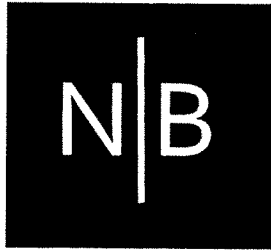


CITY OF BANDERA, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2022

CITY OF BANDERA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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# NEFFENDORF & BLOCKER, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of  
the City Council  
City of Bandera, Texas  
Bandera, TX 78003

### Report on the Audit of the Financial Statements

#### *Qualified and Unmodified Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bandera, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
Governmental Fund-General Fund	Qualified
Governmental Fund- Capital Projects Fund	Qualified
Governmental Fund- Debt Service Fund	Qualified
Aggregate Remaining Fund Information	Qualified

#### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Bandera, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions on the Aggregate Discretely Presented Component Unit

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the City of Bandera, Texas as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified and Unmodified Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bandera, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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## Matter Giving Rise to Qualified Opinion on the Governmental Activities, Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

In conducting our audit we encountered the following scope limitations with the governmental activities, business type activities, each major fund and the aggregate remaining fund information: no supporting documentation for journal entries recorded to cash and unreconciled pooled cash allocations. We were not able to obtain sufficient appropriate audit evidence through alternate procedures.

### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in Total Other Post-Employment Benefits Liability and Related Ratios on pages 4-8 and 39-47 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bandera, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the City of Bandera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bandera's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bandera's internal control over financial reporting and compliance.



NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas

September 28, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bandera, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2022. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,462,574 (net position). Of this amount, \$2,875,654 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net position increased by \$741,008 as a result of this year's operations.
- At September 30, 2022, the City's governmental funds reported combined ending fund balances of \$5,840,637, a decrease of \$1,185,405 in comparison with the prior year.
- At September 30, 2022, the City's Enterprise Funds reported unrestricted net position of \$681,101, an increase of \$313,283 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 through 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (general fund), Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in Total OPEB Liability and Related Ratios are presented as required supplementary information on page 40 through 47.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's water and sewer system and sanitation are reported as a business-type activity since the fees charged to customers cover the cost of services provided.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's utility fund (Water, Sewer, and Sanitation) is a business-type activity and provides both long and short-term financial information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities decreased from \$3,622,534 to \$2,807,894. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$2,194,553 at September 30, 2022. This decrease in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$1,185,405. Second the City acquired capital assets in the amount of \$387,725. Third, the City recorded depreciation in the amounts of \$172,071. Fourth, due to the entries required by GASB Statement No. 68 a decrease in expenses was necessary in the amount of \$73,556. Fifth, due to the entries required by GASB Statement No. 75 an increase in expenses was necessary in the amount of \$8,584.

Net position of the City's business-type activities increased from \$5,009,030 to \$6,654,680. Unrestricted net position was \$681,101 at September 30, 2022. This increase in business-type net position was the result of net income of \$1,555,650.

**Table I**  
**City of Bandera**

**NET POSITION**  
**In thousands**

	Governmental Activities		Business-Type Activities		TOTALS	
					Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Restricted Assets	\$ 9,346	\$ 9,859	\$ 882	\$ 458	\$ 10,228	\$ 10,317
Capital Assets	2,672	2,428	6,012	4,731	8,684	7,159
Net Pension Asset	288	130	99	51	387	181
Total Assets	\$ 12,306	\$ 12,417	\$ 6,993	\$ 5,240	\$ 19,299	\$ 17,657
Deferred Outflow of Resources						
Pension Plan	55	51	19	20	74	71
OPEB Plan	14	12	5	5	19	17
Total Deferred Outflows of Resources	\$ 69	\$ 63	\$ 24	\$ 25	\$ 93	\$ 88
Long-Term Liabilities	\$ 5,641	\$ 5,890	\$ 20	\$ -	\$ 5,661	\$ 5,890
OPEB Liability	90	78	31	30	121	108
Other Liabilities	3,680	2,821	257	109	3,937	2,930
Total Liabilities	\$ 9,411	\$ 8,789	\$ 308	\$ 139	\$ 9,719	\$ 8,928
Deferred Inflow of Resources						
Pension Plan	\$ 154	\$ 64	\$ 53	\$ 25	\$ 207	\$ 89
OPEB Plan	2	4	1	2	3	6
Total Deferred Inflows of Resources	\$ 156	\$ 68	\$ 54	\$ 27	\$ 210	\$ 95
Net Position:						
Net Investment in Capital Assets	\$ (3,159)	\$ 2,306	\$ 5,974	\$ 4,731	\$ 2,815	\$ 7,037
Restricted	3,772	122	-	-	3,772	122
Unrestricted	2,195	1,195	681	368	2,876	1,563
Total Net Position	\$ 2,808	\$ 3,623	\$ 6,655	\$ 5,099	\$ 9,463	\$ 8,722



**Table II  
City of Bandera**

**CHANGES IN NET POSITION  
In thousands**

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Property Taxes	\$ 496	\$ 505	\$	\$	\$ 496	\$ 505
Sales Tax	901	767			901	767
Other Taxes	253	183			253	183
Charges for Services	236	341	1,779	1,689	2,015	2,030
Miscellaneous	15	4	7	5	22	9
Grants and Contributions	77	99	26	40	103	139
Interest Earnings	35	4			35	4
<b>Total Revenue</b>	<b>\$ 2,013</b>	<b>\$ 1,903</b>	<b>\$ 1,812</b>	<b>\$ 1,734</b>	<b>\$ 3,825</b>	<b>\$ 3,637</b>
<b>Expenses:</b>						
General and Administrative	\$ 739	\$ 727	\$	\$	\$ 739	\$ 727
Marshal/Police Protection	451	458			451	458
Municipal Court	145	123			145	123
Fire Department Donation	8	8			8	8
Streets Department	156	272			156	272
Animal Control	1	1			1	1
Parks	184	195			184	195
Hotel/Motel	41	27			41	27
Water and Sewer	-	-	1,296	1,245	1,296	1,245
Debt Service - Interest	63	63	-	-	63	63
Capital Outlay	1,125	63			1,125	
<b>Total Expenses</b>	<b>\$ 2,913</b>	<b>\$ 1,937</b>	<b>\$ 1,296</b>	<b>\$ 1,245</b>	<b>\$ 4,209</b>	<b>\$ 3,119</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers & Capital Contributions	\$ (900)	\$ (34)	\$ 516	\$ 489	\$ (384)	\$ 455
Transfers	85	73	(85)	(73)		
Insurance Recovery	-	-	-	54		
Capital Contributions	-	-	1,125	64	1,125	64
<b>Net Change</b>	<b>(815)</b>	<b>39</b>	<b>1,556</b>	<b>534</b>	<b>741</b>	<b>519</b>
Net Position - Beginning	3,623	3,584	5,099	4,565	8,722	8,149
Prior Period Adjustment	-	-	-	-	-	-
<b>Net Position - Ending</b>	<b>\$ 2,808</b>	<b>\$ 3,623</b>	<b>\$ 6,655</b>	<b>\$ 5,099</b>	<b>\$ 9,463</b>	<b>\$ 8,668</b>

The cost of all governmental activities this year was \$2,913,372. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$495,527 because the other costs were paid by other taxes (\$1,154,646), user charges (\$236,490), grants (\$77,187), interest (\$34,683) and other miscellaneous revenues (\$15,200).

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$5,840,637, which is less than last year's total of \$7,026,042. Included in this year's total change in fund balance is an increase of \$27,814 in the City's General Fund. The increase in the General Fund balance was caused by the excess of revenues over expenditures and a prior period adjustment.

The City adopted the General Fund Budget. Actual revenues were more than budgeted amounts and actual expenditures were less than the budgeted amounts.

## CAPITAL ASSETS

At September 30, 2022, the City had the following amounts invested in capital assets, net of depreciation:

### CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2022	2021	2022	2021	2022	2021
	Land and Improvements	\$ 480,000	\$ 480,000	\$ 10,934	\$ 10,934	\$ 490,934
Buildings and Improvements	937,128	937,128	26,012	36,012	963,140	973,140
Infrastructure	2,419,257	2,419,257	7,064,275	6,847,475	9,483,532	9,266,732
Machinery & Equipment	408,599	462,480	321,239	334,596	729,838	797,076
Construction In Progress	669,249	281,524	1,799,802	610,090	2,469,051	891,614
Right-to-Use Leased Assets	28,698	-	54,741	-	83,439	-
Total Capital Assets	\$ 4,942,931	\$ 4,580,389	\$ 9,277,003	\$ 7,839,107	\$ 14,219,934	\$ 12,419,496
Less: Accumulated Depreciation	(2,267,496)	(2,152,881)	(3,258,005)	(3,107,895)	(5,525,501)	(5,260,776)
Less: Accumulated Amortization	(3,575)	-	(16,909)	-	(20,484)	-
Capital Assets, Net	\$ 2,671,860	\$ 2,427,508	\$ 6,002,089	\$ 4,731,212	\$ 8,673,949	\$ 7,158,720

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.

