase obligations	2,042,891	2,034,621	(1,773,408)	2,304,104	1,367,920
Lease obligations	436,852	241,208	(136,580)	541,480	168,676
SBITA obligation	876,400	-	(163,365)	713,035	174,651
Total business type activities	<u>31,126,987</u>	<u>9,336,456</u>	<u>(3,548,156)</u>	<u>36,915,287</u>	<u>3,402,204</u>
Primary government	<u>\$ 39,248,739</u>	<u>\$ 15,771,770</u>	<u>\$ (4,784,738)</u>	<u>\$ 50,235,771</u>	<u>\$ 4,565,584</u>

The following is a schedule of the General Obligation and Certificates of Obligation bonds:

	Fiscal Year of Issue	Amount of Original Issue	Interest Rate	Maturity Date	Governmental Amount Outstanding 9/30/2024	Business Type Amount Outstanding 9/30/2024
General Obligation	2012	\$ 3,200,000	2.88%	2/15/1932	\$ 1,505,000	\$ -
Certificates of Obligation	2017	3,530,000	3.00%	2/15/1937	2,655,000	-
Certificates of Obligation	2024	8,785,000	4.00%-5.00%	2/15/2044	4,743,900	4,041,100
Revenue Bonds	2018	17,305,000	2.07%-3.87%	2/15/1938	-	14,025,000
Revenue Refunding Bonds	2020	5,120,000	1.85%	2/15/1933	-	3,675,000
Revenue Notes	2020	2,300,000	1.78%	2/15/2026	-	755,000
Revenue Notes	2022	2,212,000	0.00%	2/15/1947	-	2,119,000
Revenue Notes	2024	1,970,000	4.00%	2/15/1944	-	1,970,000
					<u>\$ 8,903,900</u>	<u>\$ 26,585,100</u>

The annual requirements to retire general long-term debt, including interest, as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2025	\$ 340,000	\$ 337,183	\$ 677,183
2026	368,900	330,827	699,727
2027	392,400	319,112	711,512
2028	415,900	306,429	722,329
2029	442,100	292,709	734,809
2030-2034	2,360,500	1,226,314	3,586,814
2035-2039	2,332,300	728,653	3,060,953
2040-2044	2,251,800	234,698	2,486,498
Total	<u>\$ 8,903,900</u>	<u>\$ 3,775,925</u>	<u>\$ 12,679,825</u>

The annual requirements to retire business-type activity debt, including interest, as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2025	\$ 1,503,000	\$ 932,717	\$ 2,435,717
2026	1,554,100	892,274	2,446,374
2027	1,235,600	842,221	2,077,821
2028	1,291,100	796,200	2,087,300
2029	1,349,900	747,533	2,097,433
2030-2034	7,829,500	2,968,416	10,797,916
2035-2039	8,492,700	1,290,008	9,782,708
2040-2044	3,053,200	269,428	3,322,628
2045-2047	276,000	-	276,000
Total	<u>\$ 26,585,100</u>	<u>\$ 8,738,797</u>	<u>\$ 35,323,897</u>

The annual requirements to retire lease obligations, including interest, as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2025	\$ 435,412	\$ 83,438	\$ 518,850
2026	374,676	73,888	448,564
2027	347,110	67,841	414,951
2028	240,370	45,362	285,732
2029	115,327	18,344	133,671
Thereafter	239,146	13,478	252,624
Total	<u>\$ 1,752,041</u>	<u>\$ 302,351</u>	<u>\$ 2,054,392</u>

The annual requirements to retire SBITA obligations, including interest, as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2025	\$ 267,225	\$ 20,456	\$ 287,681
2026	171,834	14,554	186,388
2027	178,147	11,241	189,388
2028	113,126	7,706	120,832
2029	118,201	3,938	122,139
Total	<u>\$ 848,533</u>	<u>\$ 57,895</u>	<u>\$ 906,428</u>

The annual requirements to retire financed purchases, including interest, as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2025	\$ 1,824,140	\$ 145,745	\$ 1,969,885
2026	1,313,701	78,422	1,392,123
2027	529,350	24,512	553,862
2028	195,022	7,260	202,282
2029	71,398	1,120	72,518
Total	<u>\$ 3,933,611</u>	<u>\$ 257,059</u>	<u>\$ 4,190,670</u>

