



CITY OF FREDERICKSBURG
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2015

**CITY OF FREDERICKSBURG, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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KLEIN, KRAUS & COMPANY, LLC

Certified Public Accountants

1302 NORTH LLANO
P.O. BOX 2211
FREDERICKSBURG, TEXAS 78624-2211
(830) 997-5592
email: kkcpa@austin.rr.com
FAX: (830) 990-2692

Independent Auditor's Report

Mayor and City Council
City of Fredericksburg, Texas
Fredericksburg, Texas 78624

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fredericksburg, Texas as of and for the twelve months ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fredericksburg, Texas as of September 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-10 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fredericksburg, Texas's basic financial statements. The accompanying supplementary information such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Klein, Kraus and Company, LLC

Klein, Kraus and Company, LLC
Fredericksburg, Texas 78624

March 6, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Fredericksburg, 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, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities as of September 30, 2015, by \$48,056,655 (net assets). Of this amount, \$5,623,505 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$1,627,758.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,895,078.
- As of September 30, 2015, unreserved fund balance for the General Fund was \$7,889,730 or 58 percent of the current year's total General Fund expenditures of \$13,696,140.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensation absences.)

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

The government-wide financial statements can be found on pages 11 – 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus on 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 14 of this report, information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be the major fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining fund statements and schedules elsewhere in this report.

Proprietary Funds. The City maintains two 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 electric, water, wastewater, storm water drainage, solid waste, emergency medical services, and golf operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses Internal Service Funds to account for the employee health insurance program. The internal

service function has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund is reported in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18 – 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$48,056,655 as of September 30, 2015, compared to \$46,428,897 as of September 30, 2014.

CITY OF FREDERICKSBURG’S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,595,833	\$ 8,686,065	\$ 14,981,011	\$ 16,319,247	\$ 24,576,844	\$ 25,005,312
Capital assets	18,086,229	17,611,304	30,953,547	27,745,701	49,039,776	45,357,005
Total assets	<u>27,682,062</u>	<u>26,297,369</u>	<u>45,934,558</u>	<u>44,064,948</u>	<u>73,616,620</u>	<u>70,362,317</u>
Deferred Outflows of Resources	56,426	-	43,719	-	100,148	-
Current liabilities	1,449,842	1,335,386	5,424,578	4,407,012	6,874,420	5,742,398
Noncurrent liabilities	5,716,513	5,961,022	10,291,656	12,230,000	16,008,169	18,191,022
Total liabilities	<u>7,166,355</u>	<u>7,296,408</u>	<u>15,716,234</u>	<u>16,637,012</u>	<u>22,882,589</u>	<u>23,933,420</u>
Deferred Inflows of Resources	238,285	-	79,429	-	317,714	-
Net Assets:						
Invested in capital assets,						
Net of related debt	13,036,459	11,650,282	23,164,020	18,190,811	36,200,479	29,841,093
Restricted for Long Term Debt	5,350	-	37,399	37,323	42,749	37,323
Restricted for Capital Projects	83,930	2,500	6,105,992	7,595,323	6,189,922	7,597,823
Unrestricted	<u>5,363,255</u>	<u>7,348,180</u>	<u>260,250</u>	<u>1,604,478</u>	<u>5,623,505</u>	<u>8,952,658</u>
Total net assets	<u>\$ 18,488,994</u>	<u>\$ 19,000,962</u>	<u>\$ 29,567,661</u>	<u>\$ 27,427,935</u>	<u>\$ 48,056,655</u>	<u>\$ 46,428,897</u>

By far the largest portion of the City’s net assets reflects its investments in capital assets (e.g., land, buildings, equipment and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resource needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets 5,623,505 may be used to meet the government’s ongoing obligations to citizens and creditors.

City of Fredericksburg
Statement of Activities
For Fiscal Years 2015 and 2014

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 1,071,278	\$ 1,055,107	\$ 23,528,424	\$ 22,451,497	\$ 24,599,702	\$ 23,506,604
Operating Grants and Contributions	526,146	461,385			526,146	461,385
General Revenues:						
Property Taxes	3,456,756	3,167,030	64,460	303,012	3,521,216	3,470,042
Sales Taxes	5,166,572	4,752,931			5,166,572	4,752,931
Hotel Occupancy Taxes	2,504,457	2,407,978			2,504,457	2,407,978
Other Taxes	666,931	651,420			666,931	651,420
Miscellaneous Revenue	102,753	65,315	2,909,648	1,139,116	3,012,401	1,204,431
Investments Earnings	11,569	12,370	32,552	24,442	44,121	36,812
Total Revenues	<u>\$ 13,506,462</u>	<u>\$ 12,573,536</u>	<u>\$ 26,535,084</u>	<u>\$ 23,918,067</u>	<u>\$ 40,041,546</u>	<u>\$ 36,491,603</u>
Expenses						
Administrative	\$ 3,619,374	\$ 3,695,639			\$ 3,619,374	\$ 3,695,639
Police	3,826,503	4,021,418			3,826,503	4,021,418
Fire	801,174	813,444			801,174	813,444
Streets	2,192,011	2,332,909			2,192,011	2,332,909
Parks	1,732,198	1,721,227			1,732,198	1,721,227
Health	158,990	159,833			158,990	159,833
Food and Wine Festival	192,221	154,253			192,221	154,253
Emergency Management	125,819	129,822			125,819	129,822
Development Services	432,451	476,890			432,451	476,890
Municipal Court	143,896	-			143,896	-
Engineering	210,903	-			210,903	-
Electric			\$ 12,481,283	\$ 11,900,583	12,481,283	11,900,583
Water and Sewer			3,873,299	3,802,275	3,873,299	3,802,275
Golf			1,699,030	1,686,159	1,699,030	1,686,159
Landfill			2,217,624	1,957,954	2,217,624	1,957,954
EMS			1,869,146	1,843,930	1,869,146	1,843,930
Drainage Utilities			257,779	263,283	257,779	263,283
Total Expenses	<u>\$ 13,435,540</u>	<u>\$ 13,505,434</u>	<u>\$ 22,398,161</u>	<u>\$ 21,454,184</u>	<u>\$ 35,833,701</u>	<u>\$ 34,959,618</u>
Increase (decrease) in Net Assets Before Transfers	<u>\$ 70,922</u>	<u>\$ (931,898)</u>	<u>\$ 4,136,923</u>	<u>\$ 2,463,883</u>	<u>\$ 4,207,845</u>	<u>\$ 1,531,985</u>
Gain (Loss) on Retirement of Assets	18,015	21,835	79,274	23,457	97,289	45,292
Transfers	1,425,808	917,360	(1,425,808)	(917,360)	-	-
Change in Net Assets	<u>\$ 1,514,745</u>	<u>\$ 7,298</u>	<u>\$ 2,790,389</u>	<u>\$ 1,569,980</u>	<u>\$ 4,305,134</u>	<u>\$ 1,577,277</u>
Net Assets, Beginning	\$ 19,000,962	\$ 18,993,664	\$ 27,427,935	\$ 25,854,660	\$ 46,428,897	\$ 44,848,324
Due to GASB 68	(2,026,713)	-	(650,663)	-	(2,677,376)	-
Prior Period Adjustment	-	-	-	3,295	-	3,295
Net Assets, Beginning	<u>\$ 16,974,249</u>	<u>\$ 18,993,664</u>	<u>\$ 26,777,272</u>	<u>\$ 25,857,955</u>	<u>\$ 43,751,521</u>	<u>\$ 44,851,619</u>
Net Assets, Ending	<u>\$ 18,488,994</u>	<u>\$ 19,000,962</u>	<u>\$ 29,567,661</u>	<u>\$ 27,427,935</u>	<u>\$ 48,056,655</u>	<u>\$ 46,428,897</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

As a whole, the government's net assets increased by \$1,627,758 during the current fiscal 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,895,078. Refer to page 14 of this report for a more detailed presentation of governmental fund balances.

