

CITY OF BRONTE

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2025

CITY OF BRONTE

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FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Bronte, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bronte, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bronte, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bronte, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

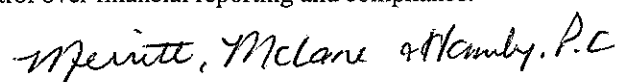
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 8 and 37 through 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the City of Bronte, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bronte, Texas' 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, Texas' internal control over financial reporting and compliance.



MERRITT, MCLANE & HAMBY, P.C.

December 23, 2025
Abilene, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bronte's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased \$15,386,305 from the prior year. Net position of our business-type activities increased \$15,370,431 due to the TWDB grant. Net position of our governmental activities increased \$15,874, or 2.3%.
- During the year, the City's expenses were \$15,874 less than the \$485,280 generated in taxes, other revenues for governmental programs and transfers.
- In the City's business-type activities, revenues were \$16,262,917 while expenses were \$892,486, including transfers.
- The total cost of the City's programs was \$1,346,622.
- The general fund reported a fund balance of \$567,792.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and public service. Business-type activities include water, sewer, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. Others operate more independently or provide services directly to the citizens though the City remains accountable for their activities. These organizations, such as the Bronte Economic Development Corporations A & B, are reported separately from the primary government though included in the City's overall reporting entity.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund can be found in the required supplementary information. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sewer and solid waste management. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements with more detail for major enterprise funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

Financial Analysis of the City as a Whole

Net position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City’s net position at fiscal year-end was \$20,695,486. This is a \$15,386,305 increase over last year’s net position of \$5,309,181. The following Table A-1 provides a summary of the City’s net position at September 30, 2025.

**Table A-1
City of Bronte's Net Position**

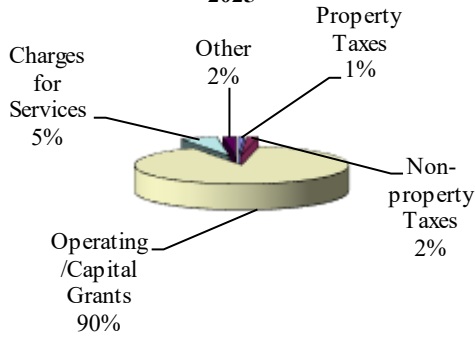
	Governmental		Business-type		Totals	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 637,475	\$ 624,633	\$ 17,523,154	\$ 2,139,914	\$ 18,160,629	\$ 2,764,547
Capital and Non-Current Assets	105,921	89,703	2,588,438	2,570,194	2,694,359	2,659,897
Total Assets	<u>743,396</u>	<u>714,336</u>	<u>20,111,592</u>	<u>4,710,108</u>	<u>20,854,988</u>	<u>5,424,444</u>
Deferred Outflows of Resources	<u>5,719</u>	<u>8,495</u>	<u>12,730</u>	<u>27,470</u>	<u>18,449</u>	<u>35,965</u>
Current Liabilities	38,943	28,310	59,743	21,583	98,686	49,893
Long Term Liabilities	11,665	10,753	53,671	79,193	65,336	89,946
Total Liabilities	<u>50,608</u>	<u>39,063</u>	<u>113,414</u>	<u>100,776</u>	<u>164,022</u>	<u>139,839</u>
Deferred Inflows of Resources	<u>4,318</u>	<u>5,453</u>	<u>9,611</u>	<u>5,936</u>	<u>13,929</u>	<u>11,389</u>
Net Position						
Net Investment in Capital Assets	104,090	89,703	2,584,365	2,570,194	2,688,455	2,659,897
Restricted			15,286,976		15,286,976	
Unrestricted	<u>590,099</u>	<u>588,612</u>	<u>2,129,956</u>	<u>2,060,672</u>	<u>2,720,055</u>	<u>2,649,284</u>
Total Net Position	<u>\$ 694,189</u>	<u>\$ 678,315</u>	<u>\$ 20,001,297</u>	<u>\$ 4,630,866</u>	<u>\$ 20,695,486</u>	<u>\$ 5,309,181</u>

Net position in the City’s governmental activities increased 2.3% to \$694,189. \$104,090 of the net position is invested in capital assets, leaving unrestricted net position at year-end of \$590,099. Net position increased \$15,370,431 to \$20,001,297 in business-type activities of the government. \$2,584,365 of the net position is invested in capital assets (distribution and collection system, equipment, etc.) Restricted net position of business type activities showed a \$15,286,976, while unrestricted net position of business type activities showed a \$2,129,956 balance at the end of the year.

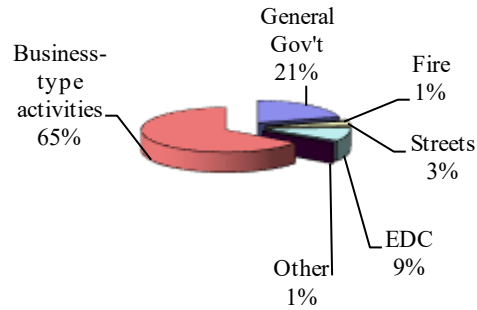
Changes in net position. The City’s total revenues were \$16,732,927. 90% of the revenue came from a TWDB grant. 5% of the City’s revenues come from fees charged for services, and 3 cents of every dollar raised comes from some type of tax (See Figure A-1).

The total cost of all programs and services was \$1,346,622. The City’s expenses cover a range of services, with approximately 65% related to business-type activities (See Figure A-2).

