

CITY OF BRONTE  
Annual Financial Report  
Year Ended September 30, 2017

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FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Bronte  
P.O. Box 370  
Bronte, TX 76933-0370

### **Report on the Financial Statements**

We have audited the accompanying financial statements 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 Bronte, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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 Bronte, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas Municipal Retirement System on pages 3 through 7, 36, and 37 through 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bronte's basic financial statements. The other supplementary information and the statistical information listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the City of Bronte'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 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 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 Bronte's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

February 22, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bronte's financial performance provides an overview of the City's financial activities for the year ended September 30, 2017. It should be read in conjunction with the City's basic financial statements and independent auditor's report.

### Financial Highlights

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$3,386,028 (net position). Of this amount, \$1,283,457 (unrestricted) may be used to meet the City's ongoing obligations.

The City's total net position increased by \$87,795 or 3%. This amount consists of a \$86,323 increase attributable to current year operations and a \$1,472 increase attributable to prior period adjustments described in Note IV., E. to the financial statements. The City's statement of activities shows total revenues of \$1,439,900 and total expenses of \$1,353,577.

The total fund balance of the General Fund is \$401,618 which is an increase of \$33,498 or 9% compared to the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public health, public safety, streets, economic development, and grant activities. The business-type activities of the City include a water and sewer system and trash collection.

The component unit column of the government-wide financial statements presents the financial information of the Bronte Economic Development Corporation which is a component unit of the City. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Texas Department of Housing and Community Affairs Grant Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

**Proprietary Funds** - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer system and trash collection.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the City's net position is presented below:

	NET POSITION					
	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 434,954	\$ 392,652	\$ 1,026,876	\$ 1,207,036	\$ 1,461,830	\$ 1,599,688
Capital Assets	47,993	53,460	2,054,578	2,143,134	2,102,571	2,196,594
<b>Total Assets</b>	<b>\$ 482,947</b>	<b>\$ 446,112</b>	<b>\$ 3,081,454</b>	<b>\$ 3,350,170</b>	<b>\$ 3,564,401</b>	<b>\$ 3,796,282</b>
Deferred Outflows of Resources	\$ 12,538	\$ 12,184	\$ 18,498	\$ 17,956	\$ 31,036	\$ 30,140
Long-Term Liabilities Outstanding	\$ 45,142	\$ 43,530	\$ 71,658	\$ 349,157	\$ 116,800	\$ 392,687
Other Liabilities	18,709	7,045	73,870	128,457	92,579	135,502
<b>Total Liabilities</b>	<b>\$ 63,851</b>	<b>\$ 50,575</b>	<b>\$ 145,528</b>	<b>\$ 477,614</b>	<b>\$ 209,379</b>	<b>\$ 528,189</b>
Deferred Inflows of Resources	\$ 12	\$ 0	\$ 18	\$ 0	\$ 30	\$ 0
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 47,993	\$ 53,460	\$ 2,054,578	\$ 2,158,153	\$ 2,102,571	\$ 2,211,613
Unrestricted	383,629	354,261	899,828	732,359	1,283,457	1,086,620
<b>Total Net Position</b>	<b>\$ 431,622</b>	<b>\$ 407,721</b>	<b>\$ 2,954,406</b>	<b>\$ 2,890,512</b>	<b>\$ 3,386,028</b>	<b>\$ 3,298,233</b>

A large portion of the City's net position (\$2,102,571) reflects the City's investment in capital assets. These capital assets are used to provide services to citizens within the jurisdiction of the City; consequently, these assets are not available for future spending. The remaining balance of unrestricted net position (\$1,283,457) may be used to meet the City's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the City's net position by \$22,429 and decreased the City's net position by \$4,020 for the fiscal years ended September 30, 2017 and 2016, respectively. Business-type activities increased the City's net position by \$63,894 and \$370,524 for the fiscal years ended September 30, 2017 and 2016, respectively. Key elements of these increases (decreases) are as follows:

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,					
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 0	\$ 0	\$ 698,840	\$ 720,367	\$ 698,840	\$ 720,367
Operating Grants and Contributions	0	6,625	0	31,870	0	38,495
Capital Grants and Contributions	435,250	145,243	0	0	435,250	145,243
General Revenues						
Operations Taxes	118,177	109,249	0	0	118,177	109,249
Sales and Franchise Taxes	170,881	173,342	0	0	170,881	173,342
Gain (Loss) on Disposal of Assets	0	0	(5,890)	0	(5,890)	0
Other	21,783	20,760	859	30,118	22,642	50,878
<b>Total Revenues</b>	<b>\$ 746,091</b>	<b>\$ 455,219</b>	<b>\$ 693,809</b>	<b>\$ 782,355</b>	<b>\$ 1,439,900</b>	<b>\$ 1,237,574</b>
<b>Expenses</b>						
General Government	\$ 134,802	\$ 129,249	\$ 0	\$ 0	\$ 134,802	\$ 129,249
Public Health	13,923	14,757	0	0	13,923	14,757
Public Safety	20,748	45,314	0	0	20,748	45,314
Streets	43,444	48,541	0	0	43,444	48,541
Economic Development	75,495	76,135	0	0	75,495	76,135
Grants	435,250	1,040	0	0	435,250	1,040
Utility Systems	0	0	629,915	556,034	629,915	556,034
<b>Total Expenses</b>	<b>\$ 723,662</b>	<b>\$ 315,036</b>	<b>\$ 629,915</b>	<b>\$ 556,034</b>	<b>\$ 1,353,577</b>	<b>\$ 871,070</b>
Change in Net Position Before Capital Contributions	\$ 22,429	\$ 140,183	\$ 63,894	\$ 226,321	\$ 86,323	\$ 366,504
Capital Contributions	0	(144,203)	0	144,203	0	0
Change in Net Position	\$ 22,429	\$ (4,020)	\$ 63,894	\$ 370,524	\$ 86,323	\$ 366,504
Net Position - Beginning	407,721	415,445	2,890,512	2,519,528	3,298,233	2,934,973
Prior Period Adjustments	1,472	(3,704)	0	460	1,472	(3,244)
Net Position - Ending	<u>\$ 431,622</u>	<u>\$ 407,721</u>	<u>\$ 2,954,406</u>	<u>\$ 2,890,512</u>	<u>\$ 3,386,028</u>	<u>\$ 3,298,233</u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the current year.