Note 7 - Defined Benefit Pension Plan (Texas Municipal Retirement System)

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) 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 benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	89
Active employees	185
Total	407

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 22.12% and 22.33% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$3,369,153, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions: The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over period ended December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. 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 estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

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 employee 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 employees. 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 the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balance at 12/31/2022	\$ 73,636,071	\$ 52,624,775	\$ 21,011,296
Changes for the year:			
Service cost	2,458,939	-	2,458,939
Interest	4,938,106	-	4,938,106
Change in benefit terms	-	-	-
Difference between expected and actual experience	1,512,616	-	1,512,616
Change in assumptions	(406,065)	-	(406,065)
Contributions - employer	-	3,134,968	(3,134,968)
Contributions - employee	-	992,079	(992,079)
Net investment income	-	6,096,773	(6,096,773)
Benefit payments, including refunds of contributions	(3,416,815)	(3,416,815)	-
Administrative expense	-	(38,748)	38,748
Other changes	-	(269)	269
Net changes	<u>5,086,781</u>	<u>6,767,988</u>	<u>(1,681,207)</u>
Balance at 12/31/2023	<u>\$ 78,722,852</u>	<u>\$ 59,392,763</u>	<u>\$ 19,330,089</u>

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%)
Net pension liability	\$ 29,642,558	\$ 19,330,089	\$ 10,771,080

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions For the year ended September 30, 2024, the City recognized pension expense of \$3,310,489.

At September 30, 2024, 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
Differences between expected and actual economic experience	\$ 2,095,639	\$ -
Changes in actuarial assumptions	-	320,577
Difference between projected and actual investment earnings	1,369,054	-
Contributions subsequent to the measurement date	2,599,198	-
Total	\$ 6,063,891	\$ 320,577

\$2,599,198 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. 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:	Pension Expense
2025	\$ 1,008,136
2026	1,006,910
2027	1,463,268
2028	(334,198)
	\$ 3,144,116

Note 8 - Defined Benefit Pension Plan (Texas Emergency Services Retirement System)

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

On August 31, 2024, the pension system membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	4,122
Inactive employees entitled to but not yet receiving benefits	1,806
Active employees	3,394
Total	9,322

Contributions

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2024 actuarial valuation, even the maximum 15% Part Two contributions are not enough to have an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to 15 years of credit for prior service per member. Prior service must have occurred before the department began participation in the System.

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. For the fiscal year ending September 30, 2024, total contributions (dues, prior service, and interest on prior service financing) of \$25,760 were paid by the City. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2024.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recently completed biennial actuarial valuation as of August 31, 2024 stated the TESRS has an inadequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions for the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as need in accordance with state law governing TESRS and (2) approximately \$825,000 each year to pay for part of the System’s administrative expenses.

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation, revised to use a discount rate of 5.38%, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial Assumptions:	
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Projected Salary Increases	N/A
Includes Inflation at	2.75%
Municipal Bond Rate	3.87%
Discount Rate	5.38%

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.60%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities:		
Large cap domestic	20.00%	5.71%
Small/mid cap domestic	10.00%	5.98%
Developed international	15.00%	6.19%
Emerging markets	5.00%	7.38%
Global infrastructure	5.00%	6.63%
Real estate	10.00%	4.50%
Multi asset income	5.00%	3.75%
Fixed income	30.00%	1.97%
Cash	0.00%	0.00%
Total	100.00%	
Weighted average		4.60%

Discount Rate

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate, shown in Section III, assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 actuarial valuation. Based on those assumptions, the System’s fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounted at the long-term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

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

The following presents the net pension liability of the System, calculated using the discount rate of 5.38%, in comparison to what the System’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.38%) or 1 percentage point higher (6.38%) than the current rate:

	1% Decrease in Discount Rate (4.38%)	Discount Rate (5.38%)	1% Increase in Discount Rate (6.38%)
Net pension liability	\$ 739,456	\$ 535,800	\$ 375,030

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

At September 30, 2024, the City reported a liability of \$535,800 for its proportionate share of the plan's net pension liability. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 535,800
State's proportionate share that is associated with the City	<u>134,191</u>
Total	<u><u>\$ 669,991</u></u>

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.4999%, which was a decrease of 0.1041% from its proportion measured as of August 31, 2023. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. For the measurement year ended August 31, 2024, the City recognized pension expense of \$176,854.