**Figure A-1
City Sources of Revenue for Fiscal Year
2025**



**Figure A-2
City Functional Expenses for Fiscal
Year 2025**



Governmental Activities

Revenues for the City's governmental activities were \$485,280, including transfers, while total expenses were \$469,406. The City is increasing its tax base by bringing in new businesses. The increase of new business adds revenue through two avenues; 1) property tax, and 2) sales tax.

**Table A-2
Changes in City of Bronte's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 859	\$ 1,560	\$ 926,948	\$ 918,555	\$ 927,807	\$ 920,115
Operating/Capital grants	892	830	15,036,351		15,037,243	830
<u>General Revenues</u>						
Sales tax	259,516	235,762			259,516	235,762
Property tax	159,414	153,620			159,414	153,620
Other taxes	25,285	24,548			25,285	24,548
Investment earnings	3,650	4,960	294,349	42,656	297,999	47,616
Other income	20,394	13,184	5,269	7,746	25,663	20,930
Transfers	15,270	10,000	(15,270)	(10,000)		
Total Revenues	485,280	444,464	16,247,647	958,957	16,732,927	1,403,421
General government	277,949	223,798			277,949	223,798
Fire department	6,592	6,552			6,592	6,552
Streets	45,187	39,198			45,187	39,198
Public safety	943	943			943	943
EDC	127,750	115,948			127,750	115,948
Cemetery	10,985	11,048			10,985	11,048
Water			567,108	658,821	567,108	658,821
Sewer			69,731	46,132	69,731	46,132
Solid waste management			240,377	224,946	240,377	224,946
Total Expenses	469,406	397,487	877,216	929,899	1,346,622	1,327,386
Increase in net position	\$ 15,874	\$ 46,977	\$ 15,370,431	\$ 29,058	\$ 15,386,305	\$ 76,035

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$588,749.

The total ending fund balances of governmental funds show an increase of \$487 over the prior year. This increase is primarily the result of increased property tax revenue and sales tax collected during the year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased \$4,306 to \$567,792.

The Cemetery Fund has a fund balance of \$20,957. The fiscal year included a net increase of \$4,793 to fund balance. The change is due to increased revenue in the current year.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary funds consist of the Water Fund, Sewer Fund, Solid Waste Fund, and Construction Fund. Total net positions at the end of the year in the Water, Sewer, Solid Waste and Construction Funds, were \$3,816,351, \$656,712, \$231,214, and \$15,297,020, respectively. The Water, Solid Waste and Construction Funds had increases in net position of \$72,205, \$2,772 and \$15,297,020, respectively. The Sewer Fund had a decrease of \$1,566.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2025 was \$524,026. This was an increase of approximately \$144,000 over the previous year's expenditures.

The City amended the budget during the fiscal year with increases in general government, fire department, streets and the Economic development. Actual revenues had a positive variance of \$16,662. Total expenditures were \$42,597 less than the appropriations for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2025, was \$104,090 and \$2,584,365, respectively. The total change in this net investment was an increase of 16.0% in the governmental and an increase of less than 1.0% for business-type activities. The overall increase was 1.1% for the City as a whole. Major capital asset additions during the current fiscal year included material for an equipment shed, copy machine right of use, system improvements for the water fund, sewer line replacement, and construction in progress for the water treatment plant. See Table A-3 for additional information about changes in capital assets during the fiscal year.

**Table A-3
City's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 7,525	\$ 7,525	\$ 105,256	\$ 76,568	\$ 112,781	\$ 84,093
Construction in progress			10,044	24,874	10,044	24,874
Buildings and system	51,678	51,678	4,813,911	4,703,978	4,865,589	4,755,656
Machinery and equipment	238,694	224,084	72,171	72,171	310,865	296,255
Right of use asset	11,457				11,457	
Total at historical cost	309,354	283,287	5,001,382	4,877,591	5,310,736	5,160,878
Total accumulated depreciation	205,264	193,584	2,417,017	2,307,397	2,622,281	2,500,981
Net capital assets	\$ <u>104,090</u>	\$ <u>89,703</u>	\$ <u>2,584,365</u>	\$ <u>2,570,194</u>	\$ <u>2,688,455</u>	\$ <u>2,659,897</u>

Long-term Debt

At year-end, the City had \$9,495 in right of use liability. See Note 6 for more information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City and the component units of the City are working to bring new business into the City of Bronte. By bringing in new business, revenue of the City is increased through sales tax and property tax.

- Tax rate used for the 2025-2026 budget preparation for M&O remained consistent with the previous year.
- Sales tax is expected to remain consistent with the prior year.
- Water, sewer, and solid waste rates are expected to remain consistent with fiscal year 2025.

These indicators were taken into account when adopting the general fund budget for 2026. Property taxes will increase slightly with increasing property values.

Expenditures for the General Fund are budgeted at \$464,630, which is a decrease of \$16,799 from actual expenditures in 2025. The City has added no major new programs or initiatives to the 2026 budget.

If these estimates are realized, the City's fund balance for the general fund is expected to decrease approximately \$20,000 by the end of the fiscal year 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Bronte's Mayor, 114 S. Washington Street, Bronte, Texas 76933.

