

*REPORT OF EXAMINATION*

**CITY OF  
BANDERA**

*Bandera, Texas*

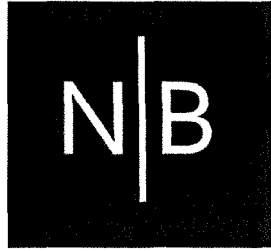
For the Year Ended  
September 30, 2023

CITY OF BANDERA, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2023

CITY OF BANDERA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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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**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bandera, Texas as of September 30, 2023, and the respective changes in financial position, and , where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

#### ***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.

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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 4-9 and 42-50 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 March 29, 2024, 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.

A handwritten signature in blue ink that reads "Neffendorf & Blocker, P.C." in a cursive style.

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas

March 29, 2024

## 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, 2023. 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 \$10,374,589 (net position). Of this amount, \$1,993,188 (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 \$1,023,345 as a result of this year's operations.
- At September 30, 2023, the City's governmental funds reported combined ending fund balances of \$4,920,651, a decrease of \$919, 986 in comparison with the prior year.
- At September 30, 2023, the City's Enterprise Funds reported unrestricted net position of \$515,465, a decrease of \$165,636 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 10 through 12). 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.

The government-wide financial statements include not only the City itself (known as the primary government), but also component unit: Bandera Economic Development Corporation. Financial information for the component unit is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit are available from the Bandera Economic Development Corporation upon request.

Fund financial statements (beginning on page 13) 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 42 through 50.

## 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 10. 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 \$2,807,894 to \$2,485,617. 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 \$1,477,723 at September 30, 2023. This decrease in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$912,888. Second the City acquired capital assets in the amount of \$612,075. Third, the City recorded depreciation and amortization in the amount of \$169,483. Fourth, due to the entries required by GASB Statement No. 68 an increase in expenses was necessary in the amount of \$26,102. Fifth, due to the entries required by GASB Statement No. 75 an increase in expenses was necessary in the amount of \$2,010.

Net position of the City's business-type activities increased from \$6,654,680 to \$7,888,972. Unrestricted net position was \$515,465 at September 30, 2023. This increase in business-type net position was the result of net income of \$1,338,524.

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

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

	Governmental Activities		Business-Type Activities		TOTALS	
			Primary Government			
	2023	2022	2023	2022	2023	2022
Current and Restricted Assets	\$ 7,839	\$ 9,346	\$ 731	\$ 882	\$ 8,570	\$ 10,228
Capital Assets	3,139	2,672	7,393	6,012	10,532	8,684
Net Pension Asset	-	288	-	99	-	387
Total Assets	\$ 10,978	\$ 12,306	\$ 8,124	\$ 6,993	\$ 19,102	\$ 19,299
Deferred Outflow of Resources						
Pension Plan	262	55	78	19	340	74
OPEB Plan	13	14	4	5	17	19
Total Deferred Outflows of Resources	\$ 275	\$ 69	\$ 82	\$ 24	\$ 357	\$ 93
Long-Term Liabilities	\$ 5,661	\$ 5,641	\$ 20	\$ 20	\$ 5,681	\$ 5,661
Net Pension Liability	98	-	29	-	127	-
OPEB Liability	69	90	21	31	90	121
Other Liabilities	2,915	3,680	240	257	3,155	3,937
Total Liabilities	\$ 8,743	\$ 9,411	\$ 310	\$ 308	\$ 9,053	\$ 9,719
Deferred Inflow of Resources						
Pension Plan	\$ -	\$ 154	\$ -	\$ 53	\$ -	\$ 207
OPEB Plan	24	2	7	1	31	3
Total Deferred Inflows of Resources	\$ 24	\$ 156	\$ 7	\$ 54	\$ 31	\$ 210
Net Position:						
Net Investment in Capital Assets	\$ 495	\$ 2,646	\$ 7,374	\$ 5,974	\$ 7,869	\$ 8,620
Restricted	2,884	192	-	-	2,884	192
Unrestricted	(893)	(30)	515	681	(378)	651
Total Net Position	\$ 2,486	\$ 2,808	\$ 7,889	\$ 6,655	\$ 10,375	\$ 9,463

**Table II**  
**City of Bandera**

**CHANGES IN NET POSITION**  
**In thousands**

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Property Taxes	\$ 588	\$ 496	\$	\$	\$ 588	\$ 496
Sales Tax	845	901			845	901
Other Taxes	243	253			243	253
Charges for Services	221	236	1,892	1,779	2,113	2,015
Miscellaneous	36	15	-	7	36	22
Grants and Contributions	444	77	92	26	536	103
Interest Earnings	282	35			282	35
<b>Total Revenue</b>	<b>\$ 2,659</b>	<b>\$ 2,013</b>	<b>\$ 1,984</b>	<b>\$ 1,812</b>	<b>\$ 4,643</b>	<b>\$ 3,825</b>
<b>Expenses:</b>						
General and Administrative	\$ 855	\$ 739	\$	\$	\$ 855	\$ 739
Marshal/Police Protection	556	451			556	451
Municipal Court	154	145			154	145
Fire Department Donation	8	8			8	8
Streets Department	244	156			244	156
Animal Control	1	1			1	1
Parks	213	184			213	184
Hotel/Motel	80	41			80	41
Water and Sewer		-	1,566	1,296	1,566	1,296
Debt Service - Interest	62	63			62	63
Capital Outlay	1,417	1,125			1,417	
<b>Total Expenses</b>	<b>\$ 3,590</b>	<b>\$ 2,913</b>	<b>\$ 1,566</b>	<b>\$ 1,296</b>	<b>\$ 5,156</b>	<b>\$ 3,084</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers & Capital Contributions	\$ (931)	\$ (900)	\$ 418	\$ 516	\$ (513)	\$ (384)
Transfers	616	85	(616)	(85)	-	-
Insurance Recovery	-	-	119	-	119	-
Capital Contributions	-	-	1,417	1,125	1,417	1,125
<b>Net Change</b>	<b>(315)</b>	<b>(815)</b>	<b>1,338</b>	<b>1,556</b>	<b>1,023</b>	<b>741</b>
Net Position - Beginning	2,808	3,623	6,655	5,099	9,463	8,722
Prior Period Adjustment	(7)	-	(104)	-	(111)	-
<b>Net Position - Ending</b>	<b>\$ 2,486</b>	<b>\$ 2,808</b>	<b>\$ 7,889</b>	<b>\$ 6,655</b>	<b>\$ 10,375</b>	<b>\$ 9,463</b>

The cost of all governmental activities this year was \$3,590,333. 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 \$588,744 because the other costs were paid by other taxes (\$1,087,872), user charges (\$220,951), grants (\$443,275), interest (\$282,115) and other miscellaneous revenues (\$35,833).

## 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 \$4,920,651, which is less than last year's total of \$5,840,637. Included in this year's total change in fund balance is an increase of \$171,859 in the City's General Fund. The increase in the General Fund balance was due to transfers in.