At September 30, 2024, 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
Differences between expected and actual economic experience	\$ 17,941	\$ -
Changes in actuarial assumptions	190,863	-
Difference between projected and actual investment earnings	28,772	-
Contributions subsequent to the measurement date	<u>25,600</u>	<u>-</u>
Total	<u><u>\$ 263,176</u></u>	<u><u>\$ -</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date in the amount of \$25,600 will be recognized as a reduction to the net pension liability for the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30:	Pension Expense
2025	\$ 141,074
2026	105,118
2027	(3,204)
2028	<u>(5,412)</u>
	<u><u>\$ 237,576</u></u>

Note 9 - Other Post Employment Benefits

Plan Description

The City also participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree employees, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan. Texas Local Government Code Section 177.001 assigns the authority to establish and amend benefit provisions to the City Council. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	106	
Inactive employees entitled to but not yet receiving benefits	37	
Active employees	185	
Total	328	

Contributions

The City contributes to the SDBF program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The SDBF program is voluntary and employers can cease participation by adopting an ordinance before November 1 of any year to be effective the following January 1. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees’ entire careers. The City’s contribution, which equaled the required contribution, was as follows for the year ended September 30:

		2024
Employer rate		0.14%
Employer contributions	\$	21,259

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% including inflation
Investment rate of return	3.77%

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates for disabled retirees were based on the 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.

Actuarial assumptions used in the December 31, 2023 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period ended December 31, 2022.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. A discount rate of 3.77% was based on the Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2023.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2024, the City reported a total OPEB liability of \$662,445 measured at December 31, 2023. For the year ended September 30, 2024, the City recognized OPEB expense of \$27,812.

As of December 31, 2023, the discount rate used in the development of the total OPEB liability was 3.77% compared to 4.05% as of December 31, 2022.

Changes in the total OPEB liability for the measurement year ended December 31, 2023 are as follows:

Balance at December 31, 2022	\$ 600,381
Changes for the year:	
Service cost	19,842
Interest on total OPEB liability	24,287
Changes of benefit terms	-
Differences between expected and actual experience	7,134
Effect of assumption changes or inputs	32,060
Benefit payments*	(21,259)
Balance as of December 31, 2023	\$ 662,445

*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.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB liability	\$ 787,431	\$ 662,445	\$ 564,047

At December 31, 2023, the City reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,820	\$ 7,188
Changes in actuarial assumptions	85,897	193,334
Contributions subsequent to the measurement date	16,369	-
Total	\$ 112,086	\$ 200,522

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2025 in the amount of \$16,369. The other net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Year Ended September 30:</u>		
2025	\$	(12,111)
2026		(28,970)
2027		(42,543)
2028		(26,930)
2029		5,749
Thereafter		-
	<u>\$</u>	<u>(104,805)</u>

Note 10 - 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; injuries to employees; and natural disasters. The City’s risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool (“Pool”) is considered a self-sustaining risk pool that provides coverage for its members. The City’s contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool’s liability is limited to the coverage that the City elects as stated in the Pool’s Declarations of Coverage for that fund year. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Note 11 - Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note 12 - Tax Abatements

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes and may include other incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. The City had the following agreements for the fiscal year ending September 30, 2024:

- There was an agreement for HAMUK, LLC to construct and maintain an 120 room high end resort hotel within the City under which 100% of taxes was agreed to be abated.

During the year ended September 30, 2024, the City abated \$0 in property taxes and \$0 in sales taxes.

Note 13 - Landfill Closure 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 are being 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 used during the year. The estimated liability for landfill closure and post closure care costs is \$4,846,196 as of September 30, 2024, which is based on 88.51% usage (filled) of the landfill. It is estimated that an additional \$603,561 will be recognized as closure and post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2032). The current estimated total cost of the landfill closure and post closure care (\$5,449,757) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2024. However, the actual cost of closure and post closure care may be different due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 14 - Correction of an Error in Previously Issued Financial Statements

Change within the Reporting Entity

During fiscal year ended September 30, 2024, there was a change within the financial reporting entity which resulted in the Capital Projects Fund being reported as a major fund instead of as a nonmajor fund. As such, beginning fund balance was reclassified from nonmajor to presented as a major fund. The effect of the change on beginning fund balance is shown in the Column D below.