BASIC FINANCIAL STATEMENTS

CITY OF BRONTE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 109,297	\$ 15,948,464	\$ 16,057,761	\$ 400,261
Investments	461,039	1,484,734	1,945,773	441,480
Receivables:				
Property tax	17,870		17,870	
Allowance for uncollectible tax	(5,973)		(5,973)	
Sales tax	41,625		41,625	
Right of way	8,154		8,154	
Hotel	285		285	
Accounts		81,440	81,440	
Other	2,794	6,180	8,974	2,657
Prepaid insurance	2,384	2,336	4,720	
Notes receivable - current				10,436
Total current assets	<u>637,475</u>	<u>17,523,154</u>	<u>18,160,629</u>	<u>854,834</u>
Non-current Assets				
Notes receivable - noncurrent				3,333
Net pension asset	1,831	4,073	5,904	
Capital assets:				
Land	7,525	105,256	112,781	
Construction in progress		10,044	10,044	
Buildings & system, net	2,164	2,456,684	2,458,848	
Machinery & equipment, net	85,235	12,381	97,616	
Right of use asset, net	9,166		9,166	
Total non-current assets	<u>105,921</u>	<u>2,588,438</u>	<u>2,694,359</u>	<u>3,333</u>
 Total Assets	 <u>743,396</u>	 <u>20,111,592</u>	 <u>20,854,988</u>	 <u>858,167</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS Pension	5,417	12,058	17,475	
Deferred outflows related to TMRS OPEB	302	672	974	
Total Deferred Outflows of Resources	<u>5,719</u>	<u>12,730</u>	<u>18,449</u>	

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable	15,635	60,456	76,091	
Accrued wages payable	25		25	
Due to other funds	713	(713)		
Due to EDC	20,456		20,456	(20,456)
Right of use liability - current	2,114		2,114	
Total current liabilities	<u>38,943</u>	<u>59,743</u>	<u>98,686</u>	<u>(20,456)</u>
Non-current Liabilities				
Utility deposits		44,137	44,137	
Right of use liability	7,381		7,381	
Net OPEB liability	4,284	9,534	13,818	
Total non-current liabilities	<u>11,665</u>	<u>53,671</u>	<u>65,336</u>	
Total Liabilities	<u>50,608</u>	<u>113,414</u>	<u>164,022</u>	<u>(20,456)</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to TMRS pension	3,843	8,555	12,398	
Deferred inflows related to TMRS OPEB	475	1,056	1,531	
Total Deferred Inflows of Resources	<u>4,318</u>	<u>9,611</u>	<u>13,929</u>	
NET POSITION				
Net investment in capital assets	104,090	2,584,365	2,688,455	
Restsrticted		15,286,976	15,286,976	
Unrestricted	<u>590,099</u>	<u>2,129,956</u>	<u>2,720,055</u>	<u>878,623</u>
Total Net Position	<u>\$ 694,189</u>	<u>\$ 20,001,297</u>	<u>\$ 20,695,486</u>	<u>\$ 878,623</u>

CITY OF BRONTE, TEXAS

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Government Activities:			
General government	\$ 277,949	\$	892
Fire department	6,592		
Municipal court		859	
Streets	45,187		
Public safety	943		
Economic development	127,750		
Cemetery	10,985		
Total governmental activities	<u>469,406</u>	<u>859</u>	<u>892</u>
Business-type Activities:			
Water utilities	567,108	583,525	15,036,351
Sewer management	69,731	79,803	
Solid waste management	240,377	263,620	
Total business-type activities	<u>877,216</u>	<u>926,948</u>	<u>15,036,351</u>
Total Primary Government	<u>\$ 1,346,622</u>	<u>\$ 927,807</u>	<u>\$ 892</u> <u>\$ 15,036,351</u>
Component Units:			
Economic Development Corporation - A	\$ 46,191	\$	
Economic Development Corporation - B	<u>42,215</u>		
	<u>\$ 88,406</u>	<u>\$</u>	

General Revenues:

- Taxes:
 - Sales tax
 - Property tax
 - Hotel tax
 - Right of way
- Investment earnings
- Insurance proceeds
- Miscellaneous income
- Transfers
- Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (277,057)	\$	(277,057)	
(6,592)		(6,592)	
859		859	
(45,187)		(45,187)	
(943)		(943)	
(127,750)		(127,750)	
(10,985)		(10,985)	
<u>(467,655)</u>		<u>(467,655)</u>	
	15,052,768	15,052,768	
	10,072	10,072	
	23,243	23,243	
	<u>15,086,083</u>	<u>15,086,083</u>	
<u>(467,655)</u>	<u>15,086,083</u>	<u>14,618,428</u>	
			\$ (46,191)
			<u>(42,215)</u>
			<u>(88,406)</u>
259,516		259,516	127,714
159,414		159,414	
2,166		2,166	
23,119		23,119	
3,650	294,349	297,999	8,344
14,536		14,536	
5,858	5,269	11,127	10,100
15,270	(15,270)		
<u>483,529</u>	<u>284,348</u>	<u>767,877</u>	<u>146,158</u>
15,874	15,370,431	15,386,305	57,752
<u>678,315</u>	<u>4,630,866</u>	<u>5,309,181</u>	<u>820,871</u>
<u>\$ 694,189</u>	<u>\$ 20,001,297</u>	<u>\$ 20,695,486</u>	<u>\$ 878,623</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRONTE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 109,290	\$ 7	\$ 109,297
Investments	440,089	20,950	461,039
Receivables:			
Property tax	17,870		17,870
Allowance for uncollectible	(5,973)		(5,973)
Sales tax	41,625		41,625
Right of way	8,154		8,154
Hotel Tax	285		285
Other	2,794		2,794
Prepaid insurance	2,384		2,384
Total Assets	\$ <u>616,518</u>	\$ <u>20,957</u>	\$ <u>637,475</u>
LIABILITIES			
Accounts payable	\$ 15,635	\$	\$ 15,635
Accrued wages payable	25		25
Due to other funds	713		713
Due to EDC	20,456		20,456
Total Liabilities	<u>36,829</u>		<u>36,829</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources - tax revenue	11,897		11,897
Total Deferred Inflows of Resources	<u>11,897</u>		<u>11,897</u>
FUND BALANCES			
Nonspendable			
Prepaid insurance	2,384		2,384
Committed			
Cemetery		20,957	20,957
Unassigned	565,408		565,408
Total Fund Balance	<u>567,792</u>	<u>20,957</u>	<u>588,749</u>
Total Liabilities and Fund Balances	\$ <u>616,518</u>	\$ <u>20,957</u>	\$ <u>637,475</u>