## DEBT

At September 30, 2022, the City had the following outstanding debt:

### OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2022	2021	2022	2021	2022	2021
	Bonds Payable	\$ 5,805,000	\$ 5,890,000	\$ -	\$ -	\$ 5,805,000
Right-to-Use Lease Liability	25,599	-	38,510	-	64,109	-
Total Outstanding Debt	\$ 5,830,599	\$ 5,890,000	\$ 38,510	\$ -	\$ 5,869,109	\$ 5,890,000

For business-type activities, the City paid \$88,099 in principal payments on long-term debt.

More detailed information about the City's long-term liabilities is presented in Notes H, I and J to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and tax rates. The major factors are the assessed property valuation and population growth. These indicators were taken into account when adopting the General Fund budget for 2023. Amounts available for appropriation in the General Fund budget are \$2,017,011 and expenditures are estimated to be \$2,005,011.

If these estimates are realized, the City's budgetary General fund balance will increase \$12,000 by the close of 2023.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Bandera, Texas.

CITY OF BANDERA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,199,225	\$ 679,406	\$ 1,878,631	\$ 617,806
Investments - Current	1,120,984	-	1,120,984	105,490
Accounts Receivable, Net	264,265	199,692	463,957	-
Due from Other Funds	-	-	-	131,525
Inventories	-	3,000	3,000	-
Temporarily Restricted Asset- TWDB FIF	5,184,133	-	5,184,133	-
Temporarily Restricted Asset- TWDB DWSRF	1,577,201	-	1,577,201	-
Capital Assets:				
Land	480,000	10,934	490,934	522,438
Buildings	937,128	36,012	973,140	30,455
Infrastructure	2,419,257	7,064,275	9,483,532	-
Machinery and Equipment	408,599	321,239	729,838	34,957
Accumulated Depreciation	(2,267,496)	(3,258,005)	(5,525,501)	(41,342)
Right-to-Use Lease Assets	28,698	54,741	83,439	-
Accumulated Depreciation - Right-to-Use Leases	(3,575)	(16,909)	(20,484)	-
Construction in Progress	669,249	1,799,802	2,469,051	-
Net Pension Asset	288,554	98,667	387,221	-
Total Assets	<u>12,306,222</u>	<u>6,992,854</u>	<u>19,299,076</u>	<u>1,401,329</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to Pension Plan	55,273	18,900	74,173	-
Deferred Outflow Related to OPEB	13,583	4,645	18,228	-
Total Deferred Outflows of Resources	<u>68,856</u>	<u>23,545</u>	<u>92,401</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	775,751	37,475	813,226	540
Wages and Salaries Payable	9,520	5,641	15,161	-
Compensated Absences Payable	14,045	4,531	18,576	-
Retainage Payable	50,145	-	50,145	-
Due to Others	215	39,290	39,505	-
Due to Component Unit	131,525	-	131,525	-
Accrued Interest Payable	10,183	-	10,183	-
Deferred Revenues	2,491,058	136,403	2,627,461	-
Other Current Liabilities	8,543	15,890	24,433	-
Noncurrent Liabilities:				
Due Within One Year	189,563	18,693	208,256	41,000
Due in More than One Year:				
Noncurrent Liabilities	5,641,036	19,817	5,660,853	-
Net OPEB Liability	89,594	30,635	120,229	-
Total Liabilities	<u>9,411,178</u>	<u>308,375</u>	<u>9,719,553</u>	<u>41,540</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to Pension Plan	154,036	52,671	206,707	-
Deferred Inflow Related to OPEB	1,970	673	2,643	-
Total Deferred Inflows of Resources	<u>156,006</u>	<u>53,344</u>	<u>209,350</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets and Lease Assets	2,646,261	5,973,579	8,619,840	546,508
Restricted for Capital Acquisition	3,521,853	-	3,521,853	-
Restricted for Special Revenue	250,227	-	250,227	-
Restricted for Economic Development	-	-	-	813,281
Unrestricted	(3,610,447)	681,101	(2,929,346)	-
Total Net Position	<u>\$ 2,807,894</u>	<u>\$ 6,654,680</u>	<u>\$ 9,462,574</u>	<u>\$ 1,359,789</u>

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

CITY OF BANDERA, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
City Council	\$ 6,265	\$ -	\$ -	\$ -
Administrator	300,788	-	-	-
City Secretary	196,694	-	-	-
Municipal Court	145,109	58,350	-	-
Finance Department	72,837	-	-	-
Marshal's Department	451,474	-	940	-
Fire Department	8,379	-	-	-
Code Compliance	142,806	1,242	-	-
Permitting Department	19,918	63,379	-	-
Streets Department	155,831	23,597	-	-
Animal Control	949	1,242	-	-
Parks Department	159,169	88,680	27,000	-
Seasonal Parks Department	24,531	-	-	-
Hotel/Motel	40,956	-	-	-
Interest on Debt and Right-to-Use Leases	62,884	-	-	-
Capital Outlay	1,124,784	-	34,169	-
Total Governmental Activities	2,913,372	236,490	62,109	-
BUSINESS-TYPE ACTIVITIES:				
Utility Fund	1,295,513	1,778,613	-	1,124,784
Total Business-Type Activities	1,295,513	1,778,613	-	1,124,784
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,208,887</b>	<b>\$ 2,015,103</b>	<b>\$ 62,109</b>	<b>\$ 1,124,784</b>
<b>Component Unit:</b>				
Economic Development Corporation	108,056	-	-	-
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 108,056</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- General Sales and Use Taxes
- Other Taxes
- Penalty and Interest on Taxes
- Grants and Contributions
- Miscellaneous Revenue
- Investment Earnings
- Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (6,265)	\$ -	\$ (6,265)	\$ -
(300,788)	-	(300,788)	-
(196,694)	-	(196,694)	-
(86,759)	-	(86,759)	-
(72,837)	-	(72,837)	-
(450,534)	-	(450,534)	-
(8,379)	-	(8,379)	-
(141,564)	-	(141,564)	-
43,461	-	43,461	-
(132,234)	-	(132,234)	-
293	-	293	-
(43,489)	-	(43,489)	-
(24,531)	-	(24,531)	-
(40,956)	-	(40,957)	-
(62,884)	-	(62,884)	-
(1,090,615)	-	(1,090,614)	-
(2,614,773)	-	(2,614,775)	-
-	1,607,884	1,607,884	-
-	1,607,884	1,607,884	-
(2,614,773)	1,607,884	(1,006,891)	-
-	-	-	(108,056)
-	-	-	(108,056)
436,260	-	436,260	-
59,267	-	59,267	-
901,320	-	901,320	415,408
253,326	-	253,326	-
3,875	-	3,875	-
15,078	25,986	41,064	-
11,325	6,780	18,105	10,121
34,683	-	34,683	1,408
85,000	(85,000)	-	-
1,800,134	(52,234)	1,747,900	426,937
(814,639)	1,555,650	741,008	318,881
3,622,534	5,099,030	8,721,564	1,040,908
\$ 2,807,894	\$ 6,654,680	\$ 9,462,572	\$ 1,359,789

CITY OF BANDERA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	Capital Projects Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 896,696	\$ -	\$ 58,137
Investments - Current	1,120,984	-	-
Taxes Receivable	26,913	-	3,601
Accounts Receivable, Net	210,470	-	-
Due from Other Funds	19,944	-	-
Temporarily Restricted Asset- TWDB FIF	-	5,184,133	-
Temporarily Restricted Asset- TWDB DWSRF	-	1,577,201	-
Total Assets	\$ 2,275,007	\$ 6,761,334	\$ 61,738
<b>LIABILITIES</b>			
Accounts Payable	\$ 89,655	\$ 678,334	\$ -
Wages and Salaries Payable	9,520	-	-
Retainage Payable	-	50,145	-
Due to Other Funds	-	19,944	-
Due to Others	215	-	-
Due to Component Unit	131,525	-	-
Deferred Revenues	-	2,491,058	-
Other Current Liabilities	8,543	-	-
Total Liabilities	239,458	3,239,481	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	26,913	-	3,601
Total Deferred Inflows of Resources	26,913	-	3,601
<b>FUND BALANCES</b>			
Restricted for Special Revenue	-	-	-
Restricted for Hotel/Motel	-	-	-
Capital Acquisition and Contractual Obligation	-	3,521,853	-
Retirement of Long-Term Debt	-	-	58,137
Assigned for Street Right of Ways	-	-	-
Unassigned Fund Balance	2,008,636	-	-
Total Fund Balances	2,008,636	3,521,853	58,137
Total Liabilities, Deferred Inflows & Fund Balances	\$ 2,275,007	\$ 6,761,334	\$ 61,738