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

## CAPITAL ASSETS

At September 30, 2023, the City had the following amounts invested in capital assets, net of depreciation:

	<b>CAPITAL ASSETS</b>					
	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Land and Improvements	\$ 480,000	\$ 480,000	\$ 10,934	\$ 10,934	\$ 490,934	\$ 490,934
Buildings and Improvements	1,170,227	937,128	36,012	26,012	1,206,239	963,140
Infrastructure	2,419,257	2,419,257	7,419,166	7,064,275	9,838,423	9,483,532
Machinery & Equipment	383,594	408,599	354,842	321,239	738,436	729,838
Construction In Progress	1,035,261	669,249	2,939,380	1,799,802	3,974,641	2,469,051
Right-to-Use Leased Assets	29,413	28,698	55,790	54,741	85,203	83,439
SBITA Assets	24,889	-	-	-	24,889	-
Total Capital Assets	\$ 5,542,641	\$ 4,942,931	\$ 10,816,124	\$ 9,277,003	\$ 16,358,765	\$ 14,219,934
Less: Accumulated Depreciation	(2,392,559)	(2,267,496)	(3,386,283)	(3,258,005)	(5,778,842)	(5,525,501)
Less: Accumulated Amortization	(10,814)	(3,575)	(36,361)	(16,909)	(47,175)	(20,484)
Capital Assets, Net	<u>\$ 3,139,268</u>	<u>\$ 2,671,860</u>	<u>\$ 7,393,480</u>	<u>\$ 6,002,089</u>	<u>\$ 10,532,748</u>	<u>\$ 8,673,949</u>

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

## DEBT

At September 30, 2023, the City had the following outstanding debt:

	<b>OUTSTANDING DEBT</b>					
	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Bonds Payable	\$ 5,621,000	\$ 5,805,000	\$ -	\$ -	\$ 5,621,000	\$ 5,805,000
Right-to-Use Lease Liability	19,973	25,599	19,973	38,510	39,946	64,109
SBITA Liability	19,639	-	-	-	19,639	-
Total Outstanding Debt	<u>\$ 5,660,612</u>	<u>\$ 5,830,599</u>	<u>\$ 19,973</u>	<u>\$ 38,510</u>	<u>\$ 5,680,585</u>	<u>\$ 5,869,109</u>

The City paid \$213,413 in principal payments on long-term debt.

The City implemented GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* at the beginning of the year. At year-end, the City had \$19,639 in subscription liabilities. The City paid \$5,250 in principal on the outstanding subscription liabilities.

More detailed information about the City's long-term liabilities is presented in Notes H, I, J and K 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 2024 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 2024. Amounts available for appropriation in the General Fund budget are \$1,982,861 and expenditures are estimated to be \$2,057,871.

If these estimates are realized, the City's budgetary General fund balance will decrease \$75,010 by the close of 2024.

## 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.

BASIC  
FINANCIAL STATEMENTS

CITY OF BANDERA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 695,411	\$ 561,811	\$ 1,257,222	\$ 794,161
Investments - Current	1,097,047	-	1,097,047	106,656
Accounts Receivable, Net	68,066	166,406	234,472	-
Due from Other Governments	264,600	-	264,600	-
Due from Other Funds	-	-	-	134,032
Inventories	-	3,000	3,000	-
Temporarily Restricted Asset- TWDB FIF	5,232,091	-	5,232,091	-
Temporarily Restricted Asset- TWDB DWSRF	481,396	-	481,396	-
Capital Assets:				
Land	480,000	10,934	490,934	522,438
Buildings, Net	688,849	-	688,849	-
Infrastructure, Net	858,926	4,329,887	5,188,813	20,146
Machinery and Equipment, Net	32,744	93,850	126,594	9,572
Right-to-Use Lease Assets, Net	19,429	19,429	38,858	-
SBITA Assets, Net	24,059	-	24,059	-
Construction in Progress	1,035,261	2,939,380	3,974,641	-
Total Assets	10,977,879	8,124,697	19,102,576	1,587,005
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to Pension Plan	262,018	77,899	339,917	-
Deferred Outflow Related to OPEB	13,343	3,967	17,310	-
Total Deferred Outflows of Resources	275,361	81,866	357,227	-
<b>LIABILITIES</b>				
Accounts Payable	113,732	32,666	146,398	5,764
Wages and Salaries Payable	17,936	3,334	21,270	-
Compensated Absences Payable	26,335	4,531	30,866	-
Retainage Payable	104,531	-	104,531	-
Intergovernmental Payable	3,039	4,113	7,152	-
Due to Others	265	41,114	41,379	-
Due to Component Unit	134,032	-	134,032	-
Accrued Interest Payable	10,003	-	10,003	-
Deferred Revenues	2,491,058	136,134	2,627,192	-
Other Current Liabilities	14,417	18,743	33,160	-
Noncurrent Liabilities:				
Due Within One Year	194,314	5,601	199,915	-
Due in More than One Year:				
Bonds Payable - Noncurrent	5,437,000	-	5,437,000	-
Right-to-Use Lease Liabilities - Noncurrent	14,372	14,372	28,744	-
SBITA Liabilities - Noncurrent	14,926	-	14,926	-
Net Pension Liability	98,329	29,234	127,563	-
Net OPEB Liability	69,217	20,579	89,796	-
Total Liabilities	8,743,506	310,421	9,053,927	5,764
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to OPEB	24,117	7,170	31,287	-
Total Deferred Inflows of Resources	24,117	7,170	31,287	-
<b>NET POSITION</b>				
Net Investment in Capital Assets and Lease Assets	762,143	7,373,507	8,135,650	552,156
Restricted:				
Restricted for Special Revenue	186,659	-	186,659	-
Restricted for Debt Service	59,092	-	59,092	-
Restricted for Economic Development	-	-	-	1,029,085
Unrestricted	1,477,723	515,465	1,993,188	-
Total Net Position	\$ 2,485,617	\$ 7,888,972	\$ 10,374,589	\$ 1,581,241

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, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
City Council	\$ 9,615	\$ -	\$ -	\$ -
Administrator	315,924	-	11,667	-
City Secretary	245,028	-	-	-
Municipal Court	154,452	56,050	-	-
Finance Department	146,610	-	-	-
Marshal's Department	556,153	5,205	944	-
Fire Department	7,598	-	-	-
Code Compliance	118,715	-	-	-
Permitting Department	18,837	79,742	-	-
Streets Department	244,099	23,588	-	-
Animal Control	1,221	760	-	-
Parks Department	188,993	55,606	-	-
Seasonal Parks Department	24,914	-	-	-
Hotel/Motel	79,764	-	-	-
Interest on Debt	61,882	-	-	-
Capital Outlay	1,416,528	-	-	412,091
Total Governmental Activities	<u>3,590,333</u>	<u>220,951</u>	<u>12,611</u>	<u>412,091</u>
BUSINESS-TYPE ACTIVITIES:				
Utility Fund	<u>1,566,326</u>	<u>1,893,040</u>	-	<u>1,416,500</u>
Total Business-Type Activities	<u>1,566,326</u>	<u>1,893,040</u>	-	<u>1,416,500</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,156,659</u>	<u>\$ 2,113,991</u>	<u>\$ 12,611</u>	<u>\$ 1,828,591</u>
<b>Component Unit:</b>				
Economic Development Corporation	<u>238,100</u>	-	-	-
<b>TOTAL COMPONENT UNIT</b>	<u>\$ 238,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- General Sales and Use Taxes
- Hotel Occupancy Tax
- Franchise Tax
- 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
- Prior Period Adjustment
- 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
\$ (9,615)	\$ -	\$ (9,615)	\$ -
(304,257)	-	(304,257)	-
(245,028)	-	(245,028)	-
(98,402)	-	(98,402)	-
(146,610)	-	(146,610)	-
(550,004)	-	(550,004)	-
(7,598)	-	(7,598)	-
(118,715)	-	(118,715)	-
60,905	-	60,905	-
(220,511)	-	(220,511)	-
(461)	-	(461)	-
(133,387)	-	(133,387)	-
(24,914)	-	(24,914)	-
(79,764)	-	(79,764)	-
(61,882)	-	(61,882)	-
(1,004,437)	-	(1,004,437)	-
<u>(2,944,680)</u>	<u>-</u>	<u>(2,944,680)</u>	<u>-</u>
-	1,743,214	1,743,214	-
-	1,743,214	1,743,214	-
<u>(2,944,680)</u>	<u>1,743,214</u>	<u>(1,201,466)</u>	<u>-</u>
-	-	-	(238,100)
-	-	-	(238,100)
519,459	-	519,459	-
69,285	-	69,285	-
845,341	-	845,341	422,508
70,033	-	70,033	-
121,476	-	121,476	-
51,022	-	51,022	-
2,292	-	2,292	-
18,573	92,000	110,573	-
33,541	119,674	153,215	-
282,115	-	282,115	1,930
616,364	(616,364)	-	-
<u>2,629,501</u>	<u>(404,690)</u>	<u>2,224,811</u>	<u>424,438</u>
(315,179)	1,338,524	1,023,345	186,338
2,807,894	6,654,680	9,462,574	1,359,789
(7,098)	(104,232)	(111,330)	35,114
<u>\$ 2,485,617</u>	<u>\$ 7,888,972</u>	<u>\$ 10,374,589</u>	<u>\$ 1,581,241</u>