The General Fund is the chief operating fund of the City. The total fund balance of the General Fund was unreserved and amounted to \$7,889,730.

The fund balance of the City's General Fund increased by \$27,097 during the current fiscal year.

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

Unrestricted net assets of the City's Enterprise Funds at the end of the year amounted to \$260,250. Net assets of the City's Enterprise Funds increased by \$2,139,726 in the current year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2015, amounts to \$49,039,776 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

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

• Land Purchases	\$704,598
• Police Vehicles	65,346
• Police/Fire/EMS Radios	289,052
• Street Department Equipment	362,536
• Street Improvements	205,779
• Sidewalks	97,069
• Park Improvements	91,188
• Electric System Improvements	189,067
• Water Department Machinery/Equipment	294,978
• Water/Wastewater System Improvements	3,889,468
• Solid Waste Cell #7 Improvements	882,844
• Solid Waste Department Machinery/Equipment	71,608
• Drainage Improvements	<u>124,475</u>
	<u>\$7,268,008</u>

Additional information on the City's capital assets can be found on pages 35 – 36 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt of \$11,850,000. The entire amount is debt backed in full faith and credit of the City.

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

Additional information on the City's long term-debt can be found in pages 40 – 42 of this report.

PROPERTY TAXES

General Fund Property Tax Rate

In the budget for fiscal year-end September 30, 2015, the adopted property tax rate decreased from \$.2600 to \$.2482 per \$100 of assessed valuation.

Tax Rate, Levy and Collection History

Fiscal Year Ended September 30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2015	0.2482	0.1992	0.0490	3,496,895	93.38%	98.92%
2014	0.2600	0.1879	0.0721	3,434,869	92.65%	99.55%
2013	0.2647	0.1940	0.0707	3,414,952	92.18%	99.68%
2012	0.2444	0.1917	0.0527	3,166,138	92.39%	99.78%
2011	0.2365	0.1794	0.0571	3,058,701	91.94%	99.84%
2010	0.2319	0.1413	0.0906	3,040,194	90.48%	99.82%
2009	0.2350	0.1608	0.0742	2,996,599	91.52%	99.88%
2008	0.2414	0.1606	0.0808	2,760,734	91.75%	99.89%
2007	0.2566	0.1636	0.0930	2,577,777	92.38%	99.88%
2006	0.2596	0.1557	0.1039	2,354,380	93.14%	99.92%
2005	0.2820	0.1681	0.1139	2,314,327	92.15%	99.97%
2004	0.2567	0.1955	0.0612	1,926,198	92.44%	99.92%

**City of Fredericksburg
Budget Comparison
For Fiscal Years 2016 and 2015**

	2015-2016 <u>Budget</u>	2014-2015 <u>Budget</u>	Increase <u>(Decrease)</u>	Increase <u>(Decrease)</u>
Revenues				
General Fund	\$ 14,773,650	\$ 14,358,500	\$ 415,150	2.89%
Electric	13,953,500	14,159,900	(206,400)	-1.46%
Water & Sewer	6,139,800	7,975,600	(1,835,800)	-23.02%
Golf	1,544,600	1,786,600	(242,000)	-13.55%
Landfill	2,323,800	2,370,000	(46,200)	-1.95%
EMS	2,007,600	1,792,100	215,500	12.02%
Drainage	142,300	134,000	8,300	6.19%
Emergency Management	135,300	135,200	100	0.07%
Debt Service	626,700	605,000	21,700	3.59%
Internal Service Fund	<u>1,626,000</u>	<u>1,573,200</u>	<u>52,800</u>	<u>3.36%</u>
Total Revenues	\$ 43,273,250	\$ 44,890,100	\$ (1,616,850)	-3.60%
Expenditures				
General Fund				
Administrative	\$ 4,139,575	\$ 4,491,692	\$ (352,117)	-7.84%
Police	4,354,425	4,102,700	251,725	6.14%
Fire	858,100	799,600	58,500	7.32%
Street	2,507,425	2,799,900	(292,475)	-10.45%
Park	1,860,600	2,521,600	(661,000)	-26.21%
Development Services	442,925	434,500	8,425	1.94%
Health	181,900	167,400	14,500	8.66%
Municipal Court	158,800	153,600	n/a	
Engineering	231,000	212,600	n/a	
Food and Wine Festival	<u>181,550</u>	<u>155,800</u>	<u>25,750</u>	<u>16.53%</u>
	\$ 14,916,300	\$ 15,839,392	\$ (923,092)	-5.83%
Electric	\$ 13,831,425	\$ 14,225,400	\$ (393,975)	-2.77%
Water & Sewer	5,539,625	8,183,800	(2,644,175)	-32.31%
Golf	1,544,600	1,886,600	(342,000)	-18.13%
Landfill	2,255,625	3,183,300	(927,675)	-29.14%
EMS	2,007,425	1,798,000	209,425	11.65%
Drainage	213,500	344,500	(131,000)	-38.03%
Emergency Management	135,300	135,200	100	0.07%
Debt Service	622,200	619,400	2,800	0.45%
Internal Service Fund	<u>1,608,000</u>	<u>1,473,200</u>	<u>134,800</u>	<u>9.15%</u>
Total Expenditures	\$ 42,674,000	\$ 47,688,792	\$ (5,014,792)	-10.52%
Budgeted Revenues in Excess (Deficiency) of Expenditures	<u>\$ 599,250</u>	<u>\$ (2,798,692)</u>	<u>\$ 3,397,942</u>	

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Laura Hollenbeak, Director of Finance, 126 West Main, Fredericksburg, Texas 78624 or call (830) 997-7521.



BASIC FINANCIAL STATEMENTS

City of Fredericksburg, Texas
Statement of Net Assets
September 30, 2015

	Primary Government			Component Unit Convention & Visitors Bureau
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 7,620,154	\$ 8,527,823	\$ 16,147,977	\$ 479,573
Investments - Current	-	850,000	850,000	
Tax Receivables (Net of Allowance)	719,558	-	719,558	
Internal Balances	236,792	1,843,418	2,080,210	
Intergovernmental Receivable	920,817	163,485	1,084,312	
Due from Others	98,512	2,612,161	2,710,673	
Prepaid Expense	-	-	-	45,591
Inventory	-	1,184,114	1,184,114	
Property and Equipment, Net of Depreciation				
Land	3,644,670	1,082,994	4,727,664	
Buildings	7,334,151	6,655,588	13,989,719	
Improvements	18,860,328	51,274,441	70,134,769	
Machinery & Equipment	7,481,892	8,901,814	16,083,706	110,658
Less: Accumulated Depreciation	(19,234,812)	(38,881,270)	(55,898,082)	(72,815)
Total Assets	\$ 27,682,082	\$ 45,934,558	\$ 73,616,620	\$ 583,007
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related To Pension	\$ 58,429	\$ 43,719	\$ 100,148	
Total Deferred Outflows of Resources	\$ 58,429	\$ 43,719	\$ 100,148	
LIABILITIES				
Accounts Payable	\$ 859,603	\$ 2,161,429	\$ 3,021,032	\$ 64,230
Accrued Payroll	162,220	135,702	297,922	
Intergovernmental Payable	188,951	242,860	431,841	
Accrued Interest Payable	27,019	30,743	57,762	
Internal Balances	71,979	2,008,231	2,080,210	
Deferred Revenues	62,102	542,001	604,103	
Other Current Liabilities	77,989	303,582	381,551	
Net Pension Liability	1,844,857	614,953	2,459,810	
Noncurrent Liabilities				
Due Within One Year	769,988	578,653	1,348,651	
Due in More Than One Year	4,946,514	9,715,003	14,661,517	
Total Liabilities	\$ 9,011,212	\$ 16,331,187	\$ 25,342,399	\$ 64,230
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related To Pension	\$ 238,285	\$ 79,429	\$ 317,714	
Total Deferred Inflows of Resources	\$ 238,285	\$ 79,429	\$ 317,714	
NET ASSETS				
Invested in Fixed Assets, Net of Related Debt	\$ 13,036,459	\$ 23,164,020	\$ 36,200,479	
Restricted for Long Term Debt	5,350	37,399	42,749	
Restricted for Capital Projects	63,930	6,105,992	6,169,922	
Unrestricted Net Assets	5,383,255	260,250	5,623,505	\$ 498,777
Total Net Assets	\$ 18,488,994	\$ 29,567,661	\$ 48,056,655	\$ 498,777

The notes to the Financial Statements are an integral part of this statement.

**City of Fredericksburg, Texas
Statement of Activities
For the Year Ended September 30, 2015**

Functions/Programs	Program Revenues		
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Municipal Court	\$ 143,896		
Administration	1,129,048	\$ 30,549	\$ 30,000
Tourism	2,490,326		
Engineering	210,903		
Police	3,826,503	110,707	37,496
Fire	801,174	13,795	337,146
Emergency Management	125,819		79,324
Streets	2,192,011	1,880	
Parks	1,732,198	449,986	4,855
Health	158,990	94,110	37,325
Food and Wine Festival	192,221	203,970	
Development Services	432,451	166,281	
Total Governmental Activities	\$ 13,435,540	\$ 1,071,278	\$ 526,146
Business-type Activities:			
Electric	\$ 12,481,283	\$ 13,228,296	
Water	3,873,299	5,437,125	
Golf	1,699,030	1,125,767	
Landfill	2,217,624	2,351,419	
EMS	1,869,146	1,309,073	
Drainage	257,779	76,744	
Total Business-type Activities	\$ 22,398,161	\$ 23,528,424	\$ -
Total Government	\$ 35,833,701	\$ 24,599,702	\$ 526,146
Component Unit			
Fredericksburg Convention and Visitors Bureau	\$ (2,193,070)		

General Revenues:

Taxes
Property Taxes
Sales Tax
Hotel Occupancy Tax
Other Taxes
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Gain (Loss) on Retirement of Fixed Assets
Total General Revenues

Change in Net Assets

Net Assets - Beginning
Due to GASB 68
Net Assets - Ending

The notes to the Financial Statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total	Component Unit Convention & Visitors Bureau
\$ (143,896)		\$ (143,896)	
(1,068,499)		(1,068,499)	
(2,480,326)		(2,480,326)	
(210,903)		(210,903)	
(3,678,300)		(3,678,300)	
(450,233)		(450,233)	
(46,495)		(46,495)	
(2,190,131)		(2,190,131)	
(1,277,357)		(1,277,357)	
(27,555)		(27,555)	
11,749		11,749	
(266,170)		(266,170)	
\$ (11,838,116)	\$ -	\$ (11,838,116)	
	\$ 747,013	\$ 747,013	
	1,563,826	1,563,826	
	(573,263)	(573,263)	
	133,795	133,795	
	(560,073)	(560,073)	
	(181,035)	(181,035)	
\$ -	\$ 1,130,263	\$ 1,130,263	
\$ (11,838,116)	\$ 1,130,263	\$ (10,707,853)	
			\$ 2,193,070
\$ 3,456,756	\$ 64,460	\$ 3,521,216	
5,166,572		5,166,572	
2,504,457		2,504,457	
666,931		666,931	
102,753	2,909,648	3,012,401	\$ 2,107,751
11,569	32,552	44,121	
1,425,808	(1,425,808)	-	
18,015	79,274	97,289	
\$ 13,352,861	\$ 1,660,126	\$ 15,012,987	\$ 2,107,751
\$ 1,514,745	\$ 2,790,389	\$ 4,305,134	\$ 85,319
\$ 19,000,962	\$ 27,427,935	\$ 46,428,897	\$ 413,828
(2,026,713)	(650,663)	(2,677,376)	(370)
\$ 18,488,994	\$ 29,567,661	\$ 48,056,655	\$ 498,777

**City of Fredericksburg
Governmental Funds
Balance Sheet
September 30, 2015**

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 7,334,783		\$ 1,205	\$ 7,335,988
Taxes Receivable (Net of Allowance for Uncollectible)	719,558			719,558
Receivable (Net of Allowance for Uncollectible)	89,199			89,199
Intergovernmental Receivables	920,817			920,817
Due from Other Funds	180,179		4,143	184,322
Total Assets	<u>\$ 9,244,536</u>	<u>\$ -</u>	<u>\$ 5,348</u>	<u>\$ 9,249,884</u>
Liabilities and Fund Balance				
Accounts Payable	\$ 709,603			\$ 709,603
Wages and Salaries Payable	162,219			162,219
Intergovernmental Payable	188,951			188,951
Due to other Funds	71,979			71,979
Deferred Revenues	144,085			144,085
Other Current Liabilities	77,969			77,969
Total Liabilities	<u>\$ 1,354,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354,806</u>
Fund Balance				
Reserved for:				
Debt service			\$ 5,348	\$ 5,348
Unreserved reported in General Fund	<u>\$ 7,889,730</u>			<u>7,889,730</u>
Total Fund Balances	<u>\$ 7,889,730</u>	<u>\$ -</u>	<u>\$ 5,348</u>	<u>\$ 7,895,078</u>
Total Liabilities and Fund Balance	<u>\$ 9,244,536</u>	<u>\$ -</u>	<u>\$ 5,348</u>	<u>\$ 9,249,884</u>

The notes to the Financial Statements are an integral part of this statement.

City of Fredericksburg
 Reconciliation of the Governmental Funds Balance Sheet to
 the Statement of Net Assets
 September 30, 2015

Total Fund Balances - Governmental Funds **\$7,895,078**

The City uses an internal service fund to charge the cost of hospitalization self insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net assets. 195,947

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$36,180,986 and the accumulated depreciation was \$18,569,682. The net effect of including the beginning balances for capital assets (net of accumulated depreciation) in the government-wide financials is an increase (decrease) to net assets. 17,611,304

Deferred outflow of resources represent the consumption of net assets that are applicable to a future reporting period. 58,429

Current year net capital outlays are expenditures in the fund financial statements, but they should be shown as increases to capital assets in the government-wide financial statements. The net effect of including 2015 net capital outlays is an increase (decrease) to net assets. 1,396,934

The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to increase (decrease) net assets. (1,366,266)

Long term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including beginning balances for long-term debt in the government-wide activities is to increase (decrease) net assets. (7,805,879)

Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including 2015 debt principal payments is to increase (decrease) net assets. 688,770

Deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. (238,285)

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. 54,962

Net Assets of Governmental Activities \$18,488,994

The notes to the Financial Statements are an integral part of this statement.

**City of Fredericksburg, Texas
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016**

	General	Capital Project	Debt Service	Total
Revenues				
General Property Taxes	\$ 2,799,965		\$ 625,995	\$ 3,425,960
General Sales and Use Taxes	5,166,572			5,166,572
Hotel Occupancy Taxes	2,504,457			2,504,457
Other Taxes	666,931			666,931
Licenses and Permits	222,639			222,639
Charges for Services	1,880			1,880
Fines	98,408			98,408
Pavilion and Camping Fees	374,900			374,900
Rentals	29,899			29,899
Intergovernmental Revenue	449,951			449,951
Grants	40,500			40,500
Investment Earnings	11,471		97	11,568
Other Revenues	482,000			482,000
Total Revenues	<u>\$ 12,849,573</u>	<u>\$ -</u>	<u>\$ 626,092</u>	<u>\$ 13,475,665</u>
Expenditures				
Municipal Court Administration	\$ 145,276			\$ 145,276
Tourism	1,015,060			1,015,060
Police	2,490,326			2,490,326
Fire	3,716,215			3,716,215
Emergency Management	684,405			684,405
Streets	124,819			124,819
Parks	1,616,289			1,616,289
Health	1,288,441			1,288,441
Food and Wine Festival	162,001			162,001
Development Services	192,221			192,221
Engineering	436,878			436,878
Debt Service				
Principal	200,949		\$ 484,681	764,148
Interest	279,467		134,594	145,017
Capital Outlays	1,333,370	\$ 63,560		1,396,930
Total Expenditures	<u>\$ 13,696,140</u>	<u>\$ 63,560</u>	<u>\$ 619,275</u>	<u>\$ 14,378,975</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (846,567)</u>	<u>\$ (63,560)</u>	<u>\$ 6,817</u>	<u>\$ (903,310)</u>
Other Financing Sources (Uses)				
Sale of Real and Personal Property	\$ 18,015			\$ 18,015
Transfers in	1,892,300	\$ 570,159		2,462,459
Transfers (out)	(1,036,651)			(1,036,651)
Total Other Financing Sources (Uses)	<u>\$ 873,664</u>	<u>\$ 570,159</u>	<u>\$ -</u>	<u>\$ 1,443,823</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 27,097</u>	<u>\$ 506,599</u>	<u>\$ 6,817</u>	<u>\$ 540,513</u>
Fund Balances - Beginning Prior Period Adjustment	7,862,633	(506,599)	(1,469)	7,354,565
Fund Balances - Ending	<u>\$ 7,889,730</u>	<u>\$ -</u>	<u>\$ 5,348</u>	<u>\$ 7,895,078</u>

The notes to the Financial Statements are an integral part of this statement.

City of Fredericksburg
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 September 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$540,513**

The City uses an internal service fund to charge the cost of hospitalization insurance to the governmental funds. The net income (loss) of this internal service fund is consolidated with the governmental fund in the Statement of Activities. 224,543

Governmental funds report capital outlays as expenditures. However in the Statement of Activities these costs are reported as depreciation expense to allocate the expenditures over the life of the asset.

Capital Outlays	1,396,930
Depreciation Expense	(1,366,266)

Bond proceeds provide current financial resources to government funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments	764,148
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Some expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Balances	(75,377)
Accrued Interest Expense	(543)

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 revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest.

Deferred Revenue	30,797
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Change in Net Assets of Governmental Activities **\$1,514,745**

The notes to the Financial Statements are an integral part of this statement.

City of Fredericksburg, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2015

	Business-type Activities - Enterprise Funds			
	Electric	Water	Golf	Landfill
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 1,097,268	\$ 7,107,754	\$ (535,199)	\$ 977,706
Investments		400,000		250,000
Internal Balances	910,363			910,363
Intergovernmental Receivable		163,495		
Accounts Receivable (Net of Allowance)	1,240,106	644,127		193,758
Inventory	858,049	243,670	82,396	
Total Current Assets	\$ 4,105,785	\$ 8,559,046	\$ (452,804)	\$ 2,331,827
Non-current Assets:				
Property and Equipment				
Land	\$ 89,475	\$ 478,571	\$ 305,399	\$ 209,549
Buildings	2,039,886	2,385,773	1,753,473	107,770
Improvements	8,366,021	29,648,290	3,206,159	5,027,552
Machinery and Equipment	1,375,202	2,166,572	600,637	3,346,295
Less: Accumulated Depreciation	(9,139,428)	(14,413,471)	(2,313,795)	(6,921,710)
Total Noncurrent Assets	\$ 2,731,156	\$ 20,265,736	\$ 3,551,872	\$ 1,769,457
Total Assets	\$ 6,836,942	\$ 28,824,782	\$ 3,099,068	\$ 4,101,285
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,016,239	\$ 663,819	\$ 48,145	\$ 406,591
Accrued Payroll	27,510	34,196	19,716	25,103
Intergovernmental Payable	132,270	1,193	13,570	17,750
Accrued Interest Payable		26,969	836	1,575
Internal Balances	99,496	57,044	1,825,465	21,550
Other Current Liabilities	332,721	179,341	17,543	12,399
Capital Leases Payable		71,039	20,469	141,364
Bonds Payable-Current Maturity				
General Obligation Bonds		245,000		
Revenue Bonds		275,000		
Total Current Liabilities	\$ 1,608,236	\$ 1,553,599	\$ 1,945,743	\$ 626,333
Noncurrent Liabilities:				
Bonds Payable-Non Current				
General Obligation Bonds		\$ 505,000		
Revenue Bonds		6,225,000		
Unamortized Charge-Refunding Bond		(70,855)		
Unamortized Premiums (Discount) on Bonds				
Compensated Absences	\$ 131,884	104,918	\$ 80,932	\$ 104,797
Closure and Post Closure Liability				2,386,394
Total Noncurrent Liabilities	\$ 131,884	\$ 6,764,063	\$ 80,932	\$ 2,491,191
Total Liabilities	\$ 1,740,120	\$ 8,317,662	\$ 2,026,676	\$ 3,117,524
Net Assets				
Invested in Fixed Assets, Net of Related Debt	\$ 2,731,156	\$ 12,944,696	\$ 3,531,404	\$ 1,628,092
Restricted for Long Term Debt		37,399		
Restricted for Capital Projects		6,051,977		54,015
Unrestricted Net Assets	2,365,666	1,473,048	(2,459,011)	(698,347)
Total Net Assets	\$ 5,096,822	\$ 20,507,120	\$ 1,072,393	\$ 983,760

The notes to the Financial Statements are an integral part of this statement.

City of Fredericksburg, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2015

EMS	Drainage	Enterprise Fund Totals	Governmental Activities Internal Service Fund
\$ (266,247)	\$ 146,543	\$ 8,527,823	\$ 284,166
21,692	1,000	650,000	
		1,843,418	52,468
		163,495	
527,379	6,791	2,612,161	9,313
		1,184,114	
<u>\$ 282,823</u>	<u>\$ 154,333</u>	<u>\$ 14,981,011</u>	<u>\$ 345,947</u>
		\$ 1,082,994	
\$ 368,666		6,655,568	
6,907	\$ 5,019,512	51,274,441	
1,110,777	2,330	8,601,814	
(1,109,197)	(2,763,670)	(36,661,270)	
<u>\$ 377,153</u>	<u>\$ 2,258,172</u>	<u>\$ 30,953,547</u>	<u>\$ -</u>
\$ 659,977	\$ 2,412,505	\$ 45,934,558	\$ 345,947
\$ 13,982	\$ 12,652	\$ 2,161,429	\$ 150,000
29,177		135,702	
78,108		242,890	
513	849	30,743	
4,676		2,008,231	
		542,003	
70,709		303,580	
	56,653	301,653	
		275,000	
<u>\$ 197,165</u>	<u>\$ 70,154</u>	<u>\$ 6,001,230</u>	<u>\$ 150,000</u>
	\$ 179,289	\$ 684,289	
		6,225,000	
	(9,979)	(80,835)	
	2,983	2,983	
\$ 74,641		497,172	
		2,386,394	
<u>\$ 74,641</u>	<u>\$ 172,293</u>	<u>\$ 9,715,004</u>	<u>\$ -</u>
<u>\$ 271,805</u>	<u>\$ 242,447</u>	<u>\$ 15,716,234</u>	<u>\$ 150,000</u>
\$ 306,442	\$ 2,022,230	\$ 23,164,020	
		37,399	
		6,105,992	
81,729	147,828	910,913	195,947
<u>\$ 388,171</u>	<u>\$ 2,170,058</u>	<u>\$ 30,218,324</u>	<u>\$ 195,947</u>

City of Fredericksburg, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2015

	Business-type Activities - Proprietary Funds		
	Electric	Water	Golf
OPERATING REVENUES			
Electric Sales	\$ 13,185,925		
Water Sales		\$ 2,904,502	
Sewer Sales		2,517,141	
Golf Course Fees			\$ 1,125,767
Garbage Collection and Tipping Fees			
EMS Fees			
Drainage Utilities			
Licenses and Permits	12,495	15,482	
Property Taxes			
Rents and Royalties	29,876	1,800	
Other Revenue	246,047	2,405,083	(119)
Total Operating Revenues	<u>\$ 13,474,343</u>	<u>\$ 7,844,008</u>	<u>\$ 1,125,648</u>
OPERATING EXPENSES			
Salaries and Wages	\$ 828,469	\$ 1,067,062	\$ 642,016
Employee Benefits	253,564	367,147	235,681
Contracted Services	293,591	77,067	6,868
Other Operating Expenses	10,805,682	1,215,549	599,974
Amortization of Bond Costs		12,327	
Depreciation	299,506	908,313	194,614
Total Operating Expenses	<u>\$ 12,480,812</u>	<u>\$ 3,647,465</u>	<u>\$ 1,679,153</u>
Operating Income (Loss)	\$ 993,531	\$ 4,196,543	\$ (553,505)
Nonoperating Revenues (Expenses):			
Investment Income	\$ 12,909	\$ 5,787	\$ 93
Gain (Loss) on Disposal of Fixed Assets			1,949
Interest Expense	(470)	(225,835)	(19,877)
Transfers to Other Funds	(1,082,600)	(614,700)	
Transfers from Other Funds			245,200
Gain (Loss) on Sale of Fixed Assets	1,150	41,440	3,300
Total Nonoperating Revenues (Expenses)	<u>\$ (1,069,011)</u>	<u>\$ (793,308)</u>	<u>\$ 230,665</u>
Changes in Net Assets	\$ (75,480)	\$ 3,403,235	\$ (322,840)
Total Net Assets - Beginning	5,172,302	17,103,885	1,395,233
Prior Period Adjustment			
Total Net Assets - Ending	<u>\$ 5,096,822</u>	<u>\$ 20,507,120</u>	<u>\$ 1,072,393</u>

The notes to the Financial Statements are an integral part of this statement.

				Governmental Activities Internal Service Fund
Landfill	EMS	Drainage	Totals	
			\$ 13,185,925	
			2,904,502	
			2,517,141	
			1,125,767	
\$ 2,351,269			2,351,269	
	\$ 1,309,073		1,309,073	
		\$ 76,744	76,744	
150			28,127	
		64,459	64,459	
			31,676	
7,114	249,720		2,907,845	\$ 1,603,641
<u>\$ 2,358,533</u>	<u>\$ 1,558,793</u>	<u>\$ 141,203</u>	<u>\$ 26,502,528</u>	<u>\$ 1,603,641</u>
\$ 805,933	\$ 958,368		\$ 4,301,848	
283,731	305,871		1,445,994	
16,415	6,870	\$ 321	401,132	
649,842	481,105	78	13,752,230	\$ 1,379,658
		1,749	14,076	
461,702	115,078	247,868	2,227,081	
<u>\$ 2,217,623</u>	<u>\$ 1,867,292</u>	<u>\$ 250,016</u>	<u>\$ 22,142,361</u>	<u>\$ 1,379,658</u>
\$ 140,910	\$ (308,499)	\$ (108,813)	\$ 4,360,167	\$ 223,982
\$ 12,482	\$ 69	\$ 1,213	\$ 32,553	\$ 561
			1,949	
	(1,853)	(7,763)	(255,798)	
(195,000)			(1,892,300)	
	221,292		466,492	
21,400	10,035		77,325	
<u>\$ (161,118)</u>	<u>\$ 229,543</u>	<u>\$ (6,550)</u>	<u>\$ (1,569,779)</u>	<u>\$ 561</u>
\$ (20,208)	\$ (78,956)	\$ (115,363)	\$ 2,790,388	\$ 224,543
1,003,968	467,127	2,285,421	27,427,936	(28,596)
<u>\$ 983,760</u>	<u>\$ 388,171</u>	<u>\$ 2,170,058</u>	<u>\$ 30,218,324</u>	<u>\$ 195,947</u>

City of Fredericksburg, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	<u>Enterprise Funds</u>	
	<u>Electric</u>	<u>Water</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 13,574,651	\$ 7,700,601
Cash Payments to Employees for Services	(1,077,130)	(1,430,114)
Cash Payments for Suppliers	(11,067,206)	(1,109,055)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,430,315</u>	<u>\$ 5,161,432</u>
Cash Flows from Non-capital Financing Activities		
Operating Transfers Out	\$ (1,082,600)	\$ (614,700)
Operating Transfers In		
Net Cash Provided (Used) by Non-capital Financing Activities	<u>\$ (1,082,600)</u>	<u>\$ (614,700)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	\$ (218,956)	\$ (4,199,117)
Capital Lease Proceeds		107,085
Principal Paid on Capital Debt	(37,520)	(1,426,046)
Interest Paid on Capital Debt	(470)	(225,835)
Proceeds from the Sale of Capital Assets	1,150	41,440
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (255,796)</u>	<u>\$ (5,702,473)</u>
Cash Flows from Investing Activities		
Interest Received on Investments	\$ 12,909	\$ 5,787
Net Cash Provided by Investing Activities	<u>\$ 12,909</u>	<u>\$ 5,787</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 104,828</u>	<u>\$ (1,149,954)</u>
Cash and Cash Equivalents, Beginning	<u>992,440</u>	<u>8,657,708</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,097,268</u>	<u>\$ 7,507,754</u>

The notes to the Financial Statements are an integral part of this statement

<u>Golf</u>	<u>Landfill</u>	<u>EMS</u>	<u>Drainage</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 1,125,648 (876,705) (694,340)	\$ 2,342,959 (1,086,672) (54,974)	\$ 1,471,079 (1,257,948) (255,719)	\$ 141,194 (1,978)	\$ 26,356,132 (5,728,569) (13,183,272)	\$ 1,601,209 (1,394,475)
<u>\$ (445,397)</u>	<u>\$ 1,201,313</u>	<u>\$ (42,588)</u>	<u>\$ 139,216</u>	<u>\$ 7,444,291</u>	<u>\$ 206,734</u>
	\$ (195,000)			\$ (1,892,300)	
<u>\$ 245,200</u>		<u>\$ 221,292</u>		<u>466,492</u>	
<u>\$ 245,200</u>	<u>\$ (195,000)</u>	<u>\$ 221,292</u>	<u>\$ -</u>	<u>\$ (1,425,808)</u>	<u>\$ -</u>
	\$ (998,297)	\$ (28,509) 28,507	\$ (124,475)	\$ (5,569,354) 135,592	
\$ (52,596) (19,877) 3,300	(222,302) 21,400	(62,725) (1,853) 10,035	(55,320) (7,763)	(1,856,509) (255,798) 77,325	
<u>\$ (69,173)</u>	<u>\$ (1,199,199)</u>	<u>\$ (54,545)</u>	<u>\$ (187,558)</u>	<u>\$ (7,468,744)</u>	<u>\$ -</u>
<u>\$ 94</u>	<u>\$ 12,482</u>	<u>\$ 69</u>	<u>\$ 1,214</u>	<u>\$ 32,555</u>	<u>\$ 561</u>
<u>\$ 94</u>	<u>\$ 12,482</u>	<u>\$ 69</u>	<u>\$ 1,214</u>	<u>\$ 32,555</u>	<u>\$ 561</u>
<u>\$ (269,276)</u>	<u>\$ (180,404)</u>	<u>\$ 124,228</u>	<u>\$ (47,128)</u>	<u>\$ (1,417,706)</u>	<u>\$ 207,295</u>
<u>(265,923)</u>	<u>1,408,110</u>	<u>(390,475)</u>	<u>193,671</u>	<u>10,595,531</u>	<u>76,870</u>
<u>\$ (535,199)</u>	<u>\$ 1,227,706</u>	<u>\$ (266,247)</u>	<u>\$ 146,543</u>	<u>\$ 9,177,825</u>	<u>\$ 284,165</u>

City of Fredericksburg, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	<u>Enterprise Funds</u>	
	<u>Electric</u>	<u>Water</u>
<u>Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	\$ 993,534	\$ 4,196,543
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	299,506	908,313
Amortization		12,327
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	100,305	(143,406)
Decrease (Increase) in Due from Other Funds	44,576	(163,495)
Decrease (Increase) in Inventories	9,404	(69,835)
Increase (Decrease) in Accounts Payable	(13,821)	390,715
Increase (Decrease) in Wages Payable	4,903	4,095
Increase (Decrease) in Interest Payable	(235)	(4,300)
Increase (Decrease) in Due to Other Funds	432	14,871
Increase (Decrease) in Due to Other Governments	(3,797)	1,193
Increase (Decrease) in Compensated Absences Payable	8,904	3,063
Increase (Decrease) in Landfill Closure Liability		
Increase (Decrease) in Other Current Liabilities	(13,396)	11,348
Net Cash Provided by (Used For) Operating Activities	<u>\$ 1,430,315</u>	<u>\$ 5,161,432</u>

The notes to the Financial Statements are an integral part of this statement.

<u>Golf</u>	<u>Landfill</u>	<u>EMS</u>	<u>Drainage</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ (553,504)	\$ 140,909	\$ (308,500)	\$ (108,812)	\$ 4,360,170	\$ 223,982
194,614	461,702	115,078	247,868	2,227,081	
			1,749	14,076	
	(15,574)	(87,714)	(9)	(146,398)	(2,432)
	44,576	216,898	(260)	142,295	(14,816)
(14,938)				(75,369)	
16,644	375,733	(16,294)	(1,182)	751,795	
992	2,992	6,291		19,273	
(7,043)	(1,308)	(145)	(137)	(13,168)	
(87,856)	4,246	763		(67,544)	
924	2,929	19,888		21,137	
1,736	(34)	11,147		24,816	
	183,642			183,642	
3,035	1,500			2,487	
<u>\$ (445,396)</u>	<u>\$ 1,201,313</u>	<u>\$ (42,588)</u>	<u>\$ 139,217</u>	<u>\$ 7,444,293</u>	<u>\$ 206,734</u>



NOTES TO THE FINANCIAL STATEMENTS

CITY OF FREDERICKSBURG, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fredericksburg, Texas (the "City") is a municipal corporation incorporated under Article XI, Section 4 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides such services as are authorized by its code of ordinances and its inhabitants. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

A. Discretely Presented Component Unit

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

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

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, Fredericksburg, Texas 78624.

B. Government-Wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *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.

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

C. 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 government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City has the following major governmental fund:

The **General Fund** – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following proprietary funds:

The **Electric Fund** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates electricity services.

The **Water and Sewer Fund** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates water and sewer services.

The **Golf Course Fund** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates a golf course facility.

The **Solid Waste Fund** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates a sanitary landfill.

The **Emergency Medical Service Fund (EMS)** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates Emergency Medical Services jointly with the County of Gillespie.

The **Drainage Utilities Fund** – is used to account for operations that are intended to be self-supporting through user charges. The City of Fredericksburg operates drainage utilities services.

Additionally, the government reports the following fund types:

Internal Service Funds account for Health Insurance services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

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 Enterprise Funds, and of the City's Internal Service Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund and Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

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

For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no balances that were considered "advanced to/from other funds" at September 30, 2015. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

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

3. Inventories and Prepaid Items

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

Inventories in the Enterprise Fund are valued at cost (first-in, first-out method).

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. (The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.) Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

5. Compensated Absences

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

6. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing

sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for the use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Use of Estimates

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

10. Reclassifications

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

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “*Various other reclassifications and eliminations*” The details of this \$54,962 difference are as follows:

Deferred Revenues	\$ 81,981
Accrued Interest Expense	<u>(27,019)</u>
Net adjustment to increase <i>fund balance - total governmental funds to arrive at net assets - governmental activities</i>	<u>\$ 54,962</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “*Various other reclassifications and eliminations*” The details of this \$(1,133) difference are as follows:

Reclass delinquent property taxes collected in current year	\$ <u>(1,133)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (1,133)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements.

1. At least 30 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The proposed budget includes estimated revenue and proposed expenditures for the General and Special Revenue Funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted on a fund basis by the City Council.
4. The City Council can adjust the budget during its formal City Council meetings.
5. Actual expenditures cannot exceed the legally-adopted budget.

6. Appropriations lapse at the end of the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
TexPool	\$449,532	30
Portfolio weighted average maturity (days)	\$449,532	30

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

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

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the City had cash deposits of \$16,792,627. The total fair market value of pledged securities held as collateral amounted to \$20,939,874. In addition, \$250,000 of the deposits are covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investments as of September 30, 2015, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard & Poor's

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

1. Obligations of the U.S., its agencies and instrumentalities;

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

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

Receivables

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

	Government Funds			Enterprise Funds			Totals
	General	Electric	Water	Landfill	EMS	Drainage	
Taxes	\$727,058						\$727,058
Due from Other Governments	925,828						925,828
Customer Accounts	60,248	\$1,251,206	\$649,617	\$194,860	\$641,626	\$6,849	2,804,406
Notes	33,250						33,250
Interest	-	-	10	14	-	-	24
Gross Receivables	1,746,384	1,251,206	649,627	194,874	641,626	6,849	4,490,566
Less: Allowance for Uncollectibles	(11,799)	(11,100)	(5,500)	(1,116)	(114,247)	(58)	(143,820)
Net Total Receivables	\$1,734,585	\$1,240,106	\$644,127	\$193,758	\$527,379	\$6,791	\$4,346,746

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

<u>General Fund – Deferred Revenues</u>	
Fines Receivable	\$ 53,610
Taxes Receivable – Delinquent	<u>90,475</u>
Total Deferred Revenues	\$ <u>144,085</u>

Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,954,743	\$ 689,927	\$ -	\$ 3,644,670
Total assets not being depreciated	<u>2,954,743</u>	<u>689,927</u>	<u>-</u>	<u>3,644,670</u>
Capital assets, being depreciated:				
Buildings	7,334,151	-	-	7,334,151
Improvements other than buildings	18,442,241	418,087	-	18,860,328
Equipment	7,449,852	733,177	701,137	7,481,892
Total capital assets being depreciated	<u>33,226,244</u>	<u>1,151,264</u>	<u>701,137</u>	<u>33,676,371</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>18,569,683</u>	<u>1,366,266</u>	<u>701,137</u>	<u>19,234,812</u>
Total capital assets being depreciated, net	<u>14,656,561</u>	<u>-215,002</u>	<u>-</u>	<u>14,441,559</u>
Governmental activities capital assets, net	<u>\$ 17,611,304</u>	<u>\$ 474,925</u>	<u>\$ -</u>	<u>\$ 18,086,229</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,068,323	\$ 14,671	\$ -	\$ 1,082,994
Total assets not being depreciated	<u>1,068,323</u>	<u>14,671</u>	<u>-</u>	<u>1,082,994</u>
Capital assets, being depreciated:				
Buildings	6,611,721	43,847	-	6,655,568
Improvements other than buildings	46,198,359	5,085,854	9,772	51,274,441
Equipment	9,055,106	424,982	878,274	8,601,814
Total capital assets being depreciated	<u>61,865,186</u>	<u>5,554,683</u>	<u>888,046</u>	<u>66,531,823</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>35,187,808</u>	<u>2,227,081</u>	<u>753,619</u>	<u>36,661,270</u>
Total capital assets being depreciated, net	<u>26,677,378</u>	<u>3,327,602</u>	<u>134,427</u>	<u>29,870,553</u>
Business-type activities capital assets, net	<u>27,745,701</u>	<u>3,342,273</u>	<u>134,427</u>	<u>30,953,547</u>
Total City Net Capital Assets	<u>\$ 45,357,005</u>	<u>\$ 3,817,198</u>	<u>\$ 134,427</u>	<u>\$ 49,039,776</u>

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

Governmental activities:		
Administrative	\$	128,617
Police		174,095
Fire		124,916
Streets		551,198
Parks		386,048
Health		392
Emergency Management		<u>1,000</u>
Total depreciation expense – governmental activities	\$	<u>1,366,266</u>
Business-type activities:		
Electric	\$	299,506
Water and Sewer		908,313
Golf		194,614
Landfill		461,702
EMS		115,078
Drainage Utilities		<u>247,868</u>
Total depreciation expense – business-type activities	\$	<u>2,227,081</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2015, is as follows:

General Fund	DUE TO	DUE FROM
Electric – In Lieu of Taxes		\$95,700
Water – In Lieu of Taxes		50,400
Landfill – In Lieu of Taxes		16,100
EMS	21,692	
Drainage	1,000	
Emergency Management	17,979	
Debt Service	4,145	
Hospitalization Insurance	26,791	
Electric Fund		
General Fund – In Lieu of Taxes	95,700	
Golf		910,363
Hospitalization Insurance	3,796	
Water & Sewer Fund		
General Fund – In Lieu of Taxes	50,400	
Hospitalization Insurance	6,644	
Golf Fund		
Electric	910,363	
Landfill	910,363	
Hospitalization	4,739	
Landfill		
General Fund – In Lieu of Taxes	16,100	
Golf		910,363
Hospitalization Insurance	5,450	
EMS		
General Fund		21,692
Hospitalization Insurance	4,676	
Drainage		
General Fund		1,000
Emergency Management		
General Fund		17,979
Hospitalization Insurance	372	
Debt Service		
General Fund		4,145
Hospitalization Insurance		
General Fund		26,791
Electric		3,796
Water & Sewer		6,644
Golf		4,739
Landfill		5,450
EMS		4,676
Emergency Management		372
Total Due To/Due From	<u>\$ 2,080,210</u>	<u>\$ 2,080,210</u>

The balances of \$910,363 due to the Electric Fund and the Solid Waste Fund represent amounts that were lent to the Golf Course to fund 2011-12 renovations to the Golf Course. The Note's terms include a 1% annual interest rate and a twenty year amortization period with a 10/1/2034 maturity date.

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

Interfund Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Electric	\$ 1,082,600	
Water & Sewer	614,700	
Landfill	195,000	
EMS		\$ 221,292
Golf		245,200
Electric Fund		
General Fund		1,082,600
Water and Sewer Fund		
General Fund		614,700
Landfill		
General Fund		195,000
EMS		
General Fund	221,292	
Golf		
General Fund	245,200	
Total Transfers	\$ <u>2,358,792</u>	\$ <u>2,358,792</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, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended September 30, 2015, the City made payments from various funds to the General Fund in lieu of taxes. GASB 34 requires that these payments be treated as transfers. Transfers were made from the following funds:

Electric	\$1,082,600
Water and Sewer	614,700
Landfill	<u>195,000</u>
	<u>\$1,892,300</u>

Capital Leases

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 were as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2015	289,890	429,708
2016	218,192	222,900
2017	218,191	106,449
2018	70,296	10,593
2019	70,296	10,163
2020	70,296	-
2021	<u>70,296</u>	<u>-</u>
Total minimum lease payments	1,007,457	779,813
Less: amount representing interest	<u>(42,279)</u>	<u>(26,903)</u>
Present value of minimum lease payments	<u>\$965,178</u>	<u>\$752,910</u>

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,848,739	\$ -	\$ 484,680	\$ 4,364,059	\$ 498,347
Total bonds payable	4,848,739	-	484,680	4,364,059	498,347
Capitalized leases	520,918	456,092	279,467	697,543	207,264
Compensated absences	591,365	75,378	-	666,743	-
Total governmental Activities	\$ 5,961,022	\$ 531,470	\$ 764,147	\$ 5,728,345	\$ 705,611
Business-type activities					
General obligation bonds:					
General obligation bonds	\$ 1,286,261	\$ -	\$ 300,319	\$ 985,942	\$ 301,653
Less: Unamortized issuance costs	(24,320)	-	(6,303)	(18,017)	-
Add: Unamortized premiums	3,729	-	746	2,983	-
Less: Deferred amount on refundings	(3,685)	-	(737)	(2,948)	-
Total bonds payable	1,261,985	-	294,025	967,960	301,653
Revenue Bonds and Notes					
Revenue bonds	6,500,000	-	-	6,500,000	275,000
Less: Unamortized issuance costs	(63,196)	-	(3,326)	(59,870)	-
Limited tax notes	1,145,000	-	1,145,000	-	-
Less: Unamortized issuance costs	(4,455)	-	(4,455)	-	-
Total revenue bonds & notes	7,577,349	-	1,137,219	6,440,130	275,000
Capitalized leases	715,555	139,038	413,826	440,767	216,311
Compensated absences	472,359	24,816	-	497,175	-
Total business-type Activities	\$ 10,027,248	\$ 163,854	\$ 1,845,070	\$ 8,346,032	\$ 792,964
Long-term liabilities	\$ 15,988,270	\$ 695,324	\$ 2,609,217	\$ 14,074,377	\$ 1,498,575

Governmental activities long-term liabilities at September 30, 2015, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
2010 General Obligation Refunding Bonds	\$ 3,604,164	1.00%-3.00%	\$ 1,534,059
2012 General Obligation Bonds	3,200,000	2.877%	2,830,000
			<u>\$ 4,364,059</u>

Compensated absences are generally liquidated by the General Fund. The funds utilized for the repayment of long-term liabilities for governmental activities are the Debt Service Fund and the General Fund.

Business-type activities long-term liabilities at September 30, 2015, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
2010 General Obligation Refunding Bonds	\$ 2,465,836	1.00% to 3.00%	\$ 235,941
2012 General Obligation Refunding Bonds	1,485,000	.50% to 1.35%	750,000
2013 Revenue Bonds	6,500,000	3.097%	6,500,000
			<u>\$ 7,485,941</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2015, are as follows:

September 30,	Principal	General Obligation Bonds Interest	Total
2016	498,347	123,732	622,079
2017	512,015	110,711	622,726
2018	530,015	95,445	625,460
2019	543,682	79,644	623,326
2020	145,000	63,512	208,512
2021-2025	800,000	251,027	1,051,027
2026-2030	925,000	126,952	1,051,952
2031-2032	410,000	11,940	421,940
	<u>\$ 4,364,059</u>	<u>\$ 862,963</u>	<u>\$ 5,227,022</u>

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2015, are as follows:

September 30,	Principal	General Obligation Bonds, Revenue Bonds, & Limited Tax Notes Interest	Total
2016	\$ 576,652	\$ 211,323	\$ 787,975
2017	592,986	198,634	791,620
2018	604,985	184,831	789,816
2019	361,318	172,175	533,493
2020	310,000	160,889	470,889
2021-2025	1,700,000	651,918	2,351,918
2026-2030	1,990,000	366,995	2,356,995
2031-2033	1,350,000	63,643	1,413,643
	<u>\$ 7,485,941</u>	<u>\$ 2,010,408</u>	<u>\$ 9,496,349</u>

Employee Retirement Systems

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMS 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 comprehensive annual financial report (CAFR) 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 benefits 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 the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2015 were as follows.

Employee deposit rate:	5%
Matching ratio (City to Employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitles to by not yet receiving benefits	44
Active employees	<u>163</u>
	288

Contributions

The contribution rates for employees in TMRS are either 5% 6%, or 7% of employees 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 5% of their annual gross earnings during the fiscal year. The contribution plan rates for the City were 10.26% and 10.00% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$881,632, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31st
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00%
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expenses 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 largest asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	<u>5.00%</u>	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7%. 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's 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	33,478,488	31,036,786	2,441,702
Changes for the year:			
Service cost	854,908	-	854,908
Interest	2,332,418	-	2,332,418
Changes of benefit term	-	-	-
Difference between expected and actual experience	(123,001)	-	(123,001)
Change of assumptions	-	-	-
Contributions- Employer	-	861,237	(861,237)
Contributions - Employee	-	429,608	(429,608)
Net Investment Income	-	1,775,433	(1,775,433)
Benefit payments, including refunds of employee contributions	(1,171,365)	(1,171,365)	-
Administrative expense	-	(18,537)	18,537
Other changes	-	(1,524)	1,524
Net changes	1,892,960	1,874,852	18,108
Balance at 12/31/2014	<u>35,371,448</u>	<u>32,911,638</u>	<u>2,459,810</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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1.0 % Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1.0% Increase in Discount Rate (8.0%)
City's Net Pension Liability:	\$7,175,102	\$2,459,810	\$(1,451,992)

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, 2015 the City recognized pension expenses of \$661,779.

At September 30, 2015, 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		\$(100,148)
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	\$317,714	
Contributions subsequent to the measurement date		
Total	\$317,714	\$(100,148)

\$534,767 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$56,575
2016	56,575
2017	56,575
2018	56,575
2019	(8,734)
Thereafter	-
Total	\$217,566

Texas Emergency Services Retirement System

Background and Reporting Entity

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

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of

existence since 1977. TESRS, which is under the authority of Title 8 Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

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

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

Schedule of Participating Department Allocations

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

Participating department contributions for the fiscal year ended August 31, 2015 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below:

- For newly participating departments, lump sum contributions were eliminated and contributions were annualized
- MTES contributions for legacy departments were eliminated
- Interest on contributions was eliminated
- 13th checks, which are passed directly through to the participants, were eliminated

Schedule of Collective Pension Amounts

TESRS has prepared the Schedule of Collective Pension Amounts. The collective pension expense based on TESRS's fiscal year ended August 31, 2015 is shown in the following table:

Service cost	\$1,694,230
Interest	8,470,723
Projected earnings on pension plan investments	(7,129,200)
Amortization of differences between projected and actual earnings on plan investments	939,562
Pension plan administrative expense	215,900
	<u>\$4,191,215</u>

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

Fiscal Year Ended August 31,	Net Deferred Outflows of Resources
2016	\$939,562
2017	939,561
2018	939,561
2019	2,084,417

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

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2015 and August 31, 2016 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2015 as shown in the schedule of participating department allocations. The City's allocation percentage is 0.639%.

Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is only reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2015.

Contingent Liabilities

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

Closure and Post-closure Care Costs

State and federal laws and regulations require that the City of Fredericksburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability must be recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill capacity used to date. Estimated liability for landfill closure and post-closure care costs has a balance of \$2,386,394 as of September 30, 2015, which is based on 95.5% usage of current open cells and 33.03% *usage of the entire landfill*. The landfill is expected to be filled to capacity in 2054. The estimated total current cost of the landfill closure and post-closure care is based on a third party completing the actual work. The amount includes costs for equipment, facilities, and services required to close, monitor, and maintain the landfill as if purchased at September 30, 2015. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Governmental Accounting Standards Board Statement #54

Beginning with fiscal year ended September 30, 2011, the Statement of Net Assets and Statement of Activities are presented in accordance with Governmental Accounting Standards Board Statement #54.

Prior Period Adjustment

There were no prior period adjustments for Fiscal Year 2015.

Subsequent Events Date Cutoff

The date for subsequent events cutoff is March 6, 2016.



REQUIRED SUPPLEMENTARY INFORMATION

**City of Fredericksburg, Texas
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015**

	Budgeted Amounts		GAAP Basis Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Revenues				
General Property Taxes	\$ 2,829,000	\$ 2,829,000	\$ 2,799,965	\$ (29,035)
General Sales and Use Taxes	4,700,000	4,900,000	5,166,572	266,572
Hotel Occupancy Taxes	2,400,000	2,400,000	2,504,457	104,457
Other Taxes	631,000	646,000	666,931	20,931
Licenses and Permits	189,500	189,500	222,639	33,139
Charges for Services	3,000	3,000	1,880	(1,120)
Fines	150,500	152,620	98,408	(54,212)
Pavilion and Camping Fees	390,500	390,500	374,900	(15,601)
Rentals	25,100	25,100	29,899	4,799
Intergovernmental Revenue	455,200	455,200	449,951	(5,249)
Grants	25,200	25,200	40,500	15,300
Investment Earnings	11,000	11,000	11,471	471
Other Revenues	357,100	438,600	482,000	43,400
Total Revenues	\$ 12,167,100	\$ 12,465,720	\$ 12,849,573	\$ 383,853
Expenditures				
Municipal Court	\$ 153,600.00	\$ 153,600.00	\$ 145,276	\$ 8,324
Engineering	212,600	212,600	200,949	11,651
Administration	955,500	984,500	1,015,060	(30,560)
Tourism	2,393,200	2,547,200	2,490,326	56,874
Police	3,828,100	3,876,100	3,716,215	159,885
Fire	706,300	706,300	684,405	21,895
Emergency Management	135,200	135,200	124,819	10,381
Streets	1,982,800	1,982,800	1,616,289	366,511
Parks	1,276,600	1,319,300	1,288,441	30,859
Health	167,400	167,400	162,001	5,399
Food and Wine Festival	155,800	155,800	192,221	(36,421)
Development Services	424,500	434,500	436,878	(2,378)
Debt Service				
Principal	287,300	287,300	279,467	7,833
Interest	11,500	11,500	10,423	1,077
Capital Outlays	845,000	1,763,091	1,333,370	429,721
Total Expenditures	\$ 13,535,400	\$ 14,737,191	\$ 13,696,140	\$ 1,041,051
Excess of Revenues Over (Under) Expenditures	\$ (1,368,300)	\$ (2,271,471)	\$ (846,567)	\$ 1,424,904
Other Financing Sources (Uses)				
Sale of Real and Personal Property	1,000	\$ 16,280	\$ 18,015	\$ 35,295
Transfers in	\$ 1,864,300	\$ 2,011,200	1,892,300	(118,900)
Transfers out	651,100	1,227,300	1,036,651	190,649
Total Other Financing Sources (Uses)	\$ 1,214,200	\$ 800,180	\$ 873,664	\$ (274,254)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (154,100)	\$ (1,471,291)	\$ 27,097	\$ 1,150,650
Fund Balances - Beginning	2,947,165	1,722,079	7,862,633	6,140,554
Fund Balances - Ending	\$ 2,793,065	\$ 250,788	\$ 7,889,730	\$ 7,638,942

The notes to the Financial Statements are an integral part of this statement.