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2025

Total fund balances - governmental funds balance sheet	\$	588,749
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$283,287 and the accumulated depreciation was \$193,584.</p>		89,703
<p>Capital outlay is recorded as an expenditures in the fund financial statements but as an increase to capital assets in the government wide statements.</p>		26,067
<p>Depreciation expense decreases net position in SNP.</p>		(11,680)
<p>Note proceeds from the right of use liability are recorded as other sources in the fund financial statements but as an increase in liabilities in the government wide statements.</p>		(11,457)
<p>Right of use payments are recorded as expenditures in the fund financial statements but as a decrease in liabilities in the government wide statements.</p>		1,962
<p>Included in the noncurrent assets is the recognition of the City's net pension asset required by GASB 68 in the amount of \$1,831, a deferred resource outflow in the amount of \$5,417, and a deferred resource inflow of \$3,843. This resulted in an increase in net position.</p>		3,405
<p>Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$4,284, a deferred resource outflow in the amount of \$302 and a deferred resource inflow in the amount of \$475 This resulted in a decrease in net position.</p>		(4,457)
<p>Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current years tax levy.</p>		11,897
Net position of governmental activities - statement of net position	\$	694,189

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Tax revenue			
Property	\$ 155,578	\$	\$ 155,578
Sales and use	259,516		259,516
Hotel tax	2,166		2,166
Right of way	23,119		23,119
Fines & forfeitures	859		859
Donations and grants	592	300	892
Insurance proceeds	14,536		14,536
Miscellaneous revenue	3,780	2,078	5,858
	<u>460,146</u>	<u>2,378</u>	<u>462,524</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	302,145		302,145
Fire department	6,592		6,592
Streets	44,342		44,342
Public safety	600		600
Economic development	127,750		127,750
Cemetery		10,985	10,985
	<u>481,429</u>	<u>10,985</u>	<u>492,414</u>
Total Expenditures			
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(21,283)</u>	<u>(8,607)</u>	<u>(29,890)</u>
OTHER FINANCING SOURCES			
Investment income	3,650		3,650
Proceeds for Right of Use	11,457		11,457
Transfers	1,870	13,400	15,270
	<u>16,977</u>	<u>13,400</u>	<u>30,377</u>
Total other financing sources			
Net Change in Fund Balance	(4,306)	4,793	487
Fund Balance - Beginning	<u>572,098</u>	<u>16,164</u>	<u>588,262</u>
Fund Balance - Ending	<u>\$ 567,792</u>	<u>\$ 20,957</u>	<u>\$ 588,749</u>