CITY OF BANDERA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 366,437	\$ -	\$ 328,974	\$ 695,411
Investments - Current	1,097,047	-	-	1,097,047
Taxes Receivable	26,913	-	3,601	30,514
Accounts Receivable, Net	-	25,000	4,116	29,116
Due from Other Governments	216,939	47,661	-	264,600
Due from Other Funds	455,681	-	-	455,681
Temporarily Restricted Asset- TWDB FIF	-	5,232,091	-	5,232,091
Temporarily Restricted Asset- TWDB DWSRF	-	481,396	-	481,396
Total Assets	<u>\$ 2,163,017</u>	<u>\$ 5,786,148</u>	<u>\$ 336,691</u>	<u>\$ 8,285,856</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 9,826	\$ 96,156	\$ 7,750	\$ 113,732
Wages and Salaries Payable	17,936	-	-	17,936
Retainage Payable	-	104,531	-	104,531
Intergovernmental Payable	3,039	-	-	3,039
Due to Other Funds	-	455,681	-	455,681
Due to Others	265	-	-	265
Due to Component Unit	134,032	-	-	134,032
Deferred Revenues	-	2,491,058	-	2,491,058
Other Current Liabilities	14,417	-	-	14,417
Total Liabilities	<u>179,515</u>	<u>3,147,426</u>	<u>7,750</u>	<u>3,334,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	26,913	-	3,601	30,514
Total Deferred Inflows of Resources	<u>26,913</u>	<u>-</u>	<u>3,601</u>	<u>30,514</u>
<b>FUND BALANCES</b>				
Restricted for Special Revenue	-	-	6,940	6,940
Restricted for Court Security & Technology	-	-	20,882	20,882
Restricted for Local Truancy Prevention	-	-	5,250	5,250
Restricted for Hotel/Motel	-	-	153,587	153,587
Capital Acquisition and Contractual Obligation	-	2,638,722	-	2,638,722
Retirement of Long-Term Debt	-	-	59,092	59,092
Assigned for Street Right of Ways	-	-	79,589	79,589
Other Committed Fund Balance	23,060	-	-	23,060
Unassigned Fund Balance	1,933,529	-	-	1,933,529
Total Fund Balances	<u>1,956,589</u>	<u>2,638,722</u>	<u>325,340</u>	<u>4,920,651</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,163,017</u>	<u>\$ 5,786,148</u>	<u>\$ 336,691</u>	<u>\$ 8,285,856</u>

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

CITY OF BANDERA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

<b>Total Fund Balances - Governmental Funds</b>	\$	4,920,651
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.		(3,158,739)
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 2023 capital outlays and debt principal payments is to increase net position.		806,951
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 liability of \$98,329 and a deferred resource outflow of \$262,018. The net effect of these was to increase net position by \$163,689.		163,689
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 \$69,217, a deferred resource outflow of \$13,343 and a deferred resource inflow of \$24,117. The net effect of these was to decrease net position by \$79,991.		(79,991)
The 2023 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 lease and SBITA assets.		(169,483)
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.		2,539
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>2,485,617</u>

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, 2023

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 520,253	\$ -	\$ 68,491	\$ 588,744
General Sales and Use Taxes	845,341	-	-	845,341
Hotel Occupancy Tax	-	-	70,033	70,033
Other Taxes	172,498	-	-	172,498
Penalty and Interest on Taxes	2,292	-	-	2,292
Licenses and Permits	79,481	-	-	79,481
Intergovernmental Revenue and Grants	12,834	412,091	944	425,869
Charges for Services	60,907	3,920	23,024	87,851
Fines	52,693	-	-	52,693
Investment Earnings	39,714	242,401	-	282,115
Contributions & Donations from Private Sources	12,744	4,662	-	17,406
Other Revenue	30,866	-	908	31,774
Total Revenues	<u>1,829,623</u>	<u>663,074</u>	<u>163,400</u>	<u>2,656,097</u>
<b>EXPENDITURES:</b>				
Current:				
City Council	8,979	-	-	8,979
Administrator	292,192	-	-	292,192
City Secretary	219,132	-	-	219,132
Municipal Court	117,443	-	24,889	142,332
Finance Department	133,886	-	-	133,886
Marshal's Department	528,719	-	938	529,657
Fire Department	7,095	-	-	7,095
Code Compliance	108,456	-	-	108,456
Permitting Department	16,502	-	-	16,502
Streets Department	198,103	373,932	-	572,035
Animal Control	1,140	-	-	1,140
Parks Department	184,595	-	-	184,595
Seasonal Parks Department	23,265	-	-	23,265
Hotel/Motel	-	-	74,484	74,484
Debt Service:				
Principal on Debt	5,626	-	189,250	194,876
Interest on Debt	160	-	61,902	62,062
Capital Outlay:				
Capital Outlay	-	1,641,707	-	1,641,707
Total Expenditures	<u>1,845,293</u>	<u>2,015,639</u>	<u>351,463</u>	<u>4,212,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,670)</u>	<u>(1,352,565)</u>	<u>(188,063)</u>	<u>(1,556,298)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	185,372	246,992	184,000	616,364
Proceeds from SBITAs	-	-	24,889	24,889
Other Resources	2,157	-	-	2,157
Total Other Financing Sources (Uses)	<u>187,529</u>	<u>246,992</u>	<u>208,889</u>	<u>643,410</u>

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, 2023

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
Net Change in Fund Balances	171,859	(1,105,573)	20,826	(912,888)
Fund Balance - October 1 (Beginning)	2,008,636	3,521,853	310,148	5,840,637
Prior Period Adjustment	(223,906)	222,442	(5,634)	(7,098)
Fund Balance - September 30 (Ending)	<u>\$ 1,956,589</u>	<u>\$ 2,638,722</u>	<u>\$ 325,340</u>	<u>\$ 4,920,651</u>

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

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, 2023

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(912,888)
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 2023 capital outlays and debt principal payments is to increase the change in net position.		806,951
The entries required by GASB Statement No. 68 did require that some expenses on Exhibit B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is a decrease of \$26,102.		(26,102)
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.		(2,010)
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.		(169,483)
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 decrease the change in net position.		(11,647)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(315,179)</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, 2023

	Business Type Activities
	Total Enterprise Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 561,811
Accounts Receivable, Net	166,406
Inventories	3,000
Total Current Assets	<u>731,217</u>
Noncurrent Assets:	
Capital Assets:	
Land	10,934
Infrastructure, net	4,329,887
Machinery and Equipment, net	93,850
Right-to-Use Lease Assets, net	19,429
Construction in Progress, net	2,939,380
Total Noncurrent Assets	<u>7,393,480</u>
Total Assets	<u>8,124,697</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	77,899
Deferred Outflow Related to OPEB	3,967
Total Deferred Outflows of Resources	<u>81,866</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	32,666
Wages and Salaries Payable	3,334
Compensated Absences Payable	4,531
Intergovernmental Payable	4,113
Due to Others	41,114
Deferred Revenues	136,134
Right-to-Use Leases Payable - Current	5,601
Other Current Liabilities	18,743
Total Current Liabilities	<u>246,236</u>
Noncurrent Liabilities:	
Right-to-Use Lease Liabilities - Noncurrent	14,372
Net Pension Liability	29,234
Net OPEB Liability	20,579
Total Noncurrent Liabilities	<u>64,185</u>
Total Liabilities	<u>310,421</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to OPEB	7,170
Total Deferred Inflows of Resources	<u>7,170</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets and Lease Assets	7,373,507
Unrestricted	515,465
Total Net Position	<u>\$ 7,888,972</u>