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

Other Funds	Total Governmental Funds
\$ 244,392	\$ 1,199,225
-	1,120,984
-	30,514
15,381	225,851
-	19,944
-	5,184,133
-	1,577,201
<u>\$ 259,773</u>	<u>\$ 9,357,852</u>
\$ 7,762	\$ 775,751
-	9,520
-	50,145
-	19,944
-	215
-	131,525
-	2,491,058
-	8,543
<u>7,762</u>	<u>3,486,701</u>
-	30,514
-	30,514
34,052	34,052
158,038	158,038
-	3,521,853
-	58,137
59,921	59,921
-	2,008,636
<u>252,011</u>	<u>5,840,637</u>
<u>\$ 259,773</u>	<u>\$ 9,357,852</u>

CITY OF BANDERA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	5,840,637
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, 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 the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(3,462,492)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		475,824
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension asset of \$288,554, a deferred resource outflow of \$55,273 and a deferred resource inflow of \$154,036. The net effect of these was to increase net position by \$189,791.		189,791
The City is required under GASB Statement No. 75 to report their OPEB benefit plan through TMRS. The requirement resulted in an OPEB liability of \$89,594, a deferred resource outflow of \$13,583 and a deferred resource inflow of \$1,970. The net effect of these is to decrease net position by \$77,981.		(77,981)
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. Please note this includes the amortization of the right-to-use leased assets.		(172,071)
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, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		14,186
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,807,894</b>

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



CITY OF BANDERA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Capital Projects Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 445,868	\$ -	\$ 58,137
General Sales and Use Taxes	901,320	-	-
Hotel Occupancy Tax	-	-	-
Franchise Tax	119,488	-	-
Other Taxes	32,927	-	-
Penalty and Interest on Taxes	3,875	-	-
Licenses and Permits	60,895	-	-
Intergovernmental Revenue and Grants	812	61,169	-
Charges for Services	96,328	-	-
Fines	50,898	-	-
Investment Earnings	8,627	26,056	-
Rents and Royalties	500	-	-
Contributions & Donations from Private Sources	14,266	-	-
Other Revenue	11,923	-	-
Total Revenues	<u>1,747,727</u>	<u>87,225</u>	<u>58,137</u>
<b>EXPENDITURES:</b>			
Current:			
City Council	5,664	-	-
Administrator	274,039	-	-
City Secretary	186,991	-	-
Municipal Court	138,952	-	-
Finance Department	67,389	-	-
Marshal's Department	427,144	-	-
Fire Department	7,575	-	-
Code Compliance	137,729	-	-
Permitting Department	18,450	-	-
Streets Department	150,026	43,148	-
Animal Control	858	-	-
Parks Department	150,776	-	-
Seasonal Parks Department	22,177	-	-
Hotel/Motel	-	-	-
Debt Service:			
Principal on Debt and Right-to-Use Leases	3,099	-	85,000
Interest on Debt and Right-to-Use Leases	97	-	62,948
Capital Outlay:			
Capital Outlay	-	1,469,360	-
Total Expenditures	<u>1,590,966</u>	<u>1,512,508</u>	<u>147,948</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>156,761</u>	<u>(1,425,283)</u>	<u>(89,811)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	147,948
Transfers Out	(62,948)	-	-
Total Other Financing Sources (Uses)	<u>(62,948)</u>	<u>-</u>	<u>147,948</u>
Net Change in Fund Balances	93,813	(1,425,283)	58,137
Fund Balance - October 1 (Beginning)	1,980,822	4,947,136	-
Prior Period Adjustment	(65,999)	-	-
Fund Balance - September 30 (Ending)	<u>\$ 2,008,636</u>	<u>\$ 3,521,853</u>	<u>\$ 58,137</u>

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

Other Funds	Total Governmental Funds
\$ -	\$ 504,005
-	901,320
100,911	100,911
-	119,488
-	32,927
-	3,875
-	60,895
940	62,921
27,869	124,197
-	50,898
-	34,683
-	500
-	14,266
-	<u>11,923</u>
<u>129,720</u>	<u>2,022,809</u>
-	5,664
-	274,039
-	186,991
-	138,952
-	67,389
835	427,979
-	7,575
-	137,729
-	18,450
-	193,174
-	858
-	150,776
-	22,177
40,957	40,957
-	88,099
-	63,045
-	<u>1,469,360</u>
<u>41,792</u>	<u>3,293,214</u>
<u>87,928</u>	<u>(1,270,405)</u>
-	147,948
-	<u>(62,948)</u>
-	85,000
87,928	(1,185,405)
98,084	7,026,042
65,999	-
<u>\$ 252,011</u>	<u>\$ 5,840,637</u>

CITY OF BANDERA, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(1,185,405)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase the change in net position.		475,824
The entries required by GASB Statement No. 68 did require that some expenses on Exhibit B-1 be adjusted. Total credits to expenses were \$294,286 and total debits to expenses were \$220,730. The net effect on the change in net position on Exhibit B-1 is an increase of \$73,556.		73,556
The entries required by GASB Statement No. 75 did required that some expenses on Exhibit B-1 be adjusted. Total credits to expenses were \$5,250 and total debits to expenses were \$13,834. The net effect on the change in net position on Exhibit B-1 is a decrease of \$8,584.		(8,584)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(172,071)
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, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		2,040
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(814,640)</b>

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

CITY OF BANDERA, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

EXHIBIT D-1

	Business Type Activities
	Total Enterprise Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 679,406
Accounts Receivable, Net	199,692
Inventories	3,000
Total Current Assets	882,098
Noncurrent Assets:	
Capital Assets:	
Land	10,934
Buildings	36,012
Infrastructure	7,064,275
Machinery and Equipment	321,239
Accumulated Depreciation	(3,258,005)
Right-to-Use Lease Assets	54,741
Accumulated Depreciation - Right-to-Use Leases	(16,909)
Construction in Progress	1,799,802
Net Pension Asset	98,667
Total Noncurrent Assets	6,110,756
Total Assets	6,992,854
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	18,900
Deferred Outflow Related to OPEB	4,645
Total Deferred Outflows of Resources	23,545
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	37,475
Wages and Salaries Payable	5,641
Compensated Absences Payable	4,531
Due to Others	39,290
Deferred Revenues	136,403
Other Current Liabilities	15,890
Total Current Liabilities	239,230
Noncurrent Liabilities:	
Right-to-Use Lease Liabilities	38,510
Net OPEB Liability	30,635
Total Noncurrent Liabilities	69,145
Total Liabilities	308,375
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	52,671
Deferred Inflow Related to OPEB	673
Total Deferred Inflows of Resources	53,344
<b>NET POSITION</b>	
Net Investment in Capital Assets and Lease Assets	5,973,579
Unrestricted	681,101
Total Net Position	\$ 6,654,680

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

CITY OF BANDERA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-2

	Business-Type Activities
	Total Enterprise Funds
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 1,778,613
Other Revenue	6,780
Total Operating Revenues	1,785,393
<b>OPERATING EXPENSES:</b>	
Proprietary Fund Function - Water	
Personnel Services - Salaries and Wages	116,103
Personnel Services - Employee Benefits	40,784
Purchased Professional & Technical Services	17,673
Purchased Property Services	43,375
Other Operating Costs	71,353
Supplies	12,770
Total Proprietary Fund Function - Water	302,058
Proprietary Fund Function- Solid Waste	
Purchased Professional & Technical Services	481,959
Proprietary Fund Function- Wastewater	
Personnel Services - Salaries and Wages	121,529
Personnel Services - Employee Benefits	38,792
Purchased Professional & Technical Services	56,208
Purchased Property Services	55,813
Other Operating Costs	45,586
Supplies	13,191
Total Proprietary Fund Function- Wastewater	331,119
Depreciation	180,377
Total Operating Expenses	1,295,513
Operating Income	489,880
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Grants	25,986
Total NonOperating Revenue (Expenses)	25,986
Income Before Contributions & Transfers	515,866
Capital Contributions	1,124,784
Transfers Out	(85,000)
Change in Net Position	1,555,650
Total Net Position - October 1 (Beginning)	5,099,030
 Total Net Position - September 30 (Ending)	 \$ 6,654,680

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

CITY OF BANDERA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-3 (Cont'd)