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025**

Total change in fund balances - total governmental funds	\$	487
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Capital outlay is recorded as an expenditures in the fund financial statements but as an increase to capital assets in the government wide statements.		26,067
Depreciation expense decreases net position in SNP.		(11,680)
Note proceeds from the right of use liability are recorded as other sources in the fund financial statements but as an increase in liabilities in the government wide statements.		(11,457)
Right of use payments are recorded as expenditures in the fund financial statements but as a decrease in liabilities in the government wide statements.		1,962
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2024 caused the change in the ending net position to increase in the amount of \$5,251. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$5,850. The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$4,978. The result of these changes is to increase net position.		4,379
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2024 caused the change in the ending net position to increase in the amount of \$201. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$129. The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased the change in net position by \$2,208. The result of these changes is to increase net position.		2,280
Various other reclassifications and eliminations.		<u>3,836</u>
Total change in net position of governmental activities - statement of activities	\$	<u><u>15,874</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF BRONTE, TEXAS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Construction Fund</u>	<u>Total Enterprise Funds</u>
ASSETS					
Current:					
Cash and cash equivalents	\$ 561,768	\$ 52,438	\$ 47,282	\$ 15,286,976	\$ 15,948,464
Investments	989,084	322,650	173,000		1,484,734
Accounts receivable	53,354	6,253	21,833		81,440
Interest receivable	6,180				6,180
Prepaid insurance	2,336				2,336
Total current	<u>1,612,722</u>	<u>381,341</u>	<u>242,115</u>	<u>15,286,976</u>	<u>17,523,154</u>
Non current:					
Net pension asset	4,073				4,073
Land	68,471	36,785			105,256
Construction in progress				10,044	10,044
Buildings & system, net	2,198,176	258,508			2,456,684
Machinery & equipment, net	12,381				12,381
Total non current	<u>2,283,101</u>	<u>295,293</u>	<u> </u>	<u>10,044</u>	<u>2,588,438</u>
TOTAL ASSETS	<u>3,895,823</u>	<u>676,634</u>	<u>242,115</u>	<u>15,297,020</u>	<u>20,111,592</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to TMRS pension	12,058				12,058
Deferred outflows related to TMRS OPEB	672				672
Total Deferred Outflows of Resources	<u>12,730</u>	<u> </u>	<u> </u>	<u> </u>	<u>12,730</u>
LIABILITIES					
Current					
Accounts payable	19,295	22,702	18,459		60,456
Due to other funds	9,625	(2,780)	(7,558)		(713)
Total current	<u>28,920</u>	<u>19,922</u>	<u>10,901</u>		<u>59,743</u>
Non current:					
Utility deposits	44,137				44,137
Net OPEB liability	9,534				9,534
Total non current	<u>53,671</u>	<u> </u>	<u> </u>		<u>53,671</u>
TOTAL LIABILITIES	<u>82,591</u>	<u>19,922</u>	<u>10,901</u>		<u>113,414</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to TMRS pension	8,555				8,555
Deferred inflows related to TMRS OPEB	1,056				1,056
Total Deferred Inflows of Resources	<u>9,611</u>	<u> </u>	<u> </u>		<u>9,611</u>
NET POSITION					
Net investment in capital assets	2,279,028	295,293		10,044	2,584,365
Restricted				15,286,976	15,286,976
Unrestricted	<u>1,537,323</u>	<u>361,419</u>	<u>231,214</u>		<u>2,129,956</u>
TOTAL NET POSITION	<u>\$ 3,816,351</u>	<u>\$ 656,712</u>	<u>\$ 231,214</u>	<u>\$ 15,297,020</u>	<u>\$ 20,001,297</u>

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Construction Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:					
Charges for services	\$ 583,525	\$ 79,803	\$ 263,620	\$	\$ 926,948
Total operating revenues	<u>583,525</u>	<u>79,803</u>	<u>263,620</u>	<u></u>	<u>926,948</u>
Operating Expenses:					
Personnel	187,475				187,475
Supplies	24,934	5,889	2,748		33,571
Repairs & maintenance	13,905	10,866			24,771
Contracted services	141,138	32,095	233,360		406,593
Utilities	37,829	1,985			39,814
Miscellaneous	64,832	6,271	4,269		75,372
Total operating expenses	<u>470,113</u>	<u>57,106</u>	<u>240,377</u>	<u></u>	<u>767,596</u>
Net operating income (loss)	<u>113,412</u>	<u>22,697</u>	<u>23,243</u>	<u></u>	<u>159,352</u>
Nonoperating revenues (expenses):					
Investment earnings	33,114	566		260,669	294,349
Grant Revenue				15,036,351	15,036,351
Miscellaneous income	25		5,244		5,269
Transfers	22,649	(12,204)	(25,715)		(15,270)
Depreciation	(96,995)	(12,625)			(109,620)
Total nonoperating revenues (expenses)	<u>(41,207)</u>	<u>(24,263)</u>	<u>(20,471)</u>	<u>15,297,020</u>	<u>15,211,079</u>
Change in Net Position	72,205	(1,566)	2,772	15,297,020	15,370,431
Net Position - Beginning of Year	<u>3,744,146</u>	<u>658,278</u>	<u>228,442</u>	<u></u>	<u>4,630,866</u>
Net Position - End of Year	<u>\$ 3,816,351</u>	<u>\$ 656,712</u>	<u>\$ 231,214</u>	<u>\$ 15,297,020</u>	<u>\$ 20,001,297</u>

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Water	Sewer	Solid Waste	Construction Fund	Total Enterprise Funds
Cash flows from operating activities:					
Cash received from customers	\$ 581,303	\$ 79,705	\$ 262,899	\$	\$ 923,907
Cash received from miscellaneous sources	33,139	566	5,244	15,297,020	15,335,969
Cash transfers from other funds	22,649	(12,204)	(25,715)		(15,270)
Cash payments to employees	(187,475)				(187,475)
Cash payments to suppliers for goods and services	(267,495)	(34,459)	(240,157)		(542,111)
Net cash provided (used) by operating activities	182,121	33,608	2,271	15,297,020	15,515,020
Cash flows from noncapital financing activities:					
Net pension liability	(11,820)				(11,820)
Transfers to/from other funds	(13,024)	4,024	10,157		1,157
Net cash provided (used) by noncapital financing activities	(24,844)	4,024	10,157		(10,663)
Cash flows from capital and related financing activities:					
Acquisition of property and equipment	(69,272)	(44,475)		(10,044)	(123,791)
Net cash used by capital and related financing activities	(69,272)	(44,475)		(10,044)	(123,791)
Cash flows from investing activities					
Purchase of investments	(252,834)	(295,781)	(173,000)		(721,615)
Net cash used by investing activities:	(252,834)	(295,781)	(173,000)		(721,615)
Net Increase (Decrease) in Cash	(164,829)	(302,624)	(160,572)	15,286,976	14,658,951
Cash at Beginning of Year	726,597	355,062	207,854		1,289,513
Cash at End of Year	\$ 561,768	\$ 52,438	\$ 47,282	\$ 15,286,976	\$ 15,948,464
Reconciliation of operating income to net cash provided (used) by operating activities:					
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Change in net position	\$ 72,205	\$ (1,566)	\$ 2,772	\$ 15,297,020	\$ 15,370,431
Depreciation	96,995	12,625			109,620
(Increase) decrease in operating assets					
Accounts receivable	(2,862)	(98)	(721)		(3,681)
Other assets	1,007				1,007
Increase (decrease) in operating liabilities					
Accounts payable	14,136	22,647	220		37,003
Utility deposits	640				640
Net cash provided (used) by operating activities	\$ 182,121	\$ 33,608	\$ 2,271	\$ 15,297,020	\$ 15,515,020

The accompanying notes are an integral part of this statement.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Bronte, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2025.