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, 2023

EXHIBIT D-2

	Business-Type Activities
	Total
	Enterprise Funds
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 1,893,040
Other Revenue	7,405
Total Operating Revenues	1,900,445
<b>OPERATING EXPENSES:</b>	
Proprietary Fund Function - Water	
Personnel Services - Salaries and Wages	128,498
Personnel Services - Employee Benefits	62,242
Purchased Professional & Technical Services	8,172
Purchased Property Services	141,011
Other Operating Costs	109,181
Supplies	17,045
Total Proprietary Fund Function - Water	466,149
Proprietary Fund Function- Solid Waste	
Purchased Professional & Technical Services	482,423
Other Operating Costs	13,913
Total Proprietary Fund Function- Solid Waste	496,336
Proprietary Fund Function- Wastewater	
Personnel Services - Salaries and Wages	128,499
Personnel Services - Employee Benefits	61,515
Purchased Professional & Technical Services	53,400
Purchased Property Services	29,388
Other Operating Costs	53,890
Supplies	17,269
Total Proprietary Fund Function- Wastewater	343,961
Proprietary Fund Function - Utility Admin	
Other Operating Costs	54,001
Depreciation	205,879
Total Operating Expenses	1,566,326
Operating Income	334,119
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Grants (Not Capital Grants)	92,000
Insurance Recovery	112,269
Total NonOperating Revenue (Expenses)	204,269
Income Before Contributions & Transfers	538,388
Capital Contributions	1,416,500
Transfers Out	(616,364)

CITY OF BANDERA, TEXAS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT D-2

	Business-Type Activities
	Total Enterprise Funds
Change in Net Position	1,338,524
Total Net Position - October 1 (Beginning)	6,654,680
Prior Period Adjustment	(104,232)
Total Net Position - September 30 (Ending)	\$ 7,888,972

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, 2023

EXHIBIT D-3

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,926,326
Cash Received from Others	7,405
Cash Payments to Employees for Services	(369,711)
Cash Payments for Professional & Technical Service	(543,995)
Cash Payments for Suppliers	(34,314)
Cash Payments for Other Operating Expenses	(397,403)
Net Cash Provided by Operating Activities	588,308
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase (Decrease) Right-to-Use Lease Liability	(18,537)
Operating Transfer Out	(616,364)
Insurance Recovery & Grants	204,269
Net Cash Provided by (Used for) Non-Capital Financing Activities	(430,632)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,658,296)
Capital Contributed by Other Funds	1,416,500
Disposal of Capital Assets	(15,472)
Decrease in Unearned Revenue	(269)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(257,537)
Net Increase (Decrease) in Cash and Cash Equivalents	(99,861)
Cash and Cash Equivalents at Beginning of Year	679,406
Prior Period Adjustment	(17,734)
Cash and Cash Equivalents at End of Year	\$ 561,811
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 334,119
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	205,879
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	33,286
Increase (Decrease) in Accounts Payable	(4,809)
Increase (Decrease) in Payroll Deductions	(2,307)
Increase (Decrease) in Due to Others	1,824
Increase (Decrease) in Other Current Liabilities	2,853
Increase (Decrease) in Intergovernmental Payable	4,113
Increase (Decrease) in Net Pension Liability	16,231
Increase (Decrease) in OPEB Liability	(2,881)
Net Cash Provided by Operating Activities	\$ 588,308

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

CITY OF BANDERA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023

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, 2023, 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. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less.
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. Inventories are valued at cost using the first in/first out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.
16. **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 II.J.
17. **Implementation of GASB Statement No. 96.** As of October 1, 2022, the City adopted GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a SBITA that results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The standard requires recognition of right-to-use subscription assets and liabilities for SBITAs that previously were classified as operating expenditures based on the payment provisions of the contract. The disclosures required by this standard are included in Note II.K.

## 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, 2023, the carrying amount of the City's deposits was \$1,257,222 and the bank balance was \$1,270,359. The City's cash deposits held at September 30, 2023 and during the year ended September 30, 2023 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 in substantial compliance with the requirements of the Act and with local policies.

The City's temporary investments at September 30, 2023, are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
Certificates of Deposit-				
Bandera Bank	\$ 408,175	408,175	250,000	749,617
TXN Bank	688,872	688,872	250,000	772,910
Total	\$ <u>1,097,047</u>	\$ <u>1,097,047</u>	\$ <u>500,000</u>	\$ <u>1,522,527</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, 2023, 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:

	Governmental	Business-Type	Total
TWDB Flood Infrastructure Fund- Debt Proceeds	\$ 2,535,055	\$ -	\$ 2,535,055
TWDB Flood Infrastructure Fund- Loan Forgiveness	2,697,036	-	2,697,036
TWDB Drinking Water State Revolving Fund	481,396	-	481,396
Total Restricted Assets	\$ <u>5,713,487</u>	\$ <u>-</u>	\$ <u>5,713,487</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 2022 tax roll, the assessed valuation was \$123,325,498. The tax rate was \$.44095 per \$100 valuation (\$.38473 for maintenance and operations and \$.05622 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 \$84,359. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$75,923, resulting in a net receivable of \$8,436.

E. Land, Structures and Equipment-Enterprise Funds

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

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
<b>Business-Type Activities:</b>				
Land	\$ 10,934	\$	\$	\$ 10,934
Buildings	36,012			36,012
Infrastructure	7,064,275	429,561	(74,670)	7,419,166
Machinery & Equipment	321,239	33,603		354,842
Construction in Progress	1,799,802	1,195,132	(55,554)	2,939,380
Total Assets	<u>9,232,262</u>	<u>1,658,296</u>	<u>(130,224)</u>	<u>10,760,334</u>
<b>Less Accumulated Depreciation</b>				
Buildings	(36,012)	-		(36,012)
Infrastructure	(2,986,318)	(162,159)	59,198	(3,089,279)
Machinery & Equipment	(235,675)	(25,317)		(260,992)
Total Accumulated Depreciation	<u>(3,258,005)</u>	<u>(187,476)</u>	<u>59,198</u>	<u>(3,386,283)</u>
Total Assets being Depreciated, Net	<u>5,974,257</u>	<u>1,470,820</u>	<u>(71,026)</u>	<u>7,374,051</u>
<b>Right-to-Use Lease Assets being, Amortized</b>				
Equipment	55,790			55,790
Total Right-to-Use Lease Assets	55,790	-	-	55,790
<b>Less Accumulated Amortization</b>				
Equipment	(17,958)	(18,403)		(36,361)
Total Accumulated Amortization	<u>(17,958)</u>	<u>(18,403)</u>	<u>-</u>	<u>(36,361)</u>
Total Right-to-Use Lease Assets being Amortized	<u>37,832</u>	<u>(18,403)</u>	<u>-</u>	<u>19,429</u>
Business-Type Activities Fixed Assets, Net	<u>\$ 6,012,089</u>	<u>\$ 1,452,417</u>	<u>\$ (71,026)</u>	<u>\$ 7,393,480</u>