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,767,254
Cash Received from Assessments - Other Funds	6,780
Cash Payments to Employees for Services	(335,415)
Cash Payments for Professional & Technical Service	(555,840)
Cash Payments for Suppliers	(25,961)
Cash Payments for Other Operating Expenses	(446,306)
Net Cash Provided by Operating Activities	410,512
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(Decrease) in Right-to-Use Lease Liability	38,510
Operating Transfer Out	(85,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(46,490)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,447,896)
Capital Contributed by Other Funds	1,124,784
Disposal of Capital Assets	(13,358)
Increase in Unearned Grant Revenue	136,403
Capital Grants	25,986
Net Cash Provided by (Used for) Capital and Related Financing Activities	(174,081)
Net Increase in Cash and Cash Equivalents	189,941
Cash and Cash Equivalents at Beginning of Year	489,465
Cash and Cash Equivalents at End of Year	\$ 679,406

CITY OF BANDERA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-3

	Business-Type Activities
	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 489,880
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	180,377
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(11,359)
Decrease (Increase) in Due from Other Funds	52,328
Increase (Decrease) in Accounts Payable	(1,436)
Increase (Decrease) in Payroll Deductions	3,294
Increase (Decrease) in Due to Others	(5,268)
Increase (Decrease) in Compensated Absences	(1,472)
Increase (Decrease) in Other Current Liabilities	2,967
Increase (Decrease) in Due to Other Funds	(275,000)
Increase (Decrease) in Intergovernmental Payable	(3,770)
Increase (Decrease) in OPEB Liability	(314)
Increase (Decrease) in Net Pension Liability	(19,715)
Net Cash Provided by Operating Activities	\$ 410,512

CITY OF BANDERA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bandera, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

- A. Reporting Entity – The City of Bandera, Texas ("City"), was incorporated in 1964. The City is a municipal corporation governed by an elected mayor and five members of the city council, and provides the following services: public safety (law enforcement), public transportation (streets), health, culture, recreation, public facilities, water and sewer, legal, election functions, and general administrative services.

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2022, the City had one component unit that is discretely presented in these financial statements:

Bandera Economic Development Corporation

The City appoints a voting majority to, and exerts significant control over, the Economic Development Corporation (EDC), a legally separate entity. This qualifies the EDC as a component unit, which is presented in a separate column in the government-wide financial statements. The EDC collects a ½ cent sales tax to promote the economic growth in the City of Bandera. The EDC issues standalone financial statements that can be obtained by contacting Bandera Economic Development Corporation at 511 Main Street, Bandera, Texas 78003

- B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Bandera nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.



The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

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

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources used for acquisition of major capital improvements.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Additionally, the City reports the following fund type(s):

**Special Revenue Fund** – Special Revenue Funds are used to account for resources which are legally or contractually restricted to specific expenditures.

Proprietary Fund:

**Enterprise Fund**- The Enterprise Fund is used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's enterprise fund is the Water, Sewer and Sanitation Fund (used to account for the operating activities of the City's water utilities, sewer services, and solid waste management).

The Proprietary Fund is accounted for using the accrual basis of account as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

E. Other Accounting Policies

1. In the government-wide 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts 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.

2. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
3. Investments – State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government-investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

4. Accounts Receivable – Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years’ levy are shown net of an allowance for uncollectible accounts in the amount of zero.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts, and billable services for the City’s water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

5. Short-term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”
6. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. 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.

Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	5-50
Buildings and Improvements	10-45
Machinery and Equipment	5-10

7. Compensated Absences – Employees earn vacation leave at varying rates depending on length of service: 5 days leave for year 1 (not available for use until first year of service is completed), an additional 5 days for each year from year 2 through 5, and an additional day per year of service thereafter up to a maximum of 20 days per year. Annual leave exceeding 5 days will not be carried over, except with City Administrator approval.

Employees earn sick leave at the rate of 1 day per month starting on date of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported

for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

8. The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
  - Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
  - Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
  - Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
  - Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

9. Deferred Inflows/ Deferred Outflows

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues are not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

10. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
11. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report.

12. Pensions. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense,

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

13. Other Post-Employment Benefits. GASB 75 requires the recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund.
14. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
15. **Implementation of GASB Statement No. 87.** As of October 1, 2021, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Additional disclosures required by this standard are included in Note J.

## NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2022, the carrying amount of the City's deposits was \$1,877,771 and the bank balance was \$1,836,630. The City's cash deposits held at September 30, 2022 and during the year ended September 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and

common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City was not in compliance with the requirements of the Act and with local policies.

The City's temporary investments at September 30, 2022, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Certificates of Deposit-				
Bandera Bank	\$ 460,853	460,853	500,000	-
Texas Partners Bank	326,914	326,914	250,000	120,000
TXN Bank	333,217	333,217	250,000	162,399
Total	\$ <u>1,120,984</u>	\$ <u>1,120,984</u>	\$ <u>1,000,000</u>	\$ <u>282,399</u>

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

B. Restricted Assets

Restricted assets consist of cash balances that are dedicated to the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
TWDB Flood Infrastructure Fund- Debt Proceeds	\$ 2,745,780	\$ -	\$ 2,745,780
TWDB Flood Infrastructure Fund- Loan Forgiveness	2,438,353	-	2,438,353
TWDB Drinking Water State Revolving Fund	1,577,201	-	1,577,201
Total Restricted Assets	\$ <u>6,761,334</u>	\$ -	\$ <u>6,761,334</u>

C. Property Taxes

Property taxes are levied by October 1 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 the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City contracted with the Bandera County Appraisal District for the appraisal of taxes and Bandera County Tax Assessor for the collection of taxes. For the 2021 tax roll, the assessed valuation was \$123,723,577. The tax rate was \$.45364 per \$100 valuation (\$.4001 for maintenance and operations and \$.05354 for interest and sinking).

D. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and receivable to be \$79,002. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$71,102, resulting in a net receivable of \$7,900.

E. Land, Structures and Equipment-Enterprise Funds

A summary of changes in fixed assets for the enterprise funds appears below:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
<b>Business-Type Activities:</b>				
Land	\$ 10,934	\$	\$	\$ 10,934
Buildings	36,012			36,012
Infrastructure	6,847,475	216,800		7,064,275
Machinery & Equipment	334,596		(13,357)	321,239
Construction in Progress	610,090	1,189,712		1,799,802
Total Assets	7,839,107	1,406,512	(13,357)	9,232,262
<b>Less Accumulated Depreciation</b>				
Buildings	(36,012)			(36,012)
Infrastructure	(2,846,085)	(140,233)		(2,986,318)
Machinery & Equipment	(225,798)	(23,234)	13,357	(235,675)
Total Accumulated Depreciation	(3,107,895)	(163,467)	13,357	(3,258,005)
Total Assets being Depreciated, Net	4,731,212	1,243,045	-	5,974,257
<b>Right-to-Use Lease Assets being, Amortized</b>				
Equipment	54,741			54,741
Total Right-to-Use Lease Assets	54,741	-	-	54,741
<b>Less Accumulated Amortization</b>				
Equipment	-	(16,909)		(16,909)
Total Accumulated Amortization	-	(16,909)	-	(16,909)
Total Right-to-Use Lease Assets being Amortized	54,741	(16,909)	-	37,832
Business-Type Activities Fixed Assets, Net	\$ 4,785,953	\$ 1,226,136	\$ -	\$ 6,012,089

F. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2022, was as follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
<b>Governmental Activities:</b>				
Land	\$ 480,000	\$	\$	\$ 480,000
Buildings and Improvements	937,128			937,128
Infrastructure	2,419,257			2,419,257
Machinery & Equipment	462,478		(53,879)	408,599
Construction in Progress	281,524	387,725		669,249
Total Assets	4,580,387	387,725	(53,879)	4,914,233
<b>Less Accumulated Depreciation</b>				
Buildings	(402,921)	(36,810)		(439,731)
Infrastructure	(1,343,385)	(108,473)		(1,451,858)
Machinery & Equipment	(406,573)	(23,213)	53,879	(375,907)
Total Accumulated Depreciation	(2,152,879)	(168,496)	53,879	(2,267,496)
Total Assets being Depreciated, Net	2,427,508	219,229	-	2,646,737
<b>Right-to-Use Lease Assets being, Amortized</b>				
Equipment	28,698			28,698
Total Right-to-Use Lease Assets	28,698	-	-	28,698
<b>Less Accumulated Amortization</b>				
Equipment	-	(3,575)		(3,575)
Total Accumulated Amortization	-	(3,575)	-	(3,575)
Total Right-to-Use Lease Assets being Amortized	28,698	(3,575)	-	25,123
Governmental Activities Capital Assets, Net	\$ 2,456,206	\$ 215,654	\$ -	\$ 2,671,860

Depreciation expense was charged to the governmental functions as follows:

City Council	\$	601
Administrator		29,081
City Secretary		19,844
Municipal Court		14,746
Finance Department		7,151
Marshal's Department		45,329
Fire Department		804
Code Compliance		14,616
Permitting Department		1,958
Streets Department		15,921
Animal Control		91
Parks Department		16,000
Seasonal Parks Department		2,354
Total Depreciation Expense	\$	<u>168,496</u>

G. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time.