Correction of an Error in Previously Issued Financial Statements

During the year ended September 30, 2024, the City determined that there were certain errors in amounts previously reported in the 2023 financial statements resulting in a restatement of the beginning net position and fund balance. The corrections consist of the following:

- (A) The City determined that hotel tax receivables had been incorrectly recorded. Accordingly, accounts receivable were overstated by \$117,055. The effect of this correction is shown in Column A below.
- (B) The City identified discrepancies between its fixed asset subledger and the financial statements. Additionally, the City identified a lease that had been previously entered into, but had not been recorded. Accordingly, governmental activities capital assets were overstated by \$1,058,687, business-type activities capital assets were overstated by \$49,613, governmental activities long-term obligations were understated by \$730,947, and business-type activities long-term obligations were understated by \$61,191. The effect of this correction is shown in Column B below.
- (C) The City determined that the allowance for receivables in the EMS fund had been underestimated. Accordingly, accounts receivable were overstated by \$495,525. The effect of this correction is shown in Column C below.

Beginning net position and fund balance were restated as follows:

	October 1, 2023, As Previously Reported	Error Correction (A)	Error Correction (B)	Error Correction (C)	Change Within the Financial Reporting Entity (D)	October 1, 2023, As Restated
Governmental Funds						
General Fund	\$ 19,753,566	\$ (117,055)	\$ -	\$ -	\$ -	\$ 19,636,511
Capital Projects Fund	-	-	-	-	2,500	2,500
Nonmajor Governmental Funds	28,688	-	-	-	(2,500)	26,188
Total Governmental Funds	19,782,254	(117,055)	-	-	-	19,665,199
Proprietary Funds						
Electric Fund	3,303,007	-	131,522	-	-	3,434,529
Water Fund	34,961,294	-	(42,161)	-	-	34,919,133
Golf Fund	1,583,849	-	(3,319)	-	-	1,580,530
Landfill Fund	(95,225)	-	(65,307)	-	-	(160,532)
EMS Fund	40,932	-	(20,319)	(495,525)	-	(474,912)
Drainage Fund	1,712,294	-	(11,994)	-	-	1,700,300
Total Proprietary Funds	41,506,151	-	(11,578)	(495,525)	-	40,999,048
Government-Wide						
Governmental Activities	33,619,107	(117,055)	(1,789,634)	-	-	31,712,418
Business-Type Activities	41,506,151	-	(11,578)	(495,525)	-	40,999,048
Total Primary Government	\$ 75,125,258	\$ (117,055)	\$ (1,801,212)	\$ (495,525)	\$ -	\$ 72,711,466

If these amounts had been properly reported in the prior year, the change in net position and change in fund balance would have been adjusted for the year ended September 30, 2023 as follows:

	October 1, 2023, As Previously Reported	Error Correction (A)	Error Correction (B)	Error Correction (C)	Change Within the Financial Reporting Entity (D)	October 1, 2023, As Restated
Governmental Funds						
General Fund	\$ 476,526	\$ (117,055)	\$ -	\$ -	\$ -	\$ 359,471
Capital Projects Fund	-	-	-	-	-	-
Nonmajor Governmental Funds	<u>(80,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,418)</u>
Total Governmental Funds	396,108	(117,055)	-	-	-	279,053
Proprietary Funds						
Electric Fund	277,900	-	-	-	-	277,900
Water Fund	2,725,900	-	-	-	-	2,725,900
Golf Fund	42,007	-	-	-	-	42,007
Landfill Fund	111,190	-	-	-	-	111,190
EMS Fund	907,241	-	-	(495,525)	-	411,716
Drainage Fund	<u>(19,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,567)</u>
Total Proprietary Funds	4,044,671	-	-	(495,525)	-	3,549,146
Government-Wide						
Governmental Activities	5,645,442	(117,055)	-	-	-	5,528,387
Business-Type Activities	<u>4,044,671</u>	<u>-</u>	<u>-</u>	<u>(495,525)</u>	<u>-</u>	<u>3,549,146</u>
Total Primary Government	<u>\$ 9,690,113</u>	<u>\$ (117,055)</u>	<u>\$ -</u>	<u>\$ (495,525)</u>	<u>\$ -</u>	<u>\$ 9,077,533</u>