F. Capital Asset Activity

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

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
<b>Governmental Activities:</b>				
Land	\$ 480,000	\$	\$	\$ 480,000
Buildings and Improvements	937,128	233,099		1,170,227
Infrastructure	2,419,257			2,419,257
Machinery & Equipment	408,599	12,964	(37,971)	383,592
Construction in Progress	669,249	373,932	(7,920)	1,035,261
Total Assets	<u>4,914,233</u>	<u>619,995</u>	<u>(45,891)</u>	<u>5,488,337</u>
<b>Less Accumulated Depreciation</b>				
Buildings	(439,731)	(41,647)		(481,378)
Infrastructure	(1,451,858)	(108,473)		(1,560,331)
Machinery & Equipment	(375,907)	(12,912)	37,971	(350,848)
Total Accumulated Depreciation	<u>(2,267,496)</u>	<u>(163,032)</u>	<u>37,971</u>	<u>(2,392,557)</u>
Total Assets being Depreciated, Net	<u>2,646,737</u>	<u>456,963</u>	<u>(7,920)</u>	<u>3,095,780</u>
<b>Right-to-Use Lease Assets being, Amortized</b>				
Equipment	29,413	-	-	29,413
SBITA	-	24,889	-	24,889
Total Right-to-Use Lease Assets	<u>29,413</u>	<u>24,889</u>	<u>-</u>	<u>54,302</u>
<b>Less Accumulated Amortization</b>				
Equipment	(4,363)	(5,621)	-	(9,984)
SBITA	-	(830)	-	(830)
Total Accumulated Amortization	<u>(4,363)</u>	<u>(6,451)</u>	<u>-</u>	<u>(10,814)</u>
Total Right-to-Use Lease Assets being Amortized	<u>25,050</u>	<u>18,438</u>	<u>-</u>	<u>43,488</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,671,787</u>	<u>\$ 475,401</u>	<u>\$ (7,920)</u>	<u>\$ 3,139,268</u>

Depreciation expense was charged to the governmental functions as follows:

City Council	\$ 636
Administrator	20,772
City Secretary	15,592
Municipal Court	8,756
Finance Department	9,550
Marshal's Department	37,602
Fire Department	503
Code Compliance	7,747
Permitting Department	1,228
Streets Department	40,550
Animal Control	81
Parks Department	13,086
Seasonal Parks Department	1,649
Hotel Motel	5,280
Total Depreciation Expense	<u>\$ 163,032</u>

Amortization expense was charged to the functions of the City as follows:

Administrator	\$ 803
City Secretary	803
Municipal Court	1,633
Finance Department	803
Marshal's Department	803
Permitting Department	803
Code Compliance	803
	<u>\$ 6,451</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 \$339,917 (see note L) and the TMRS OPEB deferred outflow of \$17,310 (see note M).

Deferred inflows on the Statement of Net Position consists of the the TMRS OPEB deferred inflow of \$31,287 (see note M).

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, 2023 follows:

Description	Amounts Outstanding			Deletions	Amounts Outstanding	
	10/1/22	Additions			9/30/23	Due Within One Year
<b>Governmental Activities:</b>						
<u>Bonds Payable</u>						
Certificates of Obligation						
Series 2018	\$ 2,835,000	\$ -	\$ (85,000)	\$ 2,750,000	\$ 85,000	
Series 2021	2,970,000	-	(99,000)	2,871,000	99,000	
Subtotal	\$ 5,805,000	\$ -	\$ (184,000)	\$ 5,621,000	\$ 184,000	
Right-to-Use Lease Liability	25,599	-	(5,626)	19,973	5,601	
SBITA Liability	-	24,889	(5,250)	19,639	4,713	
Net Pension Liability	-	476,769	(378,440)	98,329	-	
Total OPEB Liability	89,594	11,488	(31,865)	69,217	-	
Compensated Absences	14,045	12,290	-	26,335	-	
Total Governmental Activities	\$ 5,934,238	\$ 525,436	\$ (605,181)	\$ 5,854,493	\$ 194,314	
Description	Amounts Outstanding			Deletions	Amounts Outstanding	
	10/1/22	Additions			9/30/23	Due in One Year
<b>Business-Type Activities:</b>						
Right-to-Use Lease Liability	38,510	-	(18,537)	19,973	5,601	
Net Pension Liability	-	142,412	(113,178)	29,234	-	
Total OPEB Liability	30,635	3,431	(13,487)	20,579	-	
Compensated Absences	4,531	-	-	4,531	-	
Total Business Type Activities	\$ 73,676	\$ 145,843	\$ (145,202)	\$ 74,317	\$ 5,601	

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	
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	189,000	54,781	243,781
2029-2033	975,000	245,342	1,220,342
2034-2038	1,040,000	188,389	1,228,389
2039-2043	1,100,000	120,466	1,220,466
2044-2048	1,180,000	42,789	1,222,789
2049-2052	396,000	-	396,000
	\$ 5,621,000	\$ 886,391	\$ 6,507,391

J. LEASES PAYABLE

As of October 1, 2021, the City had a 60-month lease as lessee for the use of a postage machine with Pitney Bowes. An initial lease liability was recorded in the amount of \$32,637. As of September 30, 2023, the value of the lease liability was \$22,960. The city is required to make quarterly fixed payments of \$1,661. The lease has an interest rate of 0.6857%.

As of October 1, 2021, the City had a 63 month lease as lessee for use of a copier with Sharp. An initial lease liability was recorded in the amount of \$24,759. As of September 30, 2023, the value of the lease liability was \$16,986. The city is required to make monthly fixed payments of \$621. The lease has an interest rate of 0.6857%.

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

Governmental Activities:

Year Ended September 30	Lease Liability		Total
	Principal	Interest	
2024	5,601	121	5,722
2025	5,640	82	5,722
2026	5,678	44	5,722
2027	3,054	7	3,061
	<u>\$ 19,973</u>	<u>\$ 254</u>	<u>\$ 20,227</u>

Business-Type Activities:

Year Ended September 30	Lease Liability		Total
	Principal	Interest	
2024	5,601	121	5,722
2025	5,640	82	5,722
2026	5,678	44	5,722
2027	3,054	7	3,061
	<u>\$ 19,973</u>	<u>\$ 254</u>	<u>\$ 20,227</u>

K. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS PAYABLE

On August 1, 2023, the City entered into a 60-onth subscription for use of records management software. An initial subscription liability was recorded in the amount of \$24,889. As of September 30, 2023, the value of the subscription liability was \$19,639. The City is required to make annual fixed payments of \$5,250. The subscription has an interest rate of 2.7360%.

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

Governmental Activities:

Year Ended September 30	Subscription Liability		Total
	Principal	Interest	
2024	4,713	537	5,250
2025	4,842	408	5,250
2026	4,974	276	5,250
2027	5,110	140	5,250
	<u>\$ 19,639</u>	<u>\$ 1,361</u>	<u>\$ 21,000</u>

L. RETIREMENT PLAN

Plan Description

The City of Bandera, Texas participates as one of 928 plans in the defined benefit cash-balance plan

administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (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 2021</u>	<u>Plan Year 2022</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, 2022 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 11.17% and 9.94% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$120,911, and were equal to the required contributions.