Deferred outflows on the Statement of Net Position consists of the TMRS pension deferred outflow of \$74,173 (see note K) and the TMRS OPEB deferred outflow of \$18,228 (see note L).

Deferred inflows on the Statement of Net Position consists of the TMRS pension deferred inflow of \$206,707 (see note K), the TMRS OPEB deferred inflow of \$2,643 (see note L).

Deferred inflows on the Balance Sheet-Governmental Funds consist of:

		Delinquent Property Tax
General Fund	\$	26,913
Debt Service Fund		3,601
Total Deferred Inflows- Exhibit C-1	\$	<u>30,514</u>

H. Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended September 30, 2022 follows:

Description	Amounts Outstanding 10/1/21	Additions	Deletions	Amounts Outstanding 9/30/22	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable</b>					
Certificates of Obligation					
Series 2018	\$ 2,920,000	\$ -	\$ (85,000)	\$ 2,835,000	\$ 85,000
Series 2021	<u>2,970,000</u>	-	-	<u>2,970,000</u>	<u>99,000</u>
Subtotal	\$ 5,890,000	\$ -	\$ (85,000)	\$ 5,805,000	\$ 184,000
Right-to-Use Lease Liability	28,698	-	(3,099)	25,599	5,563
Total OPEB Liability	77,644	13,374	(1,424)	89,594	-
Compensated Absences	<u>25,000</u>	-	<u>(10,955)</u>	<u>14,045</u>	-
Total Governmental Activities	\$ <u>6,021,342</u>	\$ <u>13,374</u>	\$ <u>(100,478)</u>	\$ <u>5,934,238</u>	\$ <u>189,563</u>
<b>Business-Type Activities:</b>					
Right-to-Use Lease Liability					
Right-to-Use Lease Liability	54,741	-	(16,231)	38,510	18,693
Total OPEB Liability	30,182	928	(475)	30,635	-
Compensated Absences	<u>6,003</u>	-	<u>(1,472)</u>	<u>4,531</u>	-
Total Business Type Activities	\$ <u>90,926</u>	\$ <u>928</u>	\$ <u>(18,178)</u>	\$ <u>73,676</u>	\$ <u>18,693</u>



I. Long-term Debt

The City issued \$3,000,000 Combination Tax & Surplus Revenue Certificates of Obligation, Series 2018 for the purpose of paying contractual obligations incurred in connection with constructing improvements and extensions to the City's water system. The Certificates were issued at an interest rate of 1.02% to 2.46%. The Certificates are payable from the levy and collection of ad valorem taxes and from a pledge of the City's surplus water and sewer system revenues. The financial assistance from the Texas Water Development Board consisted of a loan in the amount of \$3,000,000.

The City issued \$2,970,000 Combination Tax & Surplus Revenue Certificates of Obligation, Series 2021 for the purpose of paying contractual obligations incurred for the purpose of planning, designing, constructing, and installing flood drainage improvements throughout the City along with related infrastructure and for paying professional services for legal, fiscal, and engineering fees in connection with this project. The Certificates were issued at 0% interest. The Certificates are payable from the levy and collection of ad valorem taxes and from a pledge of the City's surplus water and sewer system revenues.

Debt service requirements are as follows:

Year Ended September 30	Bonds Payable		Total
	Principal	Interest	
2023	184,000	61,903	245,903
2024	184,000	60,725	244,725
2025	184,000	59,425	243,425
2026	184,000	58,014	242,014
2027	189,000	56,460	245,460
2028-2032	965,000	255,219	1,220,219
2033-2037	1,025,000	200,739	1,225,739
2038-2042	1,090,000	134,796	1,224,796
2043-2047	1,160,000	59,230	1,219,230
2048-2052	640,000	1,783	641,783
	<u>\$ 5,805,000</u>	<u>\$ 948,294</u>	<u>\$ 6,753,294</u>

J. LEASES PAYABLE

The City has entered into multiple agreements that are considered "right-to-use" leases. The leases are for City equipment (backhoe and copiers).

Annual requirements to amortize leases payable and related interest are as follows:

Governmental Activities:

Year Ended September 30	Lease Liability		Total
	Principal	Interest	
2023	5,563	98	5,661
2024	5,563	159	5,722
2025	5,601	121	5,722
2026	5,640	83	5,723
2027	3,232	44	3,276
	<u>\$ 25,599</u>	<u>\$ 505</u>	<u>\$ 26,104</u>

Business-Type Activities:

Year Ended September 30	Lease Liability		Total
	Principal	Interest	
2023	18,693	82	18,775
2024	5,563	159	5,722
2025	5,601	121	5,722
2026	5,640	83	5,723
2027	3,013	44	3,057
	<u>\$ 38,510</u>	<u>\$ 489</u>	<u>\$ 38,999</u>

K. RETIREMENT PLAN

Plan Description

The City of Bandera, Texas participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2021</u>
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

***Employees covered by benefit terms.***

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>19</u>
	70

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Bandera, Texas were required to contribute 7% of their annual gross earnings

during the fiscal year. The contribution rates for the City of Bandera, Texas were 11.31% and 11.17% in calendar years 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$102,555, and were equal to the required contributions.

#### Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Market:	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
<b>Total</b>	<b>100.0%</b>	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Schedule of Changes in Net Pension Liability/(Asset)

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2020	\$ 2,862,117	\$ 3,042,584	\$ (180,467)
Changes for the year:			
Service cost	161,291		161,291
Interest	193,718		193,718
Changes of Benefit Terms	-		-
Difference between Expected and Actual Experience	(7,515)		-
Changes in Assumptions	-		-
Contributions - Employer		98,552	(98,552)
Contributions - Employee		60,996	(60,996)
Net investment income		396,523	(396,523)
Benefit Payments, Including Refunds of Employee Contributions	(145,718)	(145,718)	-
Administrative Expense		(1,835)	1,835
Other Changes		13	(13)
Net Changes	201,776	408,530	(199,240)
Balances as of December 31, 2021	\$ 3,063,893	\$ 3,451,114	\$ (387,221)

#### Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
City's Net Pension Liability	\$ 55,985	\$ (387,221)	\$ (747,529)

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

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

For the year ended September 30, 2022, the City recognized pension expense of \$9,284.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,719	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	202,988	-
Contributions made subsequent to measurement date	-	74,173
	<u>\$ 206,707</u>	<u>\$ 74,173</u>

\$74,173 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, 2022. 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:	
2022	\$ (41,045)
2023	(84,558)
2024	(42,876)
2025	(38,228)
2026	-
Thereafter	-
Total	<u>\$ (206,707)</u>

#### L. Defined Other Post-Employment Benefit Plan

**Benefit Plan Description.** Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The plan is a cost-sharing multiple-employer defined benefit group life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. The death benefit for active Members provides a lump-sum payment approximately equal to the Member’s annual salary (calculated based on the Member’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all Members covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree death on a pay-as-you-go basis.

All eligible employees of the city are required to participate in the SDBF.

The City’s contributions to the TMRS SDBF for the year ended 2022 and 2021 were \$5,215 and \$4,221 respectively, which equaled the required contributions each year.

#### **Employees covered by benefit terms.**

At the December 31, 2021 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	8
Active Employees	19
Total	<u>39</u>

#### Total OPEB Liability

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined

by an actuarial valuation as of that date.

**Actuarial assumptions:**

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate*	1.84%
Retirees' share of benefit-related cost	\$0
Administrative Expenses	All administrative expenses are paid through the Pension trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Discount Rate

Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

Covered Payroll	\$ 871,372
Total OPEB Liability- Beginning of Year	107,826
Changes for the year	
Service Cost	5,141
Interest on Total OPEB Liability	2,168
Changes of benefit terms	-
Differences between expected and actual experience	5,500
Changes in assumptions or other inputs	3,602
Benefit Payments**	<u>(4,008)</u>
Net Changes	<u>12,403</u>
Total OPEB Liability- End of Year	120,229
 Total OPEB Liability as a Percentage of Covered Payroll	 13.80%

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

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 1.84%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease (0.84%)	Current Discount Rate (1.84%)	1% Increase (2.84%)
City's Total OPEB Liability	\$ 147,112	\$ 120,229	\$ 99,983

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2022, the City recognized OPEB expense of \$14,521.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,643	\$ 3,993
Changes in assumption and other inputs	-	11,247
Contributions made subsequent to measurement date		2,988
Total	\$ 2,643	\$ 18,228

\$2,988 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 7,496
2023	3,481
2024	1,620
2025	-
2026	-
Thereafter	-
Total	\$ 12,597

M. Interfund Receivable and Payables

Interfund balances at September 30, 2022, consisted of the following:

	Receivable	Payable
<u>General Fund-</u>		
Capital Projects Fund	\$ 19,944	\$
Component Unit		131,525
<u>Capital Projects Fund-</u>		
General Fund		19,944
<u>Component Unit-</u>		
General Fund	131,525	
	\$ 151,469	\$ 151,469

N. Utility Agreements

The City entered into a contract with Republic Services for garbage collection services. Fees are billed monthly to the City based upon a fee schedule included in the contract. During the year ended September 30, 2022, payments made by the City under the contract totaled \$481,959.