Financial Reporting Entity – Basis of Presentation

The City is governed by an elected mayor and five-member council which is elected by the public. Using the Council – Mayor System, the City provides the following basic services: fire, court, streets, public safety, water, sewer, solid waste, and general administrative services.

The City has oversight responsibility for the Economic Development Corporation A and the Economic Development Corporation B. The City is financially accountable for the two development corporations since the City Council appoints a voting majority of their boards and the City is able to impose its will on the development corporations. These development corporations are discretely presented component units.

Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, property taxes, right of way (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Cemetery Fund – accounts for revenue from cemetery plots and expenditures associated with the cemetery.

Proprietary funds

The City reports the following major enterprise funds:

Water Fund – accounts for the operation of the City's water utility. Activities of the fund include administration, operation, and maintenance of the water fund and billing and collection activities. All costs are through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

Sewer Fund – accounts for the operations of the sewer services. All costs are financed through charges to sewer customers.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Solid Waste Fund – accounts for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

Construction Fund – accounts for funds received from TWDB for the construction of the water treatment plant.

Assets, Liabilities, and Net Position or Equity

Cash and cash investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value (generally based on quoted market prices).

Inventories

The costs of inventory are recorded as expenditures/expenses when purchased (purchase method).

Capital assets, depreciation, and amortization

The City and component units' property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more, as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary fund statements and on general revenues in the government-wide statements.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	15 - 50 years
Machinery and equipment	5 - 15 years
Water and sewer system	25 - 50 years

Long-term debt

The City has \$9,495 in right of use liabilities at September 30, 2025.

Deferred Outflows / Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$12,730 and \$18,449 of deferred outflows related to TMRS in the proprietary funds and government-wide financial statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The City has \$11,897 recorded as deferred inflows of resources in the governmental fund financial statements, while the City reports \$9,611 and \$13,929 of deferred inflows of resources related to TMRS in the proprietary funds and government-wide financial statements, respectively.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Other Post-Employment Benefits

The fiduciary net position of the TMRS has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefit, OPEB expense, and information about assets, liabilities and additions to/deductions from TMRS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all assets are held in a cash account.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The City had \$2,384 classified as nonspendable at September 30, 2025.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The City had \$15,286,976 classified as restricted at September 30, 2025.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City had \$20,957 classified as committed fund balance for use at the cemetery, at September 30, 2025.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to the City Secretary through the budgetary process. The City has no amounts classified as assigned at September 30, 2025.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed fund balances, then assigned fund balances, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balances first to defer the use of these other classified funds.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The City Secretary submits an annual budget to the City Council in accordance with the requirements of the State of Texas. The budget is presented to the City Council for review, and public hearings are held to address citizen concerns. In September, the City Council adopts the annual fiscal year budget for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety – fire department and police, municipal court, streets, and economic development. Budget revisions at this level are subject to final review by the City Council.

The budget for the general fund is prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on these bases.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged securities held by the city's agent bank in the City's name at September 30, 2025.

The Economic Development Corporations deposits were not adequately covered by FDIC at September 30, 2025. Management feels the risk of loss is low.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("ACT"), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The ACT requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the ACT. Additionally, investment practices of the City were in accordance with local policies.

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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity’s own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the City’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level 2 for certificates of deposits held at First National Bank and Keystone Bank.

The City’s investments at September 30, 2025 are as follows:

	Fair Value	Weighted Average Maturity (Days)
Governmental Activities		
Certificates of deposit	\$ 461,039	322
Business-type Activities		
Certificates of deposit	1,484,734	147
Total Primary Government	\$ 1,945,773	
Component Units		
Certificates of deposit	\$ 441,480	135
Total component units	\$ 441,480	

Investment Accounting Policy

The City’s general policy is to report money market investment and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term “short term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Analysis of Specific Deposit and Investment Risks

- Credit Risk – 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 year end, the city was not significantly exposed to credit risk.
- Custodial Credit Risk – deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2025, the City’s deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk. However, the Economic Development Corporations were not entirely covered by FDIC. The City believes the risk is low.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy is to diversify its investments by security type and institution. At September 30, 2025, the City was not exposed to concentration of credit risk.
- Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of investments. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2025, the city was not exposed to foreign currency risk.