**Net Pension Liability**

The city’s Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension

Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

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%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

#### 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, 2021	\$ 3,063,893	\$ 3,451,114	\$ (387,221)
Changes for the year:			
Service cost	162,905		162,905
Interest	208,018		208,018
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	62,545		-
Changes in Assumptions			-
Contributions - Employer		104,494	(104,494)
Contributions - Employee		65,424	(65,424)
Net investment income		(251,655)	251,655
Benefit Payments, Including Refunds of			-
Employee Contributions	(127,203)	(127,203)	-
Administrative Expense		(2,180)	2,180
Other Changes		2,601	(2,601)
			-
Net Changes	306,265	(208,519)	452,239
Balances as of December 31, 2022	\$ 3,370,158	\$ 3,242,595	\$ 127,563

#### 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	\$ 613,850	\$ 127,563	\$ (264,547)

#### 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, 2023, the City recognized pension expense of \$163,341.

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience		\$ 27,208
Changes of assumptions		
Net difference between projected and actual earnings		222,022
Contributions made subsequent to measurement date		<u>90,687</u>
	<u>\$ -</u>	<u>\$ 339,917</u>

\$90,687 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, 2023. 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:		
2023	\$	39,571
2024		54,045
2025		58,693
2026		96,921
2027		-
Thereafter		-
Total	<u>\$</u>	<u>249,230</u>

Payables to the Pension Plan. None as of September 30, 2023.

M. 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 2023 and 2022 were \$6,151 and \$5,215 respectively, which equaled the required contributions each year.

**Employees covered by benefit terms.**

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

Inactive employees currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	9
Active Employees	19
Total	43

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate*	4.05%
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, 2022.

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.

<b>Covered Payroll</b>	\$ 934,625
Total OPEB Liability- Beginning of Year	120,229
Changes for the year	
Service Cost	5,327
Interest on Total OPEB Liability	2,223
Changes of benefit terms	
Differences between expected and actual experience	10,750
Changes in assumptions or other inputs	(44,527)
Benefit Payments**	(4,206)
Net Changes	<u>(30,433)</u>
Total OPEB Liability- End of Year	89,796
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>9.61%</b>

\*\* 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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
City's Total OPEB Liability	\$ 106,645	\$ 89,796	\$ 76,874

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2023, the City recognized OPEB expense of \$4,424.

At September 30, 2023, 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	\$ 763	9,855
Changes in assumption and other inputs	30,524	3,378
Contributions made subsequent to measurement date		4,077
Total	<u>\$ 31,287</u>	<u>\$ 17,310</u>

\$4,077 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, 2023. 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:	
2023	\$ (7,141)
2024	(9,002)
2025	(1,911)
2026	
2027	
Thereafter	
Total	<u>\$ (18,054)</u>

Payable to the OPEB Plan. None as of September 30, 2023.

N. Interfund Receivable and Payables

Interfund balances at September 30, 2023, consisted of the following:

	<u>Receivable</u>		<u>Payable</u>
<u>General Fund-</u>			
Capital Projects Fund	\$ 455,681	\$	
Component Unit			134,032
<u>Capital Projects Fund-</u>			
General Fund			455,681
<u>Component Unit-</u>			
General Fund	134,032		
	\$ <u>589,713</u>	\$	<u>589,713</u>

The balances result from time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

	<u>Transfer In</u>		<u>Transfers Out</u>
<u>General Fund-</u>			
Utility Fund	\$ 185,372	\$	
<u>Capital Projects Fund-</u>			
Utility Fund	246,992		
<u>Debt Service Fund-</u>			
Utility Fund	184,000		
<u>Utility Fund-</u>			
General Fund			185,372
Capital Projects Fund			246,992
Debt Service Fund			184,000
	\$ <u>616,364</u>	\$	<u>616,364</u>

Transfers are used to 1) move revenues from the fund with collections authorization to the debt service fund as debt service principal and interest payments become due, and 2) make payments to the general fund from the water and sewer fund for services provided by the City.

O. 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, 2023, payments made by the City under the contract totaled \$482,423.

P. 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.

Q. Contingencies and Commitments

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.

The City has an incomplete construction contract at year end for the City's water system improvements. The total original contract amount was \$2,270,300. The balance of this contract as of September 30, 2023 was \$229,489.

R. Unearned Revenues

Unspent Coronavirus State and Local Fiscal Recovery funds in the amount of \$197,192 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.

S. Prior Period Adjustment

During fiscal year 2023, the City reconciled pooled cash balances and corrected inaccurately reported balances. A prior period adjustment was necessary in the amount of (\$7,098) in the governmental funds and (\$104,232) in the proprietary fund. The prior period adjustment restated the beginning governmental fund balance from \$5,840,637 to \$5,833,539 and restated the beginning business-type activities net position from \$6,654,680 to \$6,550,448.

T. Excess Expenditures Over Budget

Actual expenditures exceeded appropriations in the General Fund in six functions but not in total.

U. Subsequent Events

The City has evaluated subsequent events through March 29, 2024, 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, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 643,261	\$ 643,261	\$ 520,253	\$ (123,008)
General Sales and Use Taxes	650,000	650,000	845,341	195,341
Other Taxes	137,500	137,500	172,498	34,998
Penalty and Interest on Taxes	1,600	1,600	2,292	692
Licenses and Permits	69,896	69,896	79,481	9,585
Intergovernmental Revenue and Grants	146,500	146,500	12,834	(133,666)
Charges for Services	166,800	166,800	60,907	(105,893)
Fines	70,000	70,000	52,693	(17,307)
Investment Earnings	10,000	10,000	39,714	29,714
Contributions & Donations from Private Sources	-	-	12,744	12,744
Other Revenue	36,650	36,650	30,866	(5,784)
<b>Total Revenues</b>	<b>1,932,207</b>	<b>1,932,207</b>	<b>1,829,623</b>	<b>(102,584)</b>
<b>EXPENDITURES:</b>				
Current:				
City Council	7,375	7,375	8,979	(1,604)
Administrator	372,316	372,316	292,192	80,124
City Secretary	170,625	170,625	219,132	(48,507)
Municipal Court	140,210	140,210	117,443	22,767
Finance Department	124,415	124,415	133,886	(9,471)
Marshal's Department	518,471	518,471	528,719	(10,248)
Fire Department	7,500	7,500	7,095	405
Code Compliance	124,098	124,098	108,456	15,642
Permitting Department	20,680	20,680	16,502	4,178
Streets Department	228,255	228,255	198,103	30,152
Animal Control	2,950	2,950	1,140	1,810
Parks Department	257,821	257,821	184,595	73,226
Seasonal Parks Department	30,495	30,495	23,265	7,230
Debt Service:				
Principal on Debt	-	-	5,626	(5,626)
Interest on Debt	-	-	160	(160)
<b>Total Expenditures</b>	<b>2,005,211</b>	<b>2,005,211</b>	<b>1,845,293</b>	<b>159,918</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,004)	(73,004)	(15,670)	57,334
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	84,804	84,804	185,372	100,568
Other Resources	-	-	2,157	2,157
<b>Total Other Financing Sources (Uses)</b>	<b>84,804</b>	<b>84,804</b>	<b>187,529</b>	<b>102,725</b>
<b>Net Change in Fund Balances</b>	<b>11,800</b>	<b>11,800</b>	<b>171,859</b>	<b>160,059</b>
Fund Balance - October 1 (Beginning)	2,008,636	2,008,636	2,008,636	-
Prior Period Adjustment	-	-	(223,906)	(223,906)
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 2,020,436</b>	<b>\$ 2,020,436</b>	<b>\$ 1,956,589</b>	<b>\$ (63,847)</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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
<b>A. Total Pension Liability</b>			
Service Cost	\$ 162,905	\$ 161,291	\$ 182,482
Interest (on the Total Pension Liability)	208,018	193,718	180,083
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	62,545	(7,515)	(15,120)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(127,203)	(145,718)	(123,977)
Net Change in Total Pension Liability	\$ 306,265	\$ 201,776	\$ 223,468
Total Pension Liability - Beginning	3,063,893	2,862,117	2,638,649
Total Pension Liability - Ending	\$ 3,370,158	\$ 3,063,893	\$ 2,862,117
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 104,494	\$ 98,552	\$ 106,211
Contributions - Employee	65,424	60,996	68,713
Net Investment Income	(251,655)	396,523	211,017
Benefit Payments, Including Refunds of Employee Contributions	(127,203)	(145,718)	(123,977)
Administrative Expense	(2,180)	(1,835)	(1,366)
Other	2,601	13	(53)
Net Change in Plan Fiduciary Net Position	\$ (208,519)	\$ 408,531	\$ 260,545
Plan Fiduciary Net Position - Beginning	3,451,114	3,042,584	2,782,039
Plan Fiduciary Net Position - Ending	\$ 3,242,595	\$ 3,451,115	\$ 3,042,584
<b>C. Net Pension Liability (Asset)</b>	\$ 127,563	\$ (387,222)	\$ (180,467)
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.21%	112.64%	106.31%
<b>E. Covered Payroll</b>	\$ 934,625	\$ 871,372	\$ 981,613
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	13.65%	(44.44%)	(18.38%)

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 2020 Plan Year 2019	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
\$ 176,266	\$ 156,901	\$ 133,649	\$ 115,052	\$ 105,027	\$ 92,055
167,539	153,681	139,654	131,450	129,866	125,838
-	-	-	-	-	-
(17,486)	8,989	22,573	(42,351)	(59,432)	(55,268)
(5,647)	-	-	-	22,547	-
(151,887)	(96,028)	(103,364)	(80,432)	(141,267)	(81,879)
\$ 168,785	\$ 223,543	\$ 192,512	\$ 123,719	\$ 56,741	\$ 80,746
2,469,864	2,246,321	2,053,809	1,930,090	1,873,349	1,792,603
\$ 2,638,649	\$ 2,469,864	\$ 2,246,321	\$ 2,053,809	\$ 1,930,090	\$ 1,873,349
\$ 100,945	\$ 81,995	\$ 71,944	\$ 70,443	\$ 68,224	\$ 80,188
67,944	60,714	54,646	50,337	43,246	39,471
370,211	(72,525)	292,075	131,111	2,906	104,581
(151,887)	(96,028)	(103,364)	(80,432)	(141,267)	(81,879)
(2,094)	(1,403)	(1,516)	(1,481)	(1,770)	(1,092)
(63)	(75)	(77)	(80)	(87)	(90)
\$ 385,056	\$ (27,322)	\$ 313,708	\$ 169,898	\$ (28,748)	\$ 141,179
2,396,983	2,424,305	2,110,597	1,940,699	1,969,447	1,828,268
\$ 2,782,039	\$ 2,396,983	\$ 2,424,305	\$ 2,110,597	\$ 1,940,699	\$ 1,969,447
\$ (143,390)	\$ 72,881	\$ (177,984)	\$ (56,788)	\$ (10,609)	\$ (96,098)
105.43%	97.05%	107.92%	102.77%	100.55%	105.13%
\$ 970,627	\$ 867,337	\$ 780,661	\$ 678,770	\$ 617,805	\$ 563,871
(14.77%)	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 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 120,911	\$ 102,555	\$ 98,649
Contributions in Relation to the Actuarially Determined Contributions	(120,911)	(102,555)	(98,649)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,156,929	\$ 914,987	\$ 883,628
Contributions as a Percentage of Covered Payroll	10.45%	11.21%	11.16%

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.

	2020	2019	2018	2017	2016	2015
\$	104,246	\$ 97,594	\$ 75,805	\$ 70,242	\$ 73,228	\$ 66,553
	(104,246)	(97,594)	(75,805)	(70,242)	(73,228)	(66,553)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	973,348	\$ 967,448	\$ 819,793	\$ 739,384	\$ 720,301	\$ 551,758
	10.71%	10.09%	9.25%	9.50%	10.16%	12.06%

CITY OF BANDERA, TEXAS  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2023

**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, 2023

	FY 2023 <u>Plan Year 2022</u>	FY 2022 <u>Plan Year 2021</u>	FY 2021 <u>Plan Year 2020</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 5,327	\$ 5,141	\$ 4,614
Interest on the Total OPEB Liability	2,223	2,168	2,645
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	10,750	5,500	(5,641)
Changes of Assumptions	(44,527)	3,602	12,928
Benefit Payments*	(4,206)	(4,008)	(1,178)
Net Change in Total OPEB Liability	<u>(30,433)</u>	<u>12,403</u>	<u>13,368</u>
Total OPEB Liability - Beginning	120,229	107,826	94,458
Total OPEB Liability - Ending	<u>\$ 89,796</u>	<u>\$ 120,229</u>	<u>\$ 107,826</u>
<b>Covered Payroll</b>	\$ 934,625	\$ 871,372	\$ 981,613
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	9.61%	13.80%	10.98%

\*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.

	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
\$	3,106	\$ 5,551	\$ 4,606
	2,861	2,592	2,505
	-	-	-
	(1,187)	(1,928)	-
	14,706	(4,996)	5,484
	(1,165)	(1,214)	(859)
	<u>18,321</u>	<u>5</u>	<u>11,736</u>
	76,137	76,132	64,396
\$	<u>94,458</u>	<u>\$ 76,137</u>	<u>\$ 87,868</u>
\$	970,627	\$ 867,337	\$ 780,661
	9.73%	8.78%	9.75%

CITY OF BANDERA, TEXAS  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2023

**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, 2023

	Hotel Motel Tax Fund	Opioid Abatement Fund	Street Maintenance Fund	LEOSE Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 151,971	\$ 908	\$ 79,589	\$ 459
Taxes Receivable	-	-	-	-
Accounts Receivable, Net	4,116	-	-	-
Total Assets	<u>\$ 156,087</u>	<u>\$ 908</u>	<u>\$ 79,589</u>	<u>\$ 459</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,500	\$ -	\$ -	\$ -
Total Liabilities	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Restricted for Special Revenue	-	908	-	459
Restricted for Court Security & Technology	-	-	-	-
Restricted Fund Balance:				
Restricted for Local Truancy Prevention	-	-	-	-
Restricted for Hotel/Motel	153,587	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Assigned for Street Right of Ways	-	-	79,589	-
Total Fund Balances	<u>153,587</u>	<u>908</u>	<u>79,589</u>	<u>459</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 156,087</u>	<u>\$ 908</u>	<u>\$ 79,589</u>	<u>\$ 459</u>

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

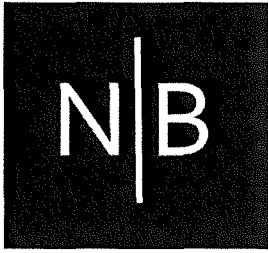
Municipal Court Security Fund	Municipal Court Tech Fund	Truancy Prevention Fund	Marshal Seizure Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 12,843	\$ 13,289	\$ 5,250	\$ 5,573	\$ 269,882	\$ 59,092	\$ 328,974
-	-	-	-	-	3,601	3,601
-	-	-	-	4,116	-	4,116
<u>\$ 12,843</u>	<u>\$ 13,289</u>	<u>\$ 5,250</u>	<u>\$ 5,573</u>	<u>\$ 273,998</u>	<u>\$ 62,693</u>	<u>\$ 336,691</u>
\$ -	\$ 5,250	\$ -	\$ -	\$ 7,750	\$ -	\$ 7,750
-	5,250	-	-	7,750	-	7,750
-	-	-	-	-	3,601	3,601
-	-	-	-	-	3,601	3,601
-	-	-	5,573	6,940	-	6,940
12,843	8,039	-	-	20,882	-	20,882
-	-	5,250	-	5,250	-	5,250
-	-	-	-	153,587	-	153,587
-	-	-	-	-	59,092	59,092
-	-	-	-	79,589	-	79,589
<u>12,843</u>	<u>8,039</u>	<u>5,250</u>	<u>5,573</u>	<u>266,248</u>	<u>59,092</u>	<u>325,340</u>
<u>\$ 12,843</u>	<u>\$ 13,289</u>	<u>\$ 5,250</u>	<u>\$ 5,573</u>	<u>\$ 273,998</u>	<u>\$ 62,693</u>	<u>\$ 336,691</u>

CITY OF BANDERA, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Hotel Motel Tax Fund	Opioid Abatement Fund	Street Maintenance Fund	LEOSE Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Hotel Occupancy Tax	70,033	-	-	-
Intergovernmental Revenue and Grants	-	-	-	944
Charges for Services	-	-	19,668	-
Other Revenue	-	908	-	-
Total Revenues	70,033	908	19,668	944
<b>EXPENDITURES:</b>				
Current:				
City Council:				
Municipal Court	-	-	-	-
Marshal's Department	-	-	-	938
Parks Department:				
Hotel/Motel	74,484	-	-	-
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Total Expenditures	74,484	-	-	938
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,451)	908	19,668	6
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Proceeds from SBITAs	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(4,451)	908	19,668	6
Fund Balance - October 1 (Beginning)	158,038	-	59,921	453
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 153,587	\$ 908	\$ 79,589	\$ 459

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

Municipal Court Security Fund	Municipal Court Tech Fund	Truancy Prevention Fund	Marshal Seizure Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,491	\$ 68,491
-	-	-	-	70,033	-	70,033
-	-	-	-	944	-	944
1,200	1,031	1,125	-	23,024	-	23,024
-	-	-	-	908	-	908
<u>1,200</u>	<u>1,031</u>	<u>1,125</u>	<u>-</u>	<u>94,909</u>	<u>68,491</u>	<u>163,400</u>
-	24,889	-	-	24,889	-	24,889
-	-	-	-	938	-	938
-	-	-	-	74,484	-	74,484
-	5,250	-	-	5,250	184,000	189,250
-	-	-	-	-	61,902	61,902
-	<u>30,139</u>	<u>-</u>	<u>-</u>	<u>105,561</u>	<u>245,902</u>	<u>351,463</u>
<u>1,200</u>	<u>(29,108)</u>	<u>1,125</u>	<u>-</u>	<u>(10,652)</u>	<u>(177,411)</u>	<u>(188,063)</u>
-	-	-	-	-	184,000	184,000
-	<u>24,889</u>	<u>-</u>	<u>-</u>	<u>24,889</u>	<u>-</u>	<u>24,889</u>
-	<u>24,889</u>	<u>-</u>	<u>-</u>	<u>24,889</u>	<u>184,000</u>	<u>208,889</u>
1,200	(4,219)	1,125	-	14,237	6,589	20,826
11,643	12,258	4,125	5,573	252,011	58,137	310,148
-	-	-	-	-	(5,634)	(5,634)
<u>\$ 12,843</u>	<u>\$ 8,039</u>	<u>\$ 5,250</u>	<u>\$ 5,573</u>	<u>\$ 266,248</u>	<u>\$ 59,092</u>	<u>\$ 325,340</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, 2023, 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 March 29, 2024.

### **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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as items 2023-001 and 2023-002 that we consider to be a 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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### 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

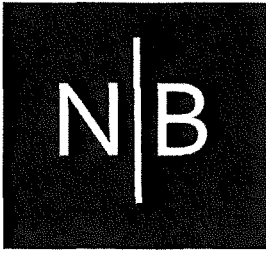
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in 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

March 29, 2024



# 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, 2023. 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, 2023.

#### ***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 an instance of noncompliance which is 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 2023-003. 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**

*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.

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. Given these limitation, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

March 29, 2024

CITY OF BANDERA, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

**I. Financial Statements**

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

**II. Federal Awards**

Type of auditor's report issued Unmodified  
 Internal control over financial reporting  
     Material Weakness(es) identified      Yes  X  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,**

2023-001

**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.

2023-002

**Condition:** Grant expenditures submitted to the grant manager and granting agencies were not reconciled to the general ledger.

**Criteria:** The Department of Treasury requires an annual expenditure report be submitted for the Coronavirus State and Local Fiscal Recovery Funds spent.

**Cause of Condition:** The City did not reconcile the expenditures reported in the general ledger to the grant expenditure report submitted to the Department of Treasury. The expenditure report submitted to the Department of Treasury was inaccurate and did not include all expenditures for the Coronavirus State and Local Fiscal Recovery Funds.

**Potential Effect of Condition:** Understatement of expenditures on reports submitted to granting agencies.

**Recommendation:** We recommend the City reconcile the grant expenditures in the general ledger to the expenditure reports submitted to granting agencies to ensure accurate reporting.

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

2023-003

**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  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS/CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Prior Year's Findings/Noncompliance and Status:**

Finding 2022-001

**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.

**Current Year Status:** The City completed corrective action.

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.

**Current Year Status:** The City completed corrective action.

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.

**Current Year Status:** The City completed corrective action.

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.

**Current Year Status:** The City completed corrective action.

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 2023/24 Fiscal Year.

**Current Year Status:** 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.

**Current Year Status:** The City completed corrective action.

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.

**Current Year Status:** In progress

Finding 2022-008

**Finding Summary:** Failure to file quarterly payroll reports on time.

**Responsible Individuals:** City Treasurer

**Corrective Action Plan:** Treasurer will ensure the City's quarterly payroll tax reports are filed on time.

**Current Year Status:** The City completed corrective action.

**Finding 2023-001**

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

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

*Corrective Action Plan:* Treasurer and PW supervisor have started the inventory process, but they are also considering requesting council pass a resolution stating we expense items when we spend the money on them, rather than when we use them.

*Anticipated Completion Date:* In progress

**Finding 2023-002**

*Finding Summary:* Grant expenditures submitted to the grant manager and granting agencies were not reconciled to the general ledger.

*Responsible Individuals:* Grant Specialist

*Corrective Action Plan:* The city has added a full-time grant specialist to the staff, the primary responsibility of this role will be to oversee the entire lifecycle of grants.

*Anticipated Completion Date:* Complete

**Finding 2023-003**

*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:* The Treasurer worked closely with the auditors to get the audit done by the TWDB deadline of 3/31/24 but unfortunately fell a few days short. We are confident that next year's audit will be done by the deadline.

*Anticipated Completion Date:* In progress

CITY OF BANDERA, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

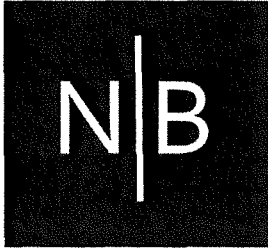
(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>UNITED STATE ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<u>Passed Through Texas Water Development Board</u>			
Drinking Water State Revolving Fund	66.468	62793	\$ 1,157,861
Total Passed Through Texas Water Development Board			<u>1,157,861</u>
<b>TOTAL UNITED STATE ENVIRONMENTAL PROTECTION AGENCY</b>			<u>1,157,861</u>
<b><u>DEPARTMENT OF THE INTERIOR</u></b>			
<u>Passed Through Texas Parks and Wildlife</u>			
City Park Playground	15.916	48-001229	71,250
Total Passed Through Texas Parks and Wildlife			<u>71,250</u>
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>			<u>71,250</u>
<b><u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed Through Texas Department of Agriculture</u>			
2020 Community Development Fund- Water Improvement	14.228	7220011	223,965
Total Passed Through Texas Department of Agriculture			<u>223,965</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>223,965</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,453,076</u>

CITY OF BANDERA, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2023

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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March 29, 2024

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, 2023. 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 November 29, 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. 96 *Subscription-Based Information Technology Arrangements* was adopted and the application of existing policies was not changed during 2023. 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 March 29, 2024.

### *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.

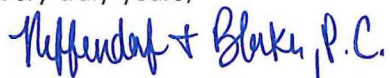
### *Recommendations*

#### 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