O. Risk Management

The City's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

P. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Q. Unearned Revenues

Unspent Coronavirus State and Local Fiscal Recovery funds in the amount of \$197,461 are classified as deferred revenues in the General Fund and the utility fund. These funds are for response to the COVID-19 public health emergency.

Unspent Texas Water Development Board Loan Forgiveness funds in the amount of \$2,430,000 are classified as unearned revenue in the Capital Projects Fund. The funds are for the completion of the flood infrastructure project.

R. Prior Period Adjustment

On October 1, 2021, the City evaluated the special revenues collected and reclassified restricted fund balance from the general fund into special revenue funds. This adjustment required a prior period adjustment to the General Fund totaling \$65,999 and \$65,999 to the newly created special revenue funds. The net effect to total governmental funds is \$0.

S. Subsequent Events

The City has evaluated subsequent events through September 28, 2023, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BANDERA, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 420,298	\$ 420,298	\$ 445,868	\$ 25,570
General Sales and Use Taxes	625,000	625,000	901,320	276,320
Franchise Tax	117,500	117,500	119,488	1,988
Other Taxes	20,000	20,000	32,927	12,927
Penalty and Interest on Taxes	56,659	56,659	3,875	(52,784)
Licenses and Permits	82,146	82,146	60,895	(21,251)
Intergovernmental Revenue and Grants	15,000	15,000	812	(14,188)
Charges for Services	165,312	165,312	96,328	(68,984)
Fines	60,000	60,000	50,898	(9,102)
Investment Earnings	11,000	11,000	8,627	(2,373)
Rents and Royalties	500	500	500	-
Contributions & Donations from Private Sources	-	-	14,266	14,266
Other Revenue	150,820	150,820	11,923	(138,897)
<b>Total Revenues</b>	<b>1,724,235</b>	<b>1,724,235</b>	<b>1,747,727</b>	<b>23,492</b>
<b>EXPENDITURES:</b>				
Current:				
City Council	8,385	8,385	5,664	2,721
Administrator	331,468	343,149	274,039	69,110
City Secretary	154,885	186,698	186,991	(293)
Municipal Court	128,817	139,834	138,952	882
Finance Department	83,675	72,658	67,389	5,269
Marshal's Department	450,760	413,896	427,144	(13,248)
Fire Department	7,500	7,500	7,575	(75)
Code Compliance	89,600	139,044	137,729	1,315
Permitting Department	19,420	19,420	18,450	970
Streets Department	229,225	216,645	150,026	66,619
Animal Control	3,600	3,600	858	2,742
Parks Department	188,575	156,762	150,776	5,986
Seasonal Parks Department	28,325	28,325	22,177	6,148
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	3,099	(3,099)
Interest on Debt and Right-to-Use Leases	-	-	97	(97)
<b>Total Expenditures</b>	<b>1,724,235</b>	<b>1,735,916</b>	<b>1,590,966</b>	<b>144,950</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(11,681)	156,761	168,442
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	-	-	(62,948)	(62,948)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(62,948)</b>	<b>(62,948)</b>
Net Change in Fund Balances	-	(11,681)	93,813	105,494
Fund Balance - October 1 (Beginning)	1,980,822	1,980,822	1,980,822	-
Prior Period Adjustment	-	-	(65,999)	(65,999)
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 1,980,822</b>	<b>\$ 1,969,141</b>	<b>\$ 2,008,636</b>	<b>\$ 39,495</b>

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

CITY OF BANDERA, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
<b>A. Total Pension Liability</b>			
Service Cost	\$ 161,291	\$ 182,482	\$ 176,266
Interest (on the Total Pension Liability)	193,718	180,083	167,539
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(7,515)	(15,120)	(17,486)
Changes of Assumptions	-	-	(5,647)
Benefit Payments, Including Refunds of Employee Contributions	(145,718)	(123,977)	(151,887)
Net Change in Total Pension Liability	\$ 201,776	\$ 223,468	\$ 168,785
Total Pension Liability - Beginning	2,862,117	2,638,649	2,469,864
Total Pension Liability - Ending	\$ 3,063,893	\$ 2,862,117	\$ 2,638,649
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 98,552	\$ 106,211	\$ 100,945
Contributions - Employee	60,996	68,713	67,944
Net Investment Income	396,523	211,017	370,211
Benefit Payments, Including Refunds of Employee Contributions	(145,718)	(123,977)	(151,887)
Administrative Expense	(1,835)	(1,366)	(2,094)
Other	13	(53)	(63)
Net Change in Plan Fiduciary Net Position	\$ 408,531	\$ 260,545	\$ 385,056
Plan Fiduciary Net Position - Beginning	3,042,584	2,782,039	2,396,983
Plan Fiduciary Net Position - Ending	\$ 3,451,115	\$ 3,042,584	\$ 2,782,039
<b>C. Net Pension Liability (Asset)</b>	\$ (387,222)	\$ (180,467)	\$ (143,390)
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	112.64%	106.31%	105.43%
<b>E. Covered Payroll</b>	\$ 871,372	\$ 981,613	\$ 970,627
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	(44.44%)	(18.38%)	(14.77%)

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	156,901	\$ 133,649	\$ 115,052	\$ 105,027	\$ 92,055
	153,681	139,654	131,450	129,866	125,838
	-	-	-	-	-
	8,989	22,573	(42,351)	(59,432)	(55,268)
	-	-	-	22,547	-
	(96,028)	(103,364)	(80,432)	(141,267)	(81,879)
\$	223,543	\$ 192,512	\$ 123,719	\$ 56,741	\$ 80,746
	2,246,321	2,053,809	1,930,090	1,873,349	1,792,603
\$	2,469,864	\$ 2,246,321	\$ 2,053,809	\$ 1,930,090	\$ 1,873,349
\$	81,995	\$ 71,944	\$ 70,443	\$ 68,224	\$ 80,188
	60,714	54,646	50,337	43,246	39,471
	(72,525)	292,075	131,111	2,906	104,581
	(96,028)	(103,364)	(80,432)	(141,267)	(81,879)
	(1,403)	(1,516)	(1,481)	(1,770)	(1,092)
	(75)	(77)	(80)	(87)	(90)
\$	(27,322)	\$ 313,708	\$ 169,898	\$ (28,748)	\$ 141,179
	2,424,305	2,110,597	1,940,699	1,969,447	1,828,268
\$	2,396,983	\$ 2,424,305	\$ 2,110,597	\$ 1,940,699	\$ 1,969,447
\$	72,881	\$ (177,984)	\$ (56,788)	\$ (10,609)	\$ (96,098)
	97.05%	107.92%	102.77%	100.55%	105.13%
\$	867,337	\$ 780,661	\$ 678,770	\$ 617,805	\$ 563,871
	8.40%	(22.80%)	(8.37%)	(1.72%)	(17.04%)

CITY OF BANDERA, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2022

	2022	2021	2020
Actuarially Determined Contribution	\$ 102,555	\$ 98,649	\$ 104,246
Contributions in Relation to the Actuarially Determined Contributions	(102,555)	(98,649)	(104,246)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 914,987	\$ 883,628	\$ 973,348
Contributions as a Percentage of Covered Payroll	11.21%	11.16%	10.71%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2019	2018	2017	2016	2015
\$	97,594	\$ 75,805	\$ 70,242	\$ 73,228	66,553
	(97,594)	(75,805)	(70,242)	(73,228)	(66,553)
\$	-	\$ -	\$ -	\$ -	-
\$	967,448	\$ 819,793	\$ 739,384	\$ 720,301	551,758
	10.09%	9.25%	9.50%	10.16%	12.06%

CITY OF BANDERA, TEXAS  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2022

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year.

CITY OF BANDERA, TEXAS  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
<b>Total OPEB Liability</b>			
Service Cost	\$ 5,141	\$ 4,614	\$ 3,106
Interest on the Total OPEB Liability	2,168	2,645	2,861
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	5,500	(5,641)	(1,187)
Changes of Assumptions	3,602	12,928	14,706
Benefit Payments*	(4,008)	(1,178)	(1,165)
Net Change in Total OPEB Liability	12,403	13,368	18,321
Total OPEB Liability - Beginning	107,826	94,458	76,137
Total OPEB Liability - Ending	\$ 120,229	\$ 107,826	\$ 94,458
<b>Covered Payroll</b>	\$ 871,372	\$ 981,613	\$ 970,627
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	13.80%	10.98%	9.73%

\*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.



	FY 2019 Plan Year 2018		FY 2018 Plan Year 2017
\$	5,551	\$	4,606
	2,592		2,505
	-		-
	(1,928)		-
	(4,996)		5,484
	(1,214)		(859)
	5		11,736
	76,132		64,396
\$	76,137	\$	76,132
\$	867,337	\$	780,661
	8.78%		9.75%

CITY OF BANDERA, TEXAS  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2022

**Valuation Date:**

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

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

Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation.
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3-year set-forward for males. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021

**Other Information:**

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

CITY OF BANDERA, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2022

	Hotel Motel Tax	Street Maintenance Fund	LEOSE Fund	Municipal Crt Security Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 150,419	\$ 59,921	\$ 453	\$ 11,643
Accounts Receivable, Net	15,381	-	-	-
Total Assets	<u>\$ 165,800</u>	<u>\$ 59,921</u>	<u>\$ 453</u>	<u>\$ 11,643</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,762	\$ -	\$ -	\$ -
Total Liabilities	<u>7,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Restricted for Special Revenue	-	-	453	11,643
Restricted Fund Balance:				
Restricted for Hotel/Motel	158,038	-	-	-
Assigned for Street Right of Ways	-	59,921	-	-
Total Fund Balances	<u>158,038</u>	<u>59,921</u>	<u>453</u>	<u>11,643</u>
Total Liabilities and Fund Balances	<u>\$ 165,800</u>	<u>\$ 59,921</u>	<u>\$ 453</u>	<u>\$ 11,643</u>

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

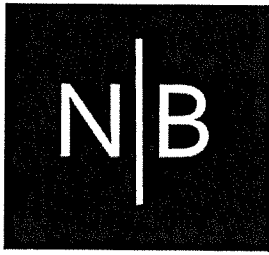
Municipal Crt Technology Fund	Truancy Prevention Fund	Marshal Seizure Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 12,258	\$ 4,125	\$ 5,573	\$ 244,392	\$ 244,392
-	-	-	15,381	15,381
<u>\$ 12,258</u>	<u>\$ 4,125</u>	<u>\$ 5,573</u>	<u>\$ 259,773</u>	<u>\$ 259,773</u>
\$ -	\$ -	\$ -	\$ 7,762	\$ 7,762
-	-	-	7,762	7,762
12,258	4,125	5,573	34,052	34,052
-	-	-	158,038	158,038
-	-	-	59,921	59,921
<u>12,258</u>	<u>4,125</u>	<u>5,573</u>	<u>252,011</u>	<u>252,011</u>
<u>\$ 12,258</u>	<u>\$ 4,125</u>	<u>\$ 5,573</u>	<u>\$ 259,773</u>	<u>\$ 259,773</u>

CITY OF BANDERA, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Hotel Motel Tax	Street Maintenance Fund	LEOSE Fund	Municipal Crt Security Fund
<b>REVENUES:</b>				
Taxes:				
Hotel Occupancy Tax	\$ 100,911	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	940	-
Charges for Services	-	23,576	-	1,527
Total Revenues	<u>100,911</u>	<u>23,576</u>	<u>940</u>	<u>1,527</u>
<b>EXPENDITURES:</b>				
Marshal's Department	-	-	834	-
Parks Department:				
Hotel/Motel	<u>40,957</u>	-	-	-
Total Expenditures	<u>40,957</u>	<u>-</u>	<u>834</u>	<u>-</u>
Net Change in Fund Balance	59,954	23,576	106	1,527
Fund Balance - October 1 (Beginning)	98,084	-	-	-
Prior Period Adjustment	-	36,345	347	10,116
Fund Balance - September 30 (Ending)	<u>\$ 158,038</u>	<u>\$ 59,921</u>	<u>\$ 453</u>	<u>\$ 11,643</u>

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

Municipal Crt Technology Fund	Truancy Prevention Fund	Marshal Seizure Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 100,911	\$ 100,911
-	-	-	940	940
<u>1,293</u>	<u>1,473</u>	-	<u>27,869</u>	<u>27,869</u>
<u>1,293</u>	<u>1,473</u>	-	<u>129,720</u>	<u>129,720</u>
-	-	-	834	834
-	-	-	40,957	40,957
-	-	-	41,791	41,791
1,293	1,473	-	87,929	87,929
-	-	-	98,084	98,084
<u>10,965</u>	<u>2,652</u>	<u>5,573</u>	<u>65,998</u>	<u>65,998</u>
<u>\$ 12,258</u>	<u>\$ 4,125</u>	<u>\$ 5,573</u>	<u>\$ 252,011</u>	<u>\$ 252,011</u>



# NEFFENDORF & BLOCKER, P.C.

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

Honorable Mayor and Members of  
the City Council  
City of Bandera, Texas  
Bandera, TX 78003

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bandera, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Bandera, Texas' basic financial statements and have issued our report thereon dated September 8, 2023.

## Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be significant deficiencies.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bandera, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

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statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-008.

**City of Bandera, Texas' Response to Findings**

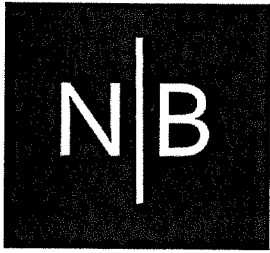
City of Bandera, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City Bandera, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

  
NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas  
September 28, 2023



# NEFFENDORF & BLOCKER, P.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and  
City Council  
City of Bandera, Texas  
Bandera, TX 78003

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited City of Bandera, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Bandera, Texas' major federal programs for the year ended September 30, 2022. City of Bandera, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Bandera, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Bandera, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Bandera, Texas' compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Bandera, Texas' federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Bandera, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance

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when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Bandera, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Bandera, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Bandera, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Bandera, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Bandera, Texas' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Bandera, Texas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-006 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Bandera, Texas' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Bandera, Texas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Neffendorf + Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas  
September 28, 2023

CITY OF BANDERA, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. Summary of the Auditor's Results:**

**I. Financial Statements**

Type of auditor's report issued Modified  
 Internal control over financial reporting  
     Material Weakness(es) identified   X   Yes      No  
     Significant deficiencies identified that are  
     not considered to be material weakness   X   Yes      No  
     Noncompliance material to financial statements noted?   X   Yes      No

**II. Federal Awards**

Type of auditor's report issued Unmodified  
 Internal control over financial reporting  
     Material Weakness(es) identified   X   Yes      No  
     Significant deficiencies identified that are  
     not considered to be material weakness      Yes   X   No  
 Type of auditor's report issued on compliance for  
 major programs Unmodified  
 Any audit findings disclosed that are required to be  
 Reported in accordance with 2 CFR 200.516 (a) of  
 Uniform Guidance?      Yes   X   No

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B federal programs:   \$750,000    
 Auditee qualified as low-risk auditee?      Yes   X   No

**II. Findings Related to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards,**

2021-001

**Condition:** The City's bank reconciliations did not agree to the general ledger.  
**Criteria:** Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud and identifying accounting errors.  
**Cause of Condition:** The City's lack of knowledge and training to understand the importance of the reconciliation process.  
**Potential Effect of Condition:** Material misstatement of the City's financial statements will not be prevented or detected on a timely basis.

**Recommendation:** The City should provide proper training to employees to perform the reconciliations properly on a monthly basis.

2022-002

**Condition:** Pooled balances are not reconciled to accounts in the governmental and proprietary funds.

**Criteria:** Pooled accounts represent activity of actual funds and should balance to the respective accounts in those actual funds.

**Cause of Condition:** Manual journal entries posted to these accounts appear to have caused the imbalance.

**Potential Effect of Condition:** The liabilities of the general and utility funds may be over or under stated by the imbalance.

**Recommendation:** On a monthly basis, management should utilize the reconciliation function in the accounting software to ensure the pooled balances reconcile to the respective account in the general and utility funds.

2022-003

**Condition:** Year-end closing procedures are not in place.

**Criteria:** Year-end closing procedures should be in place to ensure the trial balance is complete and agrees to the audited financial statements.

**Cause of Condition:** Management failed to agree beginning fund balance back to the prior year ending fund balance.

**Potential Effect of Condition:** Opening balances do not agree to audit financial statements and journal entries were made to fund balance.

**Recommendation:** Design and implement closing policies and controls to ensure the trial balance is complete and agrees to the audited financial statements.

2022-004

**Condition:** City investment accounts were not reconciled and a quarterly investment report was not prepared for the entire year.

**Criteria:** Investment accounts should be reconciled at least quarterly to record interest earned and to prepare quarterly investment reports that are required by the Public Funds Investment Act, Chapter 2256.

**Cause of Condition:** The City does not have policies and procedures in place regarding reconciliations for investment accounts. The City's investment policy does require that the City prepare quarterly investment reports in accordance with the Public Funds Investment Act however no one was preparing or presenting the reports to governance.

**Potential Effect of Condition:** Investment balance could be incorrect and there could be unrecorded interest revenue for the financial statements.

**Recommendation:** Investment accounts should be reconciled at least quarterly and investment reports should be prepared by the Investment Officer and provided to those charged with governance on a quarterly basis.

2022-005

**Condition:** Inventory balances improperly stated without existence of underlying assets.

**Criteria:** Inventory should reflect valuation of underlying assets. Inventory balances should be tracked as purchases and usage occurs. Physical inventory should be taken at year end and valuation should be adjusted accordingly.

**Cause of Condition:** The City did not record the purchases of inventory as inventory nor did it perform a physical inventory observation nor consult with the utility director regarding which items should be classified as supplies versus inventory items.

**Potential Effect of Condition:** Understatement of assets in the financial statements.

**Recommendation:** Implement procedures to properly identify and value inventory with the assistance of the utility director. Perform a physical inventory observation annually and adjust valuations accordingly.

2022-008

**Condition:** Quarterly payroll reports were not filed timely.

**Criteria:** Quarterly payroll reports should be filed on time to avoid penalty charges.

**Cause of Condition:** The City did not file quarterly payroll tax reports timely resulting in penalties incurred by the City.

**Potential Effect of Condition:** The City will incur penalties with the IRS for late reports.

**Recommendation:** We recommend the City file quarterly payroll tax reports on time and reconcile them back to the payroll records and payroll tax payments.

**III. Finding and Questioned Costs for Federal Awards**

2022-006

**Condition:** The City did not record and reconcile the escrow bank accounts containing the TWDB loan funds. The costs were recorded in the expense accounts and the deposits from the escrow bank accounts were recorded as grant revenue.

**Criteria:** Uniform Guidance Compliance Supplement- Section C- Cash Management

**Cause of Condition:** The City's lack of control policies and procedures over cash accounts.

**Potential Effect of Condition:** The grant revenue is overstated when the City records the escrow deposits as revenue in the capital projects fund and the assets are understated due to the City not recording the restricted cash escrow accounts.

**Recommendation:** The City should record all bank accounts in the general ledger. Bank reconciliations should be prepared for all bank accounts. Monthly review and approval of the bank reconciliations and general ledger accounts should be done by someone in a supervisory role other than the person preparing the records.

2022-007

**Condition:** Failure to file annual financial reports with the Texas Water Development Board in accordance with bond covenants.

**Criteria:** Filing annual financial reports on time with regulatory agencies is required to maintain compliance with debt covenants.

**Effect:** The City's annual financial report was delinquent.

**Cause:** Lack of monitoring by management and those charged with governance for compliance of debt covenants.

**Recommendation:** We recommend the City monitor compliance requirements for all debt issued to ensure that reports are filed timely and the City remains in compliance with covenants.

CITY OF BANDERA, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**General Note:**

The City hired a new Treasurer on October 3, 2022, after the close of the fiscal year covered by this audit. The new Treasurer has and continues to take necessary actions working with the City Administrator to address the listed findings.

Finding 2021-001

**Finding Summary:** The City's bank reconciliations did not agree to the general ledger.

**Responsible Individuals:** Allyson Wright - Treasurer

**Corrective Action Plan:** Bank reconciliations are up to date and done in a timely manner currently.

**Anticipated Completion Date:** Complete

Finding 2022-002

**Finding Summary:** Pooled balances are not reconciled to accounts in the governmental and proprietary funds.

**Responsible Individuals:** Allyson Wright - Treasurer

**Corrective Action Plan:** 2023-2024 Budget has accounted for expenses and revenue from all funds, not just utility and general.

**Anticipated Completion Date:** Complete

Finding 2022-003

**Finding Summary:** Year-end closing procedures are not in place.

**Responsible Individuals:** Allyson Wright - Treasurer

**Corrective Action Plan:** Some of these concerns have been addressed in other responses, such as account reconciliations, etc. Treasurer will implement other necessary year end procedures as necessary.

**Anticipated Completion Date:** In progress

Finding 2022-004

**Finding Summary:** City investment accounts were not reconciled, and a quarterly investment report was not prepared for the entire year.

**Responsible Individuals:** Allyson Wright - Treasurer

**Corrective Action Plan:** Treasurer is doing investment reports and reconciliations on investment accounts monthly.

**Anticipated Completion Date:** Complete

Finding 2022-005

**Finding Summary:** Inventory balances improperly stated without existence of underlying assets.

**Responsible Individuals:** Allyson Wright – Treasurer & Terry Wells - Public Works Supervisor

**Corrective Action Plan:** Treasurer and PW supervisor have started the inventory process and will complete it for the FY 2022/23 Fiscal Year.

**Anticipated Completion Date:** In progress

Finding 2022-006

**Finding Summary:** The City did not record and reconcile the escrow bank accounts containing the TWDB loan funds. The costs were recorded in the expense accounts and deposits from the escrow accounts were recorded as grant revenue.

**Responsible Individuals:** Allyson Wright - Treasurer

**Corrective Action Plan:** Treasurer is now reconciling escrow accounts and recording the revenue and expenses correctly.

**Anticipated Completion Date:** In progress

Finding 2022-007

**Finding Summary:** Failure to file annual financial report with the Texas Water Development Board in accordance with bond covenants.

**Responsible Individuals:** City Treasurer

**Corrective Action Plan:** Treasurer will ensure audits are done in a timely manner moving forward.

**Anticipated Completion Date:** In progress



CITY OF BANDERA, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

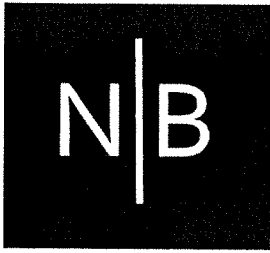
(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<u>Passed Through Texas Water Development Board</u>			
Drinking Water State Revolving Fund	66.468	62793	\$ 1,057,050
Total Passed Through Texas Water Development Board			<u>1,057,050</u>
<b>TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>			<u>1,057,050</u>
<b><u>DEPARTMENT OF THE INTERIOR</u></b>			
<u>Passed Through Texas Parks &amp; Wildlife</u>			
City Park Playground	15.916	CA-0004096	920
Total Passed Through Texas Parks & Wildlife			<u>920</u>
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>			<u>920</u>
<b><u>DEPARTMENT OF TREASURY</u></b>			
<u>Direct Programs</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027		25,986
Total Direct Programs			<u>25,986</u>
<b>TOTAL DEPARTMENT OF TREASURY</b>			<u>25,986</u>
<b><u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed Through Texas Department of Agriculture</u>			
Community Development Block Grant	14.228	722011	40,394
Total Passed Through Texas Department of Agriculture			<u>40,394</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>40,394</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,124,350</u>

CITY OF BANDERA, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022

1. The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of the City of Bandera, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Federal and State financial assistance was accounted for in the Governmental fund types.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All federal expenditures were accounted for in the General Fund, Capital Projects Fund and Enterprise Funds, components of the Governmental Fund type and Proprietary Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

3. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



# NEFFENDORF & BLOCKER, P.C.

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September 28, 2023

Honorable Mayor and Members of  
the City Council  
City of Bandera, Texas  
Bandera, TX 78003

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bandera, Texas for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Bandera, Texas are described in Note 1 to the financial statements. GASB Statement No. 87 *Leases* was adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Significant journal entries (some of which were material) were made to correct and record balance to the financial statements. Management has agreed and corrected all such misstatements.

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### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 28, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *Recommendations*

#### Public Funds Investment Act

The City Treasurer is the designated Investment Officer. The required investment officer training was not completed. We recommend the Investment Officer complete the required training to comply with the Public Funds Investment Act.

#### Financial Accounting and Controls

The City has not adopted a written policy manual for financial accounting, reporting and controls. We again recommend that the City adopt a written manual for policies and procedures to address all financial aspects (reporting, recording, budgeting, utility billing, municipal court, payroll); internal controls and proper review and approvals.

This information is intended solely for the use of the City Council and management of City of Bandera and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas