



Required Auditor Disclosure Letter Conclusion of Audit

March 21, 2024

To the Honorable Mayor and
City Council Members of the
City of New Braunfels, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Braunfels, Texas (the "City") for the year ended September 30, 2023. Professional standards require that we provide the City Council (the "governing body") with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter previously sent at the start of the annual audit. Professional standards also require that we communicate to the governing body the following information related to our audit.

I. Significant Audit Matters

1. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. As described in the notes to the financial statements, the City changed accounting policies related to accounting for the use of information technology arrangements by adopting Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), in fiscal year 2023. We noted no transactions entered into by the City 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.
- B. 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. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop

the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) hires a licensed actuary to make key assumptions and to perform calculations, as well as an independent auditor to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS.

Estimates are used in the calculation of the health care liability for other postemployment benefits. The City hires a licensed actuary to perform the calculation. We evaluated the key factors and assumptions used to develop the liability in relation to the financial statements taken as a whole.

- C. The financial statement disclosures are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

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

3. 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. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures. Management has corrected all misstatements.

4. 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2024.

6. 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 City's financial statements or a determination of the type of auditors' 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.

7. 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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Changes in Risk Assessment

No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

II. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as identified on the table of contents, which accompanies the financial statements but is not RSI. With respect to this supplementary information, 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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

III. Restrictions on Use

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of New Braunfels, Texas**
Engagement: **New Braunfels 09/30/2023**
Period Ending: **9/30/2023**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.5.06 - Adjusting Journal Entries Report.**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		J.01		
To adjust beginning fund balance for the General fund				
101-1210-450.89-00	Other Purchased Services		4,853.00	
101-0000-283.01-00	Unreserved			4,853.00
Total			4,853.00	4,853.00
Adjusting Journal Entries JE # 2		2.2.03		
PBC - Journal Entries				
101-0000-115.01-00	Accounts Receivable		369,750.00	
101-0000-263.05-00	Dental		465.12	
101-3031-460.27-00	Vehicle & Machinery Parts,Supp		12,000.00	
101-4010-460.17-00	Emergency Medical Supplies		2,620.34	
101-4020-440.35-00	Other Equip Maint and Repair		68,570.90	
101-4020-460.17-00	Emergency Medical Supplies		227,192.35	
101-4020-470.44-00	Vehicles		93,948.08	
101-4020-470.44-00	Vehicles		3,963.45	
101-7910-480.10-00	Interfund Transfers		50,000.00	
210-0000-311.01-00	Ad Valorem Tax - Current		204,227.87	
211-0000-391.01-00	Interfund Transfers		0.87	
211-2101-480.22-00	Principal Payment		2,195,000.00	
211-2101-480.23-00	Interest Payment		796,857.50	
212-2210-480.29-00	Reimbursements		391,880.73	
221-0121-480.10-00	ARPA Interfund Transfers		55,830.56	
260-0000-101.01-00	Cash in Bank		12,000.00	
260-3031-470.44-00	Vehicles		50,875.00	
262-0000-332.01-00	Contributions		32,498.00	
264-6060-480.10-00	Interfund Transfers		230.00	
359-5011-470.21-00	Buildings		26,890.13	
359-5011-470.44-00	Vehicles		15,283.00	
501-0210-470.44-00	Vehicles		32,498.00	
531-0000-115.01-00	Accounts Receivable		9,085.48	
541-0000-101.01-00	Cash in Bank		66,800.00	
794-7930-480.10-00	Interfund Transfers		66,800.00	

101-0000-101.01-00	Cash in Bank		12,000.00
101-0000-263.05-02	Retiree Dental		465.12
101-0000-389.01-00	Miscellaneous		315,378.16
101-4010-470.44-00	Vehicles		2,620.34
101-4020-460.17-00	Emergency Medical Supplies		3,963.45
101-4020-470.44-00	Vehicles		369,750.00
101-4020-470.44-00	Vehicles		74,333.17
101-7910-480.15-00	Transfer Out-Facilities Maint		50,000.00
210-1550-480.10-00	Interfund Transfers		204,227.87
211-0000-311.01-00	Ad Valorem Tax - Current		0.87
211-2101-430.13-00	Fiscal Agent Services		2,991,857.50
212-2210-470.38-00	Contributed Capital		391,880.73
221-0000-391.01-00	Interfund Transfers		55,830.56
260-0000-202.01-00	Operating Payable		50,875.00
260-3031-470.44-00	Vehicles		12,000.00
262-0210-470.44-00	Vehicles		32,498.00
264-0000-388.01-00	Donations		230.00
359-0000-202.01-00	Operating Payable		15,283.00
359-5011-470.34-00	Other Improvements		26,890.13
501-0000-332.01-00	Contributions		32,498.00
531-6040-460.19-00	Chemical and Agricultural Supp		9,085.48
541-0000-391.01-00	Interfund Transfers		66,800.00
794-0000-101.01-00	Cash in Bank		66,800.00
Total		4,785,267.38	4,785,267.38

Adjusting Journal Entries JE # 3

F.01b

To correct PY accrued wages for General and Business-Type funds

501-0000-207.01-00	Wages Payable	28,120.85	
521-0000-207.01-00	Wages Payable	208,827.11	
531-0000-207.01-00	Wages Payable	32,708.37	
541-0000-207.01-00	Wages Payable	20,196.46	
501-0210-410.13-00	Salaries		28,120.85
521-5041-410.13-00	Salaries		208,827.11
531-6040-410.13-00	Salaries		32,708.37
541-7510-410.13-00	Salaries		20,196.46
Total		289,852.79	289,852.79

Adjusting Journal Entries JE # 4

I.05

To record GASB 87 current year activity

101-0000-201.04-03	Def Inflow - Leases	7,421.00	
501-0000-201.04-03	Def Inflow - Leases	39,119.00	
531-0000-210.16-00	Lease Liability	27,220.00	
531-6040-490.05-00	Amortization/Dep Expense	26,301.00	
101-0000-386.01-00	Leases		7,421.00
501-0000-115.01-12	Lease Receivable		21,425.00
501-0000-386.01-00	Leases		17,694.00
531-0000-151.05-00	Amortization		26,301.00
531-6040-460.14-00	Tools, Parts and Equipment		27,220.00
Total		100,061.00	100,061.00

Adjusting Journal Entries JE # 5

J.02

To reclass proceeds from transfer of property to NBU and land expense for tipher

101-0000-389.01-00	Miscellaneous	385,729.70	
101-7910-470.11-00	Land	750,000.00	
101-0000-387.01-00	Sale of Property Equip/Proprty		385,729.70
101-0000-999.99-99	Loan proceeds		750,000.00
Total		1,135,729.70	1,135,729.70

Adjusting Journal Entries JE # 6

A.01

To reclass ARPA restricted cash and ISF cash balance

101-0000-131.02-01	Due from other Funds	33,711.00	
220-0000-101.01-00	Cash in Bank	400,000.00	
602-9010-101.01-00	Cash in Bank	33,711.00	
101-0000-101.01-00	Cash in Bank		33,711.00
220-0000-101.09-00	Texas FIT		400,000.00
602-0000-220.00-00	Due to other funds		33,711.00
Total		467,422.00	467,422.00

Adjusting Journal Entries JE # 7

F.04

To adjust TMRS pension accounts

501-0000-115.01-02	Def Outflow Pension Liability	148,037.00	
501-0000-201.04-00	Def Inflow Pension Liability	113,691.00	
501-0201-439.20-32	Expense (Employee Benefit) Add'l Retirement (NPO)	33,027.00	
521-0000-115.01-02	Def Outflow Pension Liability	913,564.00	
521-0000-201.04-00	Def Inflow Pension Liability	692,322.00	
521-5601-432.20-32	Employee Benefit Add'l Retirement (NPO)	213,106.00	
531-0000-115.01-02	Def Outflow Pension Liability	178,128.00	
531-0000-201.04-00	Def Inflow Pension Liability	117,376.00	
531-6401-451.20-32	Employee Benefit Add'l Retirement (NPO)	59,166.00	
541-0000-115.01-02	Def Outflow Pension Liability	90,770.00	
541-0000-201.04-00	Def Inflow Pension Liability	77,138.00	
541-7501-419.20-32	Employee Benefit Add'l Retirement (NPO)	12,824.00	
501-0000-201.01-00	Net Pension Obligation		294,755.00
521-0000-201.01-00	Net Pension Obligation		1,818,992.00
531-0000-201.01-00	Net Pension Obligation		354,670.00
541-0000-201.01-00	Net Pension Obligation		180,732.00
Total		2,649,149.00	2,649,149.00

Adjusting Journal Entries JE # 8

F.05

To adjust GASB 75 accounts

501-0000-201.03-00	Net Pension Liability	7,572.00	
501-0201-439.20-32	Expense (Employee Benefit) Add'l Retirement (NPO)	766.00	
521-0000-201.03-00	Net Pension Liability	46,728.00	
521-5601-432.20-32	Employee Benefit Add'l Retirement (NPO)	4,728.00	
531-0000-201.03-00	Net Pension Liability	9,111.00	
531-6401-451.20-32	Employee Benefit Add'l Retirement (NPO)	922.00	
541-0000-201.03-00	Net Pension Liability	4,643.00	
541-7501-419.20-32	Employee Benefit Add'l Retirement (NPO)	470.00	
501-0000-115.01-11	Def Out City OPEB		1,127.00
501-0000-201.04-02	Def Inflow OPEB		7,211.00
521-0000-115.01-09	Def Out Pen Liability - TMRS		6,954.00
521-0000-201.04-02	Def Inflow OPEB		44,502.00
531-0000-115.01-09	Def Out Pen Liability - TMRS		1,356.00
531-0000-201.04-02	Def Inflow OPEB		8,677.00
541-0000-115.01-08	Def Out Pen Liability - CITY		691.00
541-0000-201.04-02	Def Inflow OPEB		4,422.00
Total		74,940.00	74,940.00

Adjusting Journal Entries JE # 9

F.06

To adjust OPEB accounts

501-0000-201.04-02	Def Inflow OPEB	22,424.00	
521-0000-201.04-02	Def Inflow OPEB	135,547.00	
531-0000-201.04-02	Def Inflow OPEB	25,349.00	
541-0000-201.04-02	Def Inflow OPEB	15,455.00	
501-0000-115.01-08	Def Out Pen Liability - CITY		1,556.00
501-0000-201.02-00	Net Other Post Empl Benefits		7,047.00
501-0201-439.20-32	Expense (Employee Benefit) Add'l Retirement (NPO)		13,821.00
521-0000-115.01-08	Def Out Pen Liability - CITY		9,405.00
521-0000-201.02-00	Net Other Post Empl Benefits		42,597.00
521-5601-432.20-32	Employee Benefit Add'l Retirement (NPO)		83,545.00
531-0000-115.01-08	Def Out Pen Liability - CITY		1,759.00
531-0000-201.02-00	Net Other Post Empl Benefits		7,966.00
531-6401-451.20-32	Employee Benefit Add'l Retirement (NPO)		15,624.00
541-0000-115.01-08	Def Out Pen Liability - CITY		1,072.00
541-0000-201.02-00	Net Other Post Empl Benefits		4,857.00
541-7501-419.20-32	Employee Benefit Add'l Retirement (NPO)		9,526.00
Total		198,775.00	198,775.00

Adjusting Journal Entries JE # 10

C.01

To adjust property tax accruals for the Debt Service fund

401-0000-110.01-00	Taxes Receivable	187,387.38	
401-0000-110.02-00	Allow for Uncollectible	5,446.09	
401-0000-222.01-00	Future Tax Collections		192,833.47
Total		192,833.47	192,833.47

Adjusting Journal Entries JE # 11

2.4.01

Reporting entry for Solms Landing Trust fund

612-0000-410.00-00	Payments to Developer	996,097.83	
612-0000-420.00-00	Payments to Bond Holders	557,988.76	
612-0000-430.00-00	Payments to fiscal agents	44,847.22	
612-0000-101.01-00	Cash in Bank		883,262.39
612-0000-350.01-00	Contributions to Trust		610,380.54
612-0000-350.02-00	Interest Revenue		105,290.88
Total		<u>1,598,933.81</u>	<u>1,598,933.81</u>
	Total Adjusting Journal Entries	<u>11,497,817.15</u>	<u>11,497,817.15</u>
	Total All Journal Entries	<u>11,497,817.15</u>	<u>11,497,817.15</u>