REQUIRED SUPPLEMENTARY INFORMATION

The City of Fredericksburg
 Budgetary Comparison Schedule – General Fund (Exhibit B-1)
 September 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 6,164,644	\$ 5,659,182	\$ 5,675,945	\$ 16,763
Sales	9,000,000	9,000,000	9,454,171	454,171
Hotel occupancy tax	6,037,100	6,037,100	5,672,265	(364,835)
Franchise	356,462	356,462	346,294	(10,168)
Other taxes	623,423	623,423	667,414	43,991
Licenses and permits	95,545	95,545	121,323	25,778
Building permits	294,800	294,800	225,153	(69,647)
Fines and forfeitures	3,500	3,500	5,700	2,200
Municipal court fees	201,600	201,600	204,534	2,934
Health fees	149,500	149,500	166,691	17,191
Parks and recreation fees	161,000	161,000	133,810	(27,190)
Pavillion and compaing fees	1,078,375	1,078,375	1,263,266	184,891
Police revenue	156,001	156,001	194,071	38,070
Fire department revenues	23,000	23,000	9,846	(13,154)
Tourism	187,700	187,700	93,058	(94,642)
Grants	809,482	809,482	887,230	77,748
Intergovernmental revenue	1,971,595	1,971,595	1,770,457	(201,138)
Rental income	24,550	24,550	29,738	5,188
Interest income	425,110	425,110	929,217	504,107
Other revenue	143,435	143,435	183,590	40,155
Total revenues	<u>27,906,822</u>	<u>27,401,360</u>	<u>28,033,773</u>	<u>632,413</u>
Expenditures				
Current				
Streets	3,792,414	3,800,709	1,840,318	1,960,391
Parks	3,467,421	3,767,421	2,503,906	1,263,515
Development services	1,436,151	1,436,151	899,373	536,778
Municipal court	731,749	817,749	665,466	152,283
Health	408,971	408,971	382,668	26,303
Engineering	310,179	310,179	280,597	29,582
Police	8,826,778	8,826,778	7,256,781	1,569,997
Adminstration	3,968,987	3,968,987	3,582,115	386,872
Fire	3,444,445	3,444,445	1,868,539	1,575,906
Tourism	6,387,367	7,576,157	5,892,623	1,683,534
Food and wine festival	196,350	196,350	114,842	81,508
Emergency management	323,097	323,097	237,310	85,787
Animal shelter	365,326	365,326	70,119	295,207
Debt service				
Principal	-	-	871,877	(871,877)
Interest	-	-	91,433	(91,433)
Capital outlay	-	9,750,000	5,050,946	4,699,054
Total expenditures	<u>33,659,235</u>	<u>44,992,320</u>	<u>31,608,913</u>	<u>13,383,407</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(5,752,413)</u>	<u>(17,590,960)</u>	<u>(3,575,140)</u>	<u>14,015,820</u>

The City of Fredericksburg
 Budgetary Comparison Schedule – General Fund (Exhibit B-1) - continued
 September 30, 2024

Other Financing Sources (Uses)				
Proceeds from sale of capital assets	78,000	78,000	142,051	64,051
Issuance of leases	-	-	1,173,302	1,173,302
Transfers out	-	-	(198,768)	(198,768)
Transfers in	<u>2,504,943</u>	<u>2,754,943</u>	<u>2,724,600</u>	<u>(30,343)</u>
Total Financing Sources (Uses)	<u>2,582,943</u>	<u>2,832,943</u>	<u>3,841,185</u>	<u>1,008,242</u>
Net Change in Fund Balance	(3,169,470)	(14,758,017)	266,045	15,024,062
Fund Balance - October 1 (Beginning), as previously reported				
	19,753,566	19,753,566	19,753,566	-
Adjustment (Note 14)	<u>(117,055)</u>	<u>(117,055)</u>	<u>(117,055)</u>	<u>-</u>
Fund Balance - October 1 (Beginning), as restated	<u>19,636,511</u>	<u>19,636,511</u>	<u>19,636,511</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u><u>\$ 16,467,041</u></u>	<u><u>\$ 4,878,494</u></u>	<u><u>\$ 19,902,556</u></u>	<u><u>\$ 15,024,062</u></u>