The City's governmental funds reported combined ending fund balances \$406,675, an increase of \$30,998 or 8% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$401,618. All of this balance is unassigned.

Other Funds \$5,057. All of this balance is assigned for special programs.

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

The City's proprietary funds reported unrestricted net position of \$899,828, an increase of \$167,469 or 23% in comparison with the prior year.

### General Fund Budget

The original budget for the General Fund was \$370,704, and the final amended budget was \$357,229 which represents a \$13,475 decrease in appropriations. Variances between the original budget and the final amended budget are shown on page 36 in the required supplementary information section of the audit report.

The City has adopted a budget for the General Fund in the amount of \$358,332 for the fiscal year 2018, which is an increase of \$1,103 from the fiscal year 2017.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., C. discloses the City's capital asset activity for the year ended September 30, 2017.

**Long-Term Debt** - Financial statement footnote III., E. discloses the City's debt activity for the year ended September 30, 2017.

### Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Crystal L. Blevins, City Secretary, City of Bronte, P.O. Box 370, Bronte, TX 76933-0370.

Basic Financial Statements

CITY OF BRONTE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Nonmajor Component Unit
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 370,358	\$ 952,308	\$ 1,322,666	\$ 551,457
Accrued Interest Receivable	-	-	-	149
Accounts Receivable	9,825	73,345	83,170	-
Other Taxes Receivable	35,580	-	35,580	-
Internal Balances	10,197	(10,197)	-	-
Due from Component Unit	7,691	175	7,866	-
Due from Primary Government	-	-	-	14,525
Prepaid Insurance	1,303	1,046	2,349	-
Capital Assets:				
Land	14,625	76,568	91,193	-
Buildings and Systems, Net	26,292	1,716,162	1,742,454	-
Machinery and Equipment, Net	7,076	-	7,076	-
Construction in Progress	-	261,848	261,848	-
Total Assets	<u>482,947</u>	<u>3,071,255</u>	<u>3,554,202</u>	<u>566,131</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Outflow Related to TMRS	12,538	18,498	31,036	-
Total Deferred Outflows of Resources	<u>12,538</u>	<u>18,498</u>	<u>31,036</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	2,460	22,203	24,663	-
Employment Taxes Payable	1,095	2,030	3,125	-
Retirement Payable	763	1,149	1,912	-
Other Payables	-	966	966	-
Customer Deposits	-	37,189	37,189	-
Due to Component Unit	14,391	134	14,525	-
Due from Primary Government	-	-	-	7,866
Noncurrent Liabilities:				
Net Pension Liability (City's Share)	45,142	71,658	116,800	-
Total Liabilities	<u>63,851</u>	<u>135,329</u>	<u>199,180</u>	<u>7,866</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred Inflow Related to TMRS	12	18	30	-
Total Deferred Inflows of Resources	<u>12</u>	<u>18</u>	<u>30</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	47,993	2,054,578	2,102,571	-
Unrestricted	383,629	899,828	1,283,457	558,265
Total Net Position	<u>\$ 431,622</u>	<u>\$ 2,954,406</u>	<u>\$ 3,386,028</u>	<u>\$ 558,265</u>

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

CITY OF BRONTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues		
Expenses	Charges for Services	Capital Grants and Contributions	
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	134,802	-	-
Public Safety	20,748	-	-
Streets	43,444	-	-
Public Health	13,923	-	-
Grant Administration:	-	-	-
Construction	416,140	-	416,140
Engineering	3,538	-	3,538
Administration	15,572	-	15,572
Economic Development	75,495	-	-
Total Governmental Activities	723,662	-	435,250
BUSINESS-TYPE ACTIVITIES:			
Water	360,677	407,706	-
Sewer	66,517	70,490	-
Sanitation	202,721	220,644	-
Total Business-Type Activities	629,915	698,840	-
TOTAL PRIMARY GOVERNMENT	\$ 1,353,577	\$ 698,840	\$ 435,250
<b>Component Unit:</b>			
Nonmajor Component Unit	31,611	-	-
TOTAL COMPONENT UNITS	\$ 31,611	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Sales Tax  
Franchise Tax  
Investment Earnings  
Miscellaneous Revenue  
Sales Tax Transferred from Primary Government  
Gain (Loss) on Disposal of Assets

Total General Revenues

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	Nonmajor Component Unit
\$ (134,802)	\$ -	\$ (134,802)	\$ -
(20,748)	-	(20,748)	-
(43,444)	-	(43,444)	-
(13,923)	-	(13,923)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(75,495)	-	(75,495)	(31,611)
<u>(288,412)</u>	<u>-</u>	<u>(288,412)</u>	<u>(31,611)</u>
-	47,029	47,029	-
-	3,973	3,973	-
-	17,923	17,923	-
-	<u>68,925</u>	<u>68,925</u>	-
<u>(288,412)</u>	<u>68,925</u>	<u>(219,487)</u>	<u>(31,611)</u>
-	-	-	(31,611)
-	-	-	(31,611)
118,177	-	118,177	-
150,987	-	150,987	-
19,894	-	19,894	-
597	763	1,360	572
21,186	96	21,282	-
-	-	-	75,495
-	(5,890)	(5,890)	-
<u>310,841</u>	<u>(5,031)</u>	<u>305,810</u>	<u>76,067</u>
22,429	63,894	86,323	44,456
407,721	2,890,512	3,298,233	513,809
1,472	-	1,472	-
<u>\$ 431,622</u>	<u>\$ 2,954,406</u>	<u>\$ 3,386,028</u>	<u>\$ 558,265</u>

CITY OF BRONTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General Fund	TDHCA Grant	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 363,267	\$ 2,034	\$ 5,057	\$ 370,358
Accrued Interest Receivable	255	-	-	255
Property Taxes Receivable	14,522	-	-	14,522
Allowance for Uncollectibles	(4,952)	-	-	(4,952)
Other Taxes Receivable	35,580	-	-	35,580
Due from Other Funds	12,233	-	-	12,233
Due from Component Unit	7,691	-	-	7,691
Prepaid Insurance	1,303	-	-	1,303
Total Assets	<u>\$ 429,899</u>	<u>\$ 2,034</u>	<u>\$ 5,057</u>	<u>\$ 436,990</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,460	\$ -	\$ -	\$ 2,460
Employment Taxes Payable	1,095	-	-	1,095
Retirement Payable	763	-	-	763
Due to Other Funds	2	2,034	-	2,036
Due to Component Unit	14,391	-	-	14,391
Total Liabilities	<u>18,711</u>	<u>2,034</u>	<u>-</u>	<u>20,745</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	9,570	-	-	9,570
Total Deferred Inflows of Resources	<u>9,570</u>	<u>-</u>	<u>-</u>	<u>9,570</u>
<b>FUND BALANCES</b>				
Assigned Fund Balance	-	-	5,057	5,057
Unassigned Fund Balance	401,618	-	-	401,618
Total Fund Balances	<u>401,618</u>	<u>-</u>	<u>5,057</u>	<u>406,675</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 429,899</u>	<u>\$ 2,034</u>	<u>\$ 5,057</u>	<u>\$ 436,990</u>

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

CITY OF BRONTE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	406,675
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		53,460
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 net position.		(5,467)
Property taxes are recognized when they become available in the fund financial statements but are shown as revenues when they are levied in the government-wide financial statements. The net effect of including unavailable revenue from property taxes as revenue is to increase net position.		9,570
Included in the items related to debt is the recognition of the City's proportionate share of net pension liability required by GASB 68, a Deferred Resource Inflow related to TMRS, and a Deferred Resource Outflow related to TMRS. The net effect of these adjustments is to decrease net position.		(32,616)
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>431,622</u>

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

CITY OF BRONTE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	TDHCA Grant	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property	\$ 118,537	\$ -	\$ -	\$ 118,537
Sales	150,987	-	-	150,987
Franchise	19,894	-	-	19,894
Intergovernmental Revenue and Grants	-	392,640	42,610	435,250
Interest Earned	597	-	-	597
Miscellaneous	20,606	-	580	21,186
Total Revenues	310,621	392,640	43,190	746,451
<b>EXPENDITURES:</b>				
Current:				
General Government	129,592	-	-	129,592
Public Safety	20,346	-	-	20,346
Streets	42,662	-	-	42,662
Public Health	10,500	-	3,080	13,580
Grant Administration:				
Construction	-	379,040	37,100	416,140
Engineering	-	-	3,538	3,538
Administration	-	13,600	1,972	15,572
Economic Development	75,495	-	-	75,495
Total Expenditures	278,595	392,640	45,690	716,925
Net Change in Fund Balances	32,026	-	(2,500)	29,526
Fund Balance - October 1 (Beginning)	368,120	-	7,557	375,677
Prior Period Adjustments	1,472	-	-	1,472
Fund Balance - September 30 (Ending)	\$ 401,618	\$ -	\$ 5,057	\$ 406,675

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



CITY OF BRONTE  
 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, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	29,526
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 net position.		(5,467)
Property taxes are recognized when they become available in the fund financial statements. The net effect of including unavailable revenue from property taxes as revenue is to decrease net position.		(360)
Current year changes due to GASB 68 include amortization of deferred resource inflows and outflows, accounting for the City's proportionate share of the current measurement period expense affecting the ending net pension asset, accounting for contributions made before the measurement date but during the fiscal year, and accounting for contributions made after the measurement date during the fiscal year as deferred financial resources. The impact of all of these is to decrease net position.		(1,270)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>22,429</u>

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

CITY OF BRONTE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 769,665	\$ 141,372	\$ 41,271	\$ 952,308
Accrued Interest Receivable	112	10	-	122
Accounts Receivable	38,223	5,960	29,040	73,223
Due from Other Funds	-	-	2	2
Due from Component Unit	-	-	175	175
Prepaid Insurance	471	461	114	1,046
Total Current Assets	<u>808,471</u>	<u>147,803</u>	<u>70,602</u>	<u>1,026,876</u>
Noncurrent Assets:				
Capital Assets:				
Land	39,783	36,785	-	76,568
Buildings and Systems, Net	1,400,983	315,179	-	1,716,162
Construction in Progress	261,848	-	-	261,848
Total Noncurrent Assets	<u>1,702,614</u>	<u>351,964</u>	<u>-</u>	<u>2,054,578</u>
Total Assets	<u>2,511,085</u>	<u>499,767</u>	<u>70,602</u>	<u>3,081,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to TMRS	11,398	6,061	1,039	18,498
Total Deferred Outflows of Resources	<u>11,398</u>	<u>6,061</u>	<u>1,039</u>	<u>18,498</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	2,222	1,233	18,748	22,203
Employment Taxes Payable	1,354	569	107	2,030
Retirement Payable	694	395	60	1,149
Other Payables	-	-	966	966
Customer Deposits	37,189	-	-	37,189
Due to Other Funds	9,422	399	378	10,199
Due to Component Unit	-	-	134	134
Total Current Liabilities	<u>50,881</u>	<u>2,596</u>	<u>20,393</u>	<u>73,870</u>
Noncurrent Liabilities:				
Payable from Restricted Assets - Noncurrent:				
Net Pension Liability (City's Share)	44,537	23,423	3,698	71,658
Total Noncurrent Liabilities	<u>44,537</u>	<u>23,423</u>	<u>3,698</u>	<u>71,658</u>
Total Liabilities	<u>95,418</u>	<u>26,019</u>	<u>24,091</u>	<u>145,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to TMRS	11	6	1	18
Total Deferred Inflows of Resources	<u>11</u>	<u>6</u>	<u>1</u>	<u>18</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,702,614	351,964	-	2,054,578
Unrestricted	724,440	127,839	47,549	899,828
Total Net Position	<u>\$ 2,427,054</u>	<u>\$ 479,803</u>	<u>\$ 47,549</u>	<u>\$ 2,954,406</u>

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

CITY OF BRONTE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total Enterprise Funds
<b>OPERATING REVENUES:</b>				
Sales of Services	\$ 406,301	\$ 69,215	\$ 219,121	\$ 694,637
Connect Fees	1,405	275	-	1,680
Other Services	-	1,000	1,523	2,523
Miscellaneous	96	-	-	96
Total Operating Revenues	<u>407,802</u>	<u>70,490</u>	<u>220,644</u>	<u>698,936</u>
<b>OPERATING EXPENSES:</b>				
Cost of Sales and Services	4,571	-	192,904	197,475
Salaries and Benefits	84,732	35,382	6,900	127,014
Maintenance and Repairs	22,391	560	-	22,951
Other Operating Costs	176,153	17,698	2,917	196,768
Depreciation	69,789	12,877	-	82,666
Total Operating Expenses	<u>357,636</u>	<u>66,517</u>	<u>202,721</u>	<u>626,874</u>
Operating Income	<u>50,166</u>	<u>3,973</u>	<u>17,923</u>	<u>72,062</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (Loss) on Disposal of Assets	(5,890)	-	-	(5,890)
Interest Earned	675	88	-	763
Interest Expense	(2,235)	-	-	(2,235)
Bond Fees	(806)	-	-	(806)
Total Nonoperating Revenue (Expenses)	<u>(8,256)</u>	<u>88</u>	<u>-</u>	<u>(8,168)</u>
Change in Net Position	41,910	4,061	17,923	63,894
Total Net Position - October 1 (Beginning)	<u>2,385,144</u>	<u>475,742</u>	<u>29,626</u>	<u>2,890,512</u>
Total Net Position - September 30 (Ending)	<u>\$ 2,427,054</u>	<u>\$ 479,803</u>	<u>\$ 47,549</u>	<u>\$ 2,954,406</u>

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

CITY OF BRONTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Sanitation	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 403,792	\$ 70,334	\$ 208,835	\$ 682,961
Cash Payments for Salaries and Benefits	(83,740)	(35,033)	(6,883)	(125,656)
Cash Payments for Suppliers for Goods and Services	(200,893)	(17,427)	(190,281)	(408,601)
Net Cash Provided by Operating Activities	<u>119,159</u>	<u>17,874</u>	<u>11,671</u>	<u>148,704</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Contributed by Other Funds	(75,424)	-	-	(75,424)
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investment Securities	(127)	(64)	-	(191)
Interest on Investments	674	88	-	762
Net Cash Provided by Investing Activities	<u>547</u>	<u>24</u>	<u>-</u>	<u>571</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(237,863)	13,313	10,868	(213,682)
Cash and Cash Equivalents at the Beginning of the Year	<u>906,749</u>	<u>102,460</u>	<u>30,403</u>	<u>1,039,612</u>
Cash and Cash Equivalents at the End of the Year	668,886	115,773	41,271	825,930
Temporary Investment Not in Cash Equivalents	<u>100,779</u>	<u>25,599</u>	<u>-</u>	<u>126,378</u>
Cash on Balance Sheet	<u>\$ 769,665</u>	<u>\$ 141,372</u>	<u>\$ 41,271</u>	<u>\$ 952,308</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>				
Operating Income	\$ 50,166	\$ 3,973	\$ 17,923	\$ 72,062
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	69,789	12,877	-	82,666
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(5,797)	(156)	(11,634)	(17,587)
Decrease (Increase) in Due from Component Unit	-	-	(175)	(175)
Decrease (Increase) in Prepaid Insurance	(471)	(461)	(114)	(1,046)
Decrease (Increase) in Deferred Resource Outflows	(329)	(188)	(25)	(542)
Increase (Decrease) in Accounts Payable	2,222	831	5,882	8,935
Increase (Decrease) in Employment Taxes Payable	180	62	24	266
Increase (Decrease) in Retirement Payable	85	60	16	161
Increase (Decrease) in Sales Tax Payable	-	-	(301)	(301)
Increase (Decrease) in Due from Component Unit	-	-	(41)	(41)
Increase (Decrease) in Customer Deposits	1,787	-	-	1,787
Increase (Decrease) in Net Pension Liability	1,516	870	115	2,501
Increase (Decrease) in Deferred Resource Inflows	11	6	1	18
Net Cash Provided by Operating Activities	<u>\$ 119,159</u>	<u>\$ 17,874</u>	<u>\$ 11,671</u>	<u>\$ 148,704</u>

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

CITY OF BRONTE  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2017

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	Firemen's Relief and Retirement
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 49,044
Accrued Interest Receivable	22
Total Assets	<u>49,066</u>
NET POSITION	
Held in Trust for Benefits	<u>49,066</u>
Total Net Position	<u>\$ 49,066</u>

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

CITY OF BRONTE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Firemen's Relief and Retirement
ADDITIONS:	
Interest Earned	\$ 98
Total Additions	98
DEDUCTIONS:	
Benefits and Other Deductions	600
Total Deductions	600
Change in Net Position	(502)
Total Net Position -October 1 (Beginning)	49,568
Total Net Position September 30 (Ending)	\$ 49,066

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

CITY OF BRONTE  
Notes to the Financial Statements  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Bronte, Texas, prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the City complies with the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The City is governed by an elected mayor and a five-member council which is elected by the public. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

The City reports the following component unit -

Bronte Economic Development Corporations - The Boards of Directors are appointed by the City Council. The Corporations are fiscally dependent on the City because they are funded by sales taxes which are collected by the City and their operating budgets are approved by the City Council.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the City and (2) grants and contributions - payments from organizations outside the City that are restricted to meeting the operational or capital requirements of a particular function or segment of the City. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City had no other governmental funds in the current year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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 unearned revenue until related and authorized expenditures have been made.

The proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - Texas Department of Housing and Community Affairs Grant - This Fund is used to provide decent and affordable housing for residents of the City.

The government reports the following major proprietary fund:

Enterprise Funds - Water Fund, Sewer Fund and Sanitation Fund - These funds account for the operation of the City's utility system and trash collection.

Additionally, the government reports the following fund type:

The Private Purpose Trust Fund accounts for resources used to provide for benefits under the Firemen's Relief and Retirement Fund requirements.

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.



CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds and proprietary funds these balances are eliminated in the statement of net position.

**F. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
System	40
Equipment	5-10

**I. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and 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.

**K. Compensated Absences**

The City's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

**L. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets.

**M. Fund Balances/Equity**

In the fund financial statements, governmental funds report the following classification of fund balance:

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the City Council or by a Council designee.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The City recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within the current period.

Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**O. Interfund Transfers**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official budget is prepared for adoption for required governmental fund types prior to the beginning of each fiscal year. The budget is formally adopted by the City Council at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except Special Revenue Funds which adopt project-length budgets. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended by the City Council. Such amendments are reflected in the official minutes of the City Council.

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations in one function as shown on page 36.

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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, and (9) 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, and (10) 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 is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits and investments in certificates of deposit may not be returned to it. The City's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The City is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the City's name.

**Concentration of Credit Risk:** The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The City is not exposed to this risk as described in the preceding paragraph.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the City was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Interfund Receivables and Payables**

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Major Special Revenue Fund	\$ 2,034	\$ 2	Reimbursement
Enterprise Funds	10,199	0	Reimbursement
	<u>\$ 12,233</u>	<u>\$ 2</u>	
Major Special Revenue Fund			
General Fund	0	2,034	Reimbursement
Enterprise Funds			
General Fund	<u>2</u>	<u>10,199</u>	Reimbursement
Totals	<u>\$ 12,235</u>	<u>\$ 12,235</u>	

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 14,625	\$ 0	\$ 0	\$ 14,625
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 70,542	\$ 0	\$ 2,778	\$ 67,764
Equipment	191,988	0	0	191,988
Total Capital Assets Being Depreciated	<u>\$ 262,530</u>	<u>\$ 0</u>	<u>\$ 2,778</u>	<u>\$ 259,752</u>
Total Capital Assets	<u>\$ 277,155</u>	<u>\$ 0</u>	<u>\$ 2,778</u>	<u>\$ 274,377</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (42,315)	\$ (1,935)	\$ (2,778)	\$ (41,472)
Equipment	(181,380)	(3,532)	0	(184,912)
Total Accumulated Depreciation	<u>\$ (223,695)</u>	<u>\$ (5,467)</u>	<u>\$ (2,778)</u>	<u>\$ (226,384)</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,460</u>	<u>\$ (5,467)</u>	<u>\$ 0</u>	<u>\$ 47,993</u>

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Capital Assets - Continued**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 76,568	\$ 0	\$ 0	\$ 76,568
Construction in Progress	<u>261,848</u>	<u>0</u>	<u>0</u>	<u>261,848</u>
Total Capital Assets Not Being Depreciated	<u>\$ 338,416</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 338,416</u>
Capital Assets Being Depreciated				
Buildings and Systems	\$ 3,637,836	\$ 0	\$ 252,288	\$ 3,385,548
Equipment	<u>60,497</u>	<u>0</u>	<u>13,088</u>	<u>47,409</u>
Total Capital Assets Being Depreciated	<u>\$ 3,698,333</u>	<u>\$ 0</u>	<u>\$ 265,376</u>	<u>\$ 3,432,957</u>
Total Capital Assets	<u>\$ 4,036,749</u>	<u>\$ 0</u>	<u>\$ 265,376</u>	<u>\$ 3,771,373</u>
Less Accumulated Depreciation				
Buildings and Systems	\$ (1,843,656)	\$ (78,018)	\$ (252,288)	\$ (1,669,386)
Equipment	<u>(49,959)</u>	<u>(4,648)</u>	<u>(7,198)</u>	<u>(47,409)</u>
Total Accumulated Depreciation	<u>\$ (1,893,615)</u>	<u>\$ (82,666)</u>	<u>\$ (259,486)</u>	<u>\$ (1,716,795)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,143,134</u>	<u>\$ (82,666)</u>	<u>\$ 5,890</u>	<u>\$ 2,054,578</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 3,940
Public Health	343
Public Safety	402
Streets	<u>782</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,467</u>
Business-Type Activities	
Water	\$ 69,789
Sewer	<u>12,877</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 82,666</u>

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. 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 resources (revenue) until that time.

The City has the following items that qualify for reporting in these categories:

Deferred Outflows (Statement of Net Position)

City's proportionate share of Texas Municipal Retirement System (TMRS) deferred outflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Statement of Net Position)

City's proportionate share of Texas Municipal Retirement System (TMRS) deferred inflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

**E. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Certificates of Obligation	<u>\$ 280,000</u>	<u>\$ 0</u>	<u>\$ 280,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

**Plan Description** - The City participates in a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

CITY OF BRONTE  
Notes to the Financial Statements  
September 30, 2017

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**Pension Trust Fund** - The plan provisions that have been adopted by the City are within the options available in the TMRS Act. Employees can retire at age 60 and above with 5 or more years of service, or with 25 years of service regardless of age. Employees are vested after 5 years of service, but their accumulated deposits and interest must remain in the plan to receive any employer-financed benefits. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's personal account balance and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TMRS Act. Members may choose to receive their retirement benefit in one of seven payment options.

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Inactive Employees Entitled to but not yet Receiving Benefits	1
Active Employers	<u>3</u>
Total	<u>5</u>

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.16% and 10.81% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$13,258, and were equal to the required contributions.



CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

**Net Pension Liability** - The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% Per Year
Overall Payroll Growth	2.20% Per Year
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City rates are multiplied by a factor of 88%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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.

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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 arithmetic mean (aggressive) without an adjustment for time (conservative) and the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
Total	<u>100.0%</u>	

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

Discount Rate

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

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 389,386	\$ 276,699	\$ 112,687
Changes for the Year:			
Service Cost	\$ 9,906	\$ 0	\$ 9,906
Interest on the Total Pension Liability	26,165	0	26,165
Changes in Current Period Benefits	0	0	0
Difference Between Expected and Actual Experience	5,214	0	5,214
Changes of Assumptions	0	0	0
Contributions - Employer	0	11,203	(11,203)
Contributions - Employee	0	7,476	(7,476)
Net Investment Income	0	18,715	(18,715)
Benefit Payments, Including Refunds of Employee			
Contributions	(13,422)	(13,422)	0
Administrative Expense	0	(211)	211
Other	0	(11)	11
Net Changes	<u>\$ 27,863</u>	<u>\$ 23,750</u>	<u>\$ 4,113</u>
Balance at December 31, 2016	<u>\$ 417,249</u>	<u>\$ 300,449</u>	<u>\$ 116,800</u>

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

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

	1% Decrease in Discount Rate <u>5.75%</u>	Discount Rate <u>6.75%</u>	1% Increase in Discount Rate <u>7.75%</u>
City's Net Pension Liability	<u>\$ 166,329</u>	<u>\$ 116,800</u>	<u>\$ 74,660</u>

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

Pension Plan Fiduciary Net Position

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

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,219	\$ -
Changes in Actuarial Assumptions	6,999	-
Differences Between Projected and Actual Investment Earnings	12,483	30
Contributions Made Subsequent to the Measurement Date	10,335	-
Totals	\$ 31,036	\$ 30

Deferred outflows of resources of \$8,259 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Pension Expense Amount
2017	\$ 6,386
2018	6,384
2019	5,755
2020	1,650
2021	496
Thereafter	0

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**B. Other Postemployment Benefits**

Plan Description - The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement Systems (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group-term life insurance coverage to current employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death).

Funding Policy - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. 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; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2017, 2016, and 2015, were \$221, \$223, and \$286, respectively, which equaled the required contributions each year.

**C. Workers' Compensation Insurance**

The City has entered into an interlocal participation agreement with the Texas Municipal League Workers' Compensation Joint Insurance Fund (the Fund). The Fund was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The City's participation in the Fund is on a nonassessable basis. The City has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The City made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the City's experience modifier. Contributions are adjusted annually based upon the City's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

**D. Property and Liability Coverage**

The City has entered into an interlocal participation agreement with the Texas Municipal League Joint Self-Insurance Fund (the Fund). The Fund was created to provide liability and property coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund provides stop-loss coverage at the discretion of the Fund's Board of Trustees. The City made contributions to the Fund based upon a rating system approved by the Fund's Board of Trustees. Contributions are adjusted annually based upon the City's loss experience. The City's participation in the Fund provides coverage for property, automobile liability, general liability, errors and omissions liability, and automobile medical payments. The participation agreement is continuous, but the agreement may be terminated by either party by giving a written sixty-day notice of intent to terminate.

CITY OF BRONTE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**E. Adjustments to Fund Balance/Net Position**

The financial statements reflect the following prior period adjustments:

	<u>Net Position Statement of Activities</u>	<u>Fund Balances Governmental Funds</u>
General Fund		
Various Miscellaneous Adjustments	<u>\$ 1,472</u>	<u>\$ 1,472</u>

**F. Litigation**

Litigation exists involving a lease of city-owned property which was terminated when it was determined to be void under state law. The claimant is seeking reimbursement for improvements made to the property, other damages such as harassment and lost employment opportunities, and attorney's fees. The District's liability, if any, cannot be determined at this time.

**G. Subsequent Events**

The fiduciary responsibilities regarding the Firemen's Relief and Retirement Fund will be relinquished to the Volunteer Fire Department during fiscal year 2017-2018.

The City's management has evaluated subsequent events through February 22, 2018, the date which the financial statements were available for issue.

Required Supplementary Information

CITY OF BRONTE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 113,000	\$ 113,000	\$ 118,537	\$ 5,537
Sales	140,000	140,000	150,987	10,987
Franchise	20,000	20,000	19,894	(106)
Intergovernmental Revenue and Grants	96,000	56,000	-	(56,000)
Interest Earned	-	-	597	597
Miscellaneous	5,200	5,200	20,606	15,406
Total Revenues	374,200	334,200	310,621	(23,579)
<b>EXPENDITURES:</b>				
Current:				
General Government	159,360	140,339	129,592	10,747
Public Safety	21,610	23,760	20,346	3,414
Streets	106,234	110,130	42,662	67,468
Public Health	13,500	13,000	10,500	2,500
Economic Development	70,000	70,000	75,495	(5,495)
Total Expenditures	370,704	357,229	278,595	78,634
Net Change	3,496	(23,029)	32,026	55,055
Fund Balance - October 1 (Beginning)	368,120	368,120	368,120	-
Prior Period Adjustments	-	-	1,472	1,472
Fund Balance - September 30 (Ending)	\$ 371,616	\$ 345,091	\$ 401,618	\$ 56,527



CITY OF BRONTE  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<b>A. Total Pension Liability</b>			
Service Cost	\$ 9,906	\$ 8,891	\$ 9,481
Interest (on the Total Pension Liability)	26,165	24,948	23,701
Changes of Benefit Terms	-0-	-0-	-0-
Difference between Expected and Actual Experience	5,214	326	-0-
Changes of Assumptions	-0-	9,971	(4,994)
Benefit Payments, including refunds of employee contributions	(13,422)	(13,422)	(6,711)
Net change in Total Pension Liability	\$ 27,863	\$ 30,714	\$ 21,477
Total Pension Liability - Beginning	389,386	358,672	337,195
Total Pension Liability - Ending	\$ 417,249	\$ 389,386	\$ 358,672
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 11,203	\$ 10,086	\$ 10,538
Contributions - Employee	7,476	7,038	7,377
Net Investment Income	18,715	403	14,172
Benefit Payments, including refunds of employee contributions	(13,422)	(13,422)	(6,711)
Administrative Expense	(211)	(246)	(148)
Other	(11)	(12)	(12)
Net Change in Plan Fiduciary Net Position	\$ 23,750	\$ 3,847	\$ 25,216
Plan Fiduciary Net Position - Beginning	276,699	272,852	247,636
Plan Fiduciary Net Position - Ending	\$ 300,449	\$ 276,699	\$ 272,852
<b>C. Net Pension Liability</b>	\$ 116,800	\$ 112,687	\$ 85,820
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	72.01%	71.06%	76.07%
<b>E. Covered Employee Payroll</b>	\$ 124,604	\$ 117,293	\$ 122,930
<b>F. Net Pension Liability as a Percentage of Covered Employee Payroll</b>	93.74%	96.07%	69.81%

Note: GASB 68, Paragraph 46, a and b 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.

Note: Only three years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF BRONTE  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	\$ 13,258	\$ 10,872	\$ 10,141
Contributions in Relation to the Actuarially Determined Contributions	(13,258)	(10,872)	(10,141)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 131,355	\$ 122,150	\$ 119,199
Contributions as a Percentage of Covered Employee Payroll	10.09%	8.90%	8.51%

Note: GASB 68, Paragraph 81 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.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF BRONTE  
Notes to the Required Supplementary Information  
September 30, 2017

Note A - Net Pension Liability

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

Inflation	3% for Fiscal Years Prior to 2016
Investment Rate of Return	7% for Fiscal Years Prior to 2016
Valuation Date	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	25 Years
Asset Valuation Method	10-Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Supplementary Information

CITY OF BRONTE  
SCHEDULE OF CERTIFICATES OF DEPOSIT  
SEPTEMBER 30, 2017

	<u>Interest Rate (%)</u>	<u>Amount</u>
<u>UNRESTRICTED CERTIFICATES OF DEPOSIT</u>		
Governmental Funds		
General Fund		
Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
3E+06	0.40	\$ 102,678
3301022	0.25	<u>50,779</u>
		<u>\$ 153,457</u>
Proprietary Funds		
Utility Enterprise Fund		
Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
#####	0.25	\$ 50,000
#####	0.25	25,599
#####	0.25	<u>50,779</u>
		<u>\$ 126,378</u>
Total Unrestricted Certificates of Deposit		<u><u>\$ 279,835</u></u>
<u>RESTRICTED CERTIFICATES OF DEPOSIT</u>		
Fiduciary Fund		
Firemen's Relief and Retirement Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
1903	0.35	\$ 1,750
2678	0.35	2,000
3148	0.35	3,500
3357	0.35	1,629
7023	0.35	4,500
700735	0.35	10,250
700758	0.35	2,500
700884	0.35	<u>1,232</u>
Total Restricted Certificates of Deposit		<u><u>\$ 27,361</u></u>

Statistical Information  
Unaudited

CITY OF BRONTE  
CUSTOMER CONNECTIONS  
SEPTEMBER 30, 2017  
Unaudited

The statistical information concerning active customer connections as of the last six fiscal year ends is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Water</u>	<u>Sewer</u>
2012	541	421
2013	573	431
2014	540	435
2015	555	377
2016	510	406
2017	567	419

COMPLIANCE AND INTERNAL CONTROLS SECTION





A Limited Liability Partnership

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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*

The Honorable Mayor and City Council  
City of Bronte  
P.O. Box 370  
Bronte, TX 76933-0370

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 unit, each major fund, and the aggregate remaining fund information of the City of Bronte, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Bronte's internal control over financial reporting (internal control) to determine the 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 Bronte's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bronte's internal control.

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

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 City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. The reference numbers of the findings are: 2017-001 and 2017-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bronte's financial statements are free of 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 determination of financial statement amounts. 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*.

**City's Response to Findings**

The City of Bronte's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on the response.

**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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eckert & Company, LLP*

February 22, 2018

CITY OF BRONTE  
Schedule of Findings and Responses  
Year Ended September 30, 2017

**Findings -**

Reference Number: 2017-001

The limited number of employees which the City has in the office prohibits the City from establishing a proper system for the segregation of duties. Segregation of duties is a key element of internal control.

Reference Number: 2017-002

Criteria:

Monthly reconciliation of the accounts receivable subsidiary ledger to the general ledger is a common internal control procedure which helps to identify errors and irregularities in the accounts receivable subsidiary ledger and any adjustments which may be needed.

Condition:

Reconciliations of the accounts receivable subsidiary ledger to the general ledger were not prepared on a timely basis.

Cause:

Management was not performing procedures to ensure that balances per the general ledger related to accounts receivable were accurate and reconciled to the accounts receivable subsidiary ledger.

Effect:

The accounts receivable subsidiary ledger did not tie to the general ledger.

Auditors' Recommendation:

Procedures should be established to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary ledger on a consistent and timely basis. All differences and the reason for such differences should be investigated and resolved as soon as possible. These procedures will assist the City in establishing reliable internal control for the billing and collection of accounts receivable and revenues.

CITY OF BRONTE  
Schedule of Findings and Responses - Continued  
Year Ended September 30, 2017

**Responses -**

Reference Number: 2017-001

The City recognizes that there is a limited segregation of duties. However, the current employee structure and budget constraints make it impossible to have a complete segregation of duties. The City feels that the controls which they have in place reduce the risks associated with a lack of segregation of duties to a level which is acceptable to the City.

Reference Number: 2017-002

The City will establish procedures to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary ledger on a consistent and timely basis.

CITY OF BRONTE  
Schedule of Status of Prior Findings  
Year Ended September 30, 2017

**Findings -**

Reference Number: 2016-001

The limited number of employees which the City has in the office prohibits the City from establishing a proper system for the segregation of duties. Segregation of duties is a key element of internal control.

Reference Number: 2016-002

The City's books contained numerous errors including unreconciled cash balances, interfund receivables and payables not offsetting, interfund transfers not offsetting, payroll expenditure accounts that were not reviewed and reconciled to quarterly Forms 941, and accounts with abnormal balances (i.e., assets with credit balances or liabilities with debit balances).

Reference Number: 2016-003

Bank reconciliations were prepared, but they contained errors and were not reconciled to the general ledger cash balances.

Reference Number: 2016-004

Reconciliations of the accounts receivable subsidiary ledger to the general ledger were not prepared on a timely basis.

Reference Number: 2016-005

The City exchanged land via a long-term lease without any notification to the general public.

Reference Number: 2016-006

Expenditures exceeded appropriations in two functions.

**Responses -**

Reference Number: 2016-001

A complete segregation of duties cannot be obtained within the current employee structure and budget constraints. The City feels that the controls which are in place will reduce the risks associated with a lack of segregation of duties to an acceptable level. The City feels that it is not economically feasible to obtain sufficient personnel in order to obtain a complete segregation of duties, and the City does not plan to take any further action on this matter.

Reference Number: 2016-002

Improvements were made, but some issues still need correcting, such as accounts payable containing debit balances.

Reference Number: 2016-003

Improvements were made in reconciling cash balances and the payroll expenditure accounts, but other areas still need improvement.

CITY OF BRONTE  
Schedule of Status of Prior Findings - Continued  
Year Ended September 30, 2017

**Responses - Continued**

Reference Number: 2016-004

This condition still existed in the current year.

Reference Number: 2016-005

This condition did not exist in the current year.

Reference Number: 2016-006

Actual expenditures exceeded the budget in the prior year and also exceeded the budget in the current year. The amount in excess of the budget in the current year was not deemed significant.