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is deemed immaterial. Therefore, the City’s receivables are reported at gross receivables. Receivables at September 30, 2025 are shown as follows:

Primary government:	
Water fund	\$ 53,354
Sewer fund	6,253
Solid waste fund	<u>21,833</u>
Total primary government	\$ <u>81,440</u>

Property Taxes Receivable, Unavailable Revenue and Property Tax Calendar

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due one-half by November 30th and one-half by June 30th. Major tax payments are received December through April. Lien dates for real property are February 1st. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - continued

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible 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.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent duplicate paid taxes net of delinquent taxes.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 5: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Primary Government				
<u>Governmental activities:</u>				
General Fund				
Capital assets not being depreciated:				
Land	\$ 7,525	\$	\$	\$ 7,525
Total capital assets not being depreciated	7,525			7,525
Capital assets being depreciated				
Buildings and system	51,678			51,678
Machinery and equipment	224,084	14,610		238,694
Right of Use		11,457		11,457
Total capital assets being depreciated	275,762	26,067		301,829
Less accumulated depreciation for:				
Buildings and system	47,981	1,533		49,514
Machinery and equipment	145,603	7,856		153,459
Right of Use		2,291		2,291
Total accumulated depreciation	193,584	11,680		205,264
Total capital assets being depreciated, net	82,178	14,387		96,565
Governmental activities capital assets, net	\$ <u>89,703</u>	\$ <u>14,387</u>	\$	\$ <u>104,090</u>
Depreciation was charged to functions as follows:				
<u>Governmental Activities</u>				
General government	\$ 10,492			
Streets	845			
Public safety	343			
Total governmental activities	\$ <u>11,680</u>			

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS –continued

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 76,568	28,688		105,256
Construction in progress	<u>24,874</u>	<u>50,628</u>	<u>65,458</u>	<u>10,044</u>
Total capital assets not being depreciated	101,442	79,316	65,458	115,300
Capital assets being depreciated:				
Buildings and system	4,703,978	109,933		4,813,911
Machinery and equipment	<u>72,171</u>			<u>72,171</u>
Total capital assets being depreciated	4,776,149	109,933		4,886,082
Less accumulated depreciation for:				
Buildings and system	2,250,084	107,143		2,357,227
Machinery and equipment	<u>57,313</u>	<u>2,477</u>		<u>59,790</u>
Total accumulated depreciation	2,307,397	109,620		2,417,017
Total business-type activities being depreciated, net	<u>2,468,752</u>	<u>313</u>		<u>2,469,065</u>
Business-type activities capital assets, net	<u>2,570,194</u>	<u>79,629</u>	<u>65,458</u>	<u>2,584,365</u>
Total Primary Government	\$ <u>2,659,897</u>	\$ <u>94,016</u>	\$ <u>65,458</u>	\$ <u>2,688,455</u>
Depreciation was charged to functions as follows:				
<u>Business-type activities</u>				
Water fund	\$ 96,994			
Sewer fund	<u>12,626</u>			
Total business-type activities	<u>109,620</u>			

NOTE 6: LONG TERM DEBT

The City leases a copy machine for a noncancelable term of five years. The lease calls for monthly payments of \$230, and the implicit interest rate known to the city is 7.5%. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because the noncancelable lease term extends past one year and does not transfer ownership, Paragraph 20 of GASB 87 requires the lease to recognize a lease liability and an intangible right of use asset.

	Balance			Balance	Due in
	<u>10/1/2024</u>	<u>Additions</u>	<u>Retired</u>	<u>9/30/2025</u>	<u>One Year</u>
Primary Government					
<i>Governmental Activities</i>					
Right of Use Lease	\$ _____	\$ 11,457	\$ 1,962	\$ 9,495	\$ 2,114
Total governmental activities	\$ _____	\$ 11,457	\$ 1,962	\$ 9,495	\$ 2,114
	Principal	Interest	Total		
<i>Governmental Activities</i>					
Right of Use					
2026	\$ 2,114	\$ 641	\$ 2,755		
2027	2,279	476	2,755		
2028	2,455	300	2,755		
2029	<u>2,647</u>	<u>108</u>	<u>2,755</u>		
	\$ <u>9,495</u>	\$ <u>1,525</u>	\$ <u>11,020</u>		

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 7: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The liability, professional liability, and worker’s compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the city. Management has not been notified and is not aware of any significant claims not covered by insurance.

NOTE 8: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding loans from other funds for operating expenses. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of inter-fund loans). Below is a schedule of due to/from other funds:

	<u>Due From</u>	<u>Due To</u>	
General Fund	\$	\$	713
Water Fund			9,625
Sewer Fund	2,780		
Solid Waste Fund	7,558		
	<u>\$ 10,338</u>	<u>\$</u>	<u>10,338</u>

Transfers in and out are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>	
General Fund	\$	\$	1,870
Cemetery Fund			13,400
Water Fund			22,649
Sewer Fund	12,204		
Solid Waste Fund	25,715		
	<u>\$ 37,919</u>	<u>\$</u>	<u>37,919</u>

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bronte participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at tmrs.com.

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

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

Benefits Provided

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

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

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

	Plan Year 2024	Plan Year 2023
Employee deposit rate	7%	7%
Matching portion (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, Any Age/25	60/5, 0/20
Updated service credit		
Annuity increase (to retirees)	0% of CPE	0% of CPE

Employees covered by benefit terms.

At the December 31, 2024 and 2023, valuation and measurement date, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	2	2
Active employees	5	5
Total	8	8

Contributions

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

Employees for the City of Bronte were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Bronte were 10.72% and 10.72% in calendar years 2024 and 2025, respectively. The city's contributions to TMRS for the year ended September 30, 2025, were \$22,925, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

Actuarial Assumptions

The total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rate are multiplied by 105%. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (AORs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Global Equity	25%	35%	45%
Core Fixed Income	1%	6%	11%
Non-Core Fixed Income	1%	6%	11%
Hedge Funds		5%	10%
Cash Equivalents			3%
Total Public Assets		52%	
Private Equity	8%	13%	18%
Private Debt	8%	13%	18%
Real Estate	7%	12%	17%
Infrastructure	1%	6%	11%
Other Public & Private Mkts		4%	9%
Total Private Assets		48%	

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: 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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive 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.

	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/23	\$ 627,896	\$ 595,327	\$ 32,569
Changes for the year:			
Service cost	20,669		20,669
Interest	42,556		42,556
Change of benefit terms			
Difference between expected and actual experience	561		561
Changes of assumptions			
Contributions - employer		24,564	(24,564)
Contributions - employee		16,040	(16,040)
Net investment income		62,061	(62,061)
Benefit payments, including refunds of employee contributions	(15,536)	(15,536)	
Administrative expense		(397)	397
Other changes		(9)	9
Net changes	48,250	86,723	(38,473)
Balance at 12/31/24	<u>\$ 676,146</u>	<u>\$ 682,050</u>	<u>\$ (5,904)</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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 57,857	\$ (5,904)	\$ (61,541)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the city recognized pension expense of \$6,738.

At September 30, 2025, the city reported deferred outflows of resources related to pensions from the following sources:

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 538	\$ 1,945
Changes in actuarial assumptions		2,257
Difference between projected and actual investment earnings		8,196
Contributions subsequent to the measurement date	16,937	
Total	\$ 17,475	\$ 12,398

\$16,937 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,		
2026	\$	(2,244)
2027		4,069
2028		(9,308)
2029		(4,377)

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers 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.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is affixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.41% and 0.41% in calendar years 2024 and 2025, respectively. The City's contributions to OPEB for the year ended September 30, 2025 were \$877 and were equal to the required contributions.

Total OPEB Liability

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2018 through 2022 and dated December 31, 2022. These assumptions were first used in the December 31, 2023 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — 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). The death benefit for retirees is a fixed amount of \$7,500.

Discount rate.

The discount rate used to measure the Total OPEB Liability was 3.77%. 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.

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Balance at 12/31/23	\$	13,880
Changes for the year:		
Service cost		917
Interest		538
Change in benefit terms		
Diff between expected/actual experience		(603)
Changes of assumptions		(754)
Benefit payments		(160)
Net changes		(62)
Balance at 12/31/24	\$	<u>13,818</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following shows the total OPEB liability calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate.

	<u>1% Decrease in Discount Rate (2.77%)</u>	<u>Discount Rate (3.77%)</u>	<u>1% Increase in Discount Rate (4.77%)</u>
City's net OPEB liability	\$ 16,412	\$ 13,818	\$ 11,731

OPEB Plan Total Liability

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense in the amount of (\$1,242).

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1	\$ 836
Changes in actuarial assumptions	325	695
Contributions subsequent to the measurement date	648	
Total	<u>\$ 974</u>	<u>\$ 1,531</u>

\$648 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended September 30:		
2026	\$	(533)
2027		(383)
2028		(289)

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 11: HEALTH CARE COVERAGE

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$1,166 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

NOTE 12: COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City has determined there is no impact upon its financial position, results of operations or cash flows upon adoption.

In December 2023, the GASB issued Statement No. 102 *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In April 2024, the GASB issued Statement No. 103 *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In September 2024, the GASB issued Statement No. 104 *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately in the capital assets note disclosure required by

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

Statement No. 34. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRONTE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Neg)
	Original	Final		
REVENUES				
Tax revenue				
Property	\$ 153,650	\$ 153,650	\$ 155,578	\$ 1,928
Sales and use	230,000	250,000	259,516	9,516
Hotel	2,000	2,000	2,166	166
Right of way	19,000	19,000	23,119	4,119
Fines & forfeitures	1,380	1,380	859	(521)
Donations and grants	500	500	592	92
Insurance proceeds		14,536	14,536	
Miscellaneous revenue	3,640	2,418	3,780	1,362
Total Revenues	410,170	443,484	460,146	16,662
EXPENDITURES				
Current:				
General government	316,300	324,334	302,145	22,189
Fire department	6,500	6,592	6,592	
Municipal court	500	500		500
Streets	59,000	62,000	44,342	17,658
Public safety	600	600	600	
Economic development	113,000	130,000	127,750	2,250
Total Expenditures	495,900	524,026	481,429	42,597
Excess (Deficiency) of Revenues over (under) Expenditures	(85,730)	(80,542)	(21,283)	59,259
OTHER FINANCING SOURCES				
Investment income			3,650	3,650
Proceeds for Right of Use			11,457	11,457
Transfers			1,870	1,870
Total other financing sources			16,977	16,977
Net Change in Fund Balance	(85,730)	(80,542)	(4,306)	76,236
Fund Balance - Beginning	572,098	572,098	572,098	
Fund Balance - Ending	\$ 486,368	\$ 491,556	\$ 567,792	\$ 76,236

CITY OF BRONTE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2025

	Plan Year Ended December 31,		
	2024	2023	2022
Total Pension Liability			
Service cost	\$ 20,669	\$ 20,260	\$ 17,392
Interest (on the total pension liability)	42,556	40,128	36,902
Changes of benefit terms			
Difference between expected and actual experience	561	(4,205)	7,420
Change of assumptions		(4,883)	
Benefit payments, including refunds of employee contributions