The City of Fredericksburg
Schedule of Changes in Net Pension Liability and Related Ratios –
Texas Municipal Retirement System (Exhibit B-2)
Year Ended September 30, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability										
Service cost	\$ 2,458,939	\$ 2,221,561	\$ 1,963,090	\$ 1,846,917	\$ 1,495,978	\$ 1,190,542	\$ 1,074,769	\$ 1,004,489	\$ 971,587	\$ 854,908
Interest on total pension liability	4,938,106	4,602,193	4,310,479	4,037,770	3,451,697	2,981,765	2,674,435	2,528,093	2,467,242	2,332,418
Changes of benefit terms	-	-	-	4,932,372	4,413,316	1,917,387	-	-	-	-
Differences between expected and actual experience	1,512,616	1,155,954	534,109	269,471	517,459	(104,329)	301,986	(47,068)	(483,991)	(123,001)
Change of assumptions	(406,065)	-	-	-	(63,087)	-	-	-	540,897	-
Benefit payments/refunds of contributions	(3,416,815)	(2,826,998)	(2,403,440)	(1,940,785)	(1,713,855)	(1,630,273)	(1,316,569)	(1,388,695)	(1,221,845)	(1,171,365)
Net change in total pension liability	5,086,781	5,152,710	4,404,238	9,145,745	8,101,508	4,355,092	2,734,621	2,096,819	2,273,890	1,892,960
Total pension liability, beginning	73,636,071	68,483,361	64,079,123	54,933,378	46,831,870	42,476,778	39,742,157	37,645,338	35,371,448	33,478,488
Total pension liability, ending (a)	<u>\$ 78,722,852</u>	<u>\$ 73,636,071</u>	<u>\$ 68,483,361</u>	<u>\$ 64,079,123</u>	<u>\$ 54,933,378</u>	<u>\$ 46,831,870</u>	<u>\$ 42,476,778</u>	<u>\$ 39,742,157</u>	<u>\$ 37,645,338</u>	<u>\$ 35,371,448</u>
Fiduciary Net Position										
Contributions - Employer	\$ 3,134,968	\$ 2,862,717	\$ 2,506,293	\$ 1,746,763	\$ 1,216,750	\$ 961,243	\$ 931,010	\$ 843,151	\$ 898,902	\$ 861,237
Contributions - Employee	992,079	899,417	802,197	646,152	520,884	500,649	488,976	455,757	460,033	429,608
Net investment income	6,096,773	(4,071,908)	6,330,327	3,394,685	5,990,998	(1,202,616)	4,877,963	2,235,297	48,567	1,775,433
Benefit payments/refunds of contributions	(3,416,815)	(2,826,998)	(2,403,440)	(1,940,785)	(1,713,855)	(1,630,273)	(1,316,569)	(1,388,695)	(1,221,845)	(1,171,365)
Administrative expenses	(38,748)	(35,218)	(29,284)	(21,967)	(33,845)	(23,238)	(25,272)	(25,238)	(29,580)	(18,537)
Other	(269)	42,026	199	(857)	(1,019)	(1,214)	(1,282)	(1,360)	(1,461)	(1,524)
Net change in fiduciary net position	6,767,988	(3,129,964)	7,206,292	3,823,991	5,979,913	(1,395,449)	4,954,826	2,118,912	154,616	1,874,852
Fiduciary net position, beginning	52,624,775	55,754,739	48,548,447	44,724,456	38,744,543	40,139,992	35,185,166	33,066,254	32,911,638	31,036,786
Fiduciary net position, ending (b)	<u>\$ 59,392,763</u>	<u>\$ 52,624,775</u>	<u>\$ 55,754,739</u>	<u>\$ 48,548,447</u>	<u>\$ 44,724,456</u>	<u>\$ 38,744,543</u>	<u>\$ 40,139,992</u>	<u>\$ 35,185,166</u>	<u>\$ 33,066,254</u>	<u>\$ 32,911,638</u>
Net pension liability (asset), ending = (a) - (b)	<u>19,330,089</u>	<u>21,011,296</u>	<u>12,728,622</u>	<u>15,530,676</u>	<u>10,208,922</u>	<u>8,087,327</u>	<u>2,336,786</u>	<u>4,556,991</u>	<u>4,579,084</u>	<u>2,459,810</u>
Fiduciary net position as a percentage of total pension liability	75.45%	71.47%	81.41%	75.76%	81.42%	82.73%	94.50%	88.53%	87.84%	93.05%
Covered payroll	\$ 14,073,625	\$ 12,848,821	\$ 11,459,952	\$ 10,608,762	\$ 10,417,674	\$ 10,012,971	\$ 9,779,519	\$ 9,115,142	\$ 8,758,502	\$ 8,526,242
Net pension liability as a percentage of covered payroll	137.35%	163.53%	111.07%	146.39%	98.00%	80.77%	23.89%	49.99%	52.28%	28.85%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31.

The City of Fredericksburg
Schedule of Employer Contributions – Texas Municipal Retirement System (Exhibit B-3)
Year Ended September 30, 2024

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2015	\$ 848,343	\$ 848,343	\$ -	\$ 8,758,502	9.69%
2016	855,645	855,645	-	8,954,014	9.56%
2017	937,133	937,133	-	9,685,870	9.68%
2018	958,161	958,161	-	10,003,972	9.58%
2019	1,146,021	1,146,021	-	10,307,595	11.12%
2020	1,589,343	1,589,343	-	10,608,762	14.98%
2021	2,309,826	2,309,826	-	10,769,197	21.45%
2022	2,822,429	2,822,429	-	12,726,149	22.18%
2023	3,087,580	3,087,580	-	13,934,572	22.16%
2024	3,369,153	3,369,153	-	14,877,279	22.65%

Note: The information from this schedule corresponds with the City's fiscal years ended September 30.

The City of Fredericksburg

Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios – TERSRS (Exhibit B-4)
Year Ended September 30, 2024

	Year Ended August 31, 2024	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021	Year Ended August 31, 2020	Year Ended August 31, 2019	Year Ended August 31, 2018	Year Ended August 31, 2017	Year Ended August 31, 2016	Year Ended August 31, 2015
City's proportion of the net pension liability	0.499%	0.604%	0.543%	0.543%	0.543%	0.585%	0.640%	0.731%	0.716%	0.639%
City's proportion share of the net pension liability	\$ 535,800	\$ 261,454	\$ 226,896	\$ 226,896	\$ 58,178	\$ 147,484	\$ 181,412	\$ 158,265	\$ 171,852	\$ 170,565
State's proportionate share of the net pension liability associated with the City	134,191	69,296	57,833	16,107	39,025	49,188	38,457	57,457	72,100	59,123
Total	<u>\$ 669,991</u>	<u>\$ 330,750</u>	<u>\$ 284,729</u>	<u>\$ 243,003</u>	<u>\$ 97,203</u>	<u>\$ 196,672</u>	<u>\$ 219,869</u>	<u>\$ 215,722</u>	<u>\$ 243,952</u>	<u>\$ 229,688</u>
Plan fiduciary net position as a percentage of the total pension liability	56.30%	74.60%	83.20%	83.20%	83.20%	83.20%	80.20%	84.26%	81.40%	0.00%

The City of Fredericksburg
 Schedule of City's Contributions to the Pension Plan - TERS (Exhibit B-5)
 Year Ended September 30, 2024

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)
2015	\$ 30,160	\$ 30,160	\$ -
2016	30,800	30,800	-
2017	45,710	45,710	-
2018	55,956	55,956	-
2019	37,374	37,374	-
2020	35,130	35,130	-
2021	33,330	33,330	-
2022	32,880	32,880	-
2023	34,200	34,200	-
2024	25,600	25,600	-

Note: The information from this schedule corresponds with the City's fiscal years ended September 30.

The City of Fredericksburg

Schedule of Changes in Total OPEB Liability and Related Ratios – Supplemental Death Benefits Plan (Exhibit B-6)
Year Ended September 30, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB Liability							
Service cost	\$ 19,842	\$ 39,831	\$ 35,526	\$ 26,924	\$ 17,710	\$ 22,029	\$ 18,581
Interest on total OPEB liability	24,287	15,906	16,069	18,311	19,783	18,323	17,987
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	7,134	6,046	(5,096)	(9,196)	(12,748)	(14,581)	-
Change of assumptions	32,060	(298,260)	26,398	105,698	107,513	(39,852)	43,885
Benefit payments	(21,259)	(15,418)	(12,607)	(4,308)	(4,167)	(4,006)	(4,890)
Net change in total OPEB liability	62,064	(251,895)	60,290	137,429	128,091	(18,087)	75,563
Total OPEB liability, beginning	600,381	852,276	791,986	654,557	526,466	544,553	468,990
Total OPEB liability, ending	\$ 662,445	\$ 600,381	\$ 852,276	\$ 791,986	\$ 654,557	\$ 526,466	\$ 544,553
Covered payroll	\$ 14,073,625	\$ 12,848,821	\$ 11,459,952	\$ 10,608,762	\$ 10,417,674	\$ 10,012,971	\$ 9,779,519
Total OPEB liability as a percentage of covered payroll	4.71%	4.67%	7.44%	7.47%	6.28%	5.26%	5.57%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2017. Ten years will ultimately be displayed.

No assets are accumulated in a trust as defined by GASB 75. Benefits are on a pay as you go basis.

Note B: Total OPEB Liability – Texas Municipal Retirement System

Summary of actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Discount rate*	3.77%
Salary increases	3.60% to 11.85%, including inflation
Retirees’ share- 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 rate- service retirees 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 with immediate convergence.

Mortality rate- 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 the most recent Scale MP-2011 with immediate convergence to account for future morality improvements subject to the floor.

The actuarial assumptions used in the December 31 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” as of December 31, 2023.

Note C: Budgetary Process

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. 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 operating budget includes estimated revenue and proposed expenditures for the general fund.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given to obtain taxpayer comments.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.
- d. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council.
- e. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end.
- f. All budget amendments received appropriate approval.
- g. All budget appropriations lapse at year end.

Note D: Correction of an Error

During the year ended September 30, 2024, the City determined that there were certain errors in amounts previously reported in the 2023 financial statements resulting in a restatement of the beginning net position and fund balance. The corrections consist of the following:

- (A) The City determined that hotel tax receivables had been incorrectly recorded. Accordingly, accounts receivable were overstated by \$117,055.
- (B) The City identified discrepancies between its fixed asset subledger and the financial statements. Additionally, the City identified a lease that had been previously entered into, but had not been recorded. Accordingly, governmental activities capital assets were overstated by \$1,058,687, business-type activities capital assets were overstated by \$49,613, governmental activities long-term obligations were understated by \$730,947, and business-type activities long-term obligations were understated by \$61,191.
- (C) The City determined that the allowance for receivables in the EMS fund had been underestimated. Accordingly, accounts receivable were overstated by \$495,525.

SUPPLEMENTARY INFORMATION

The City of Fredericksburg
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit C-1)
 Year Ended September 30, 2024

	Debt Service Fund	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$ 113,274	\$ 113,274
Due from other funds	6,818	6,818
Total assets	\$ 120,092	\$ 120,092
Liabilities		
Due to other funds	\$ 33,600	\$ 33,600
Total liabilities	33,600	33,600
Fund Balances		
Restricted for debt service	86,492	86,492
Total fund balances	86,492	86,492
Total liabilities and fund balances	\$ 120,092	\$ 120,092

The City of Fredericksburg
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds (Exhibit C-2)
Year Ended September 30, 2024

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Property	\$	\$ 471,369	\$ 471,369
Interest income		294	294
Total revenues	<u> </u>	<u>471,663</u>	<u>471,663</u>
Expenditures			
Debt service			
Principal		330,000	330,000
Interest		137,285	137,285
Total expenditures	<u> </u>	<u>467,285</u>	<u>467,285</u>
Excess (Deficiency) of Revenues over (under) Expenditures		4,378	4,378
Other Financing Sources (Uses)			
Transfers in		55,926	55,926
Total Other Financing Sources (Uses)	<u> </u>	<u>55,926</u>	<u>55,926</u>
Net Change in Fund Balance		60,304	60,304
Fund Balance - October 1 (Beginning), as previously reported	2,500	26,188	28,688
Adjustment (Note 14)	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Fund Balance - October 1 (Beginning), as restated	<u> </u>	<u>26,188</u>	<u>26,188</u>
Fund Balance - September 30 (Ending)	<u>\$</u>	<u>\$ 86,492</u>	<u>\$ 86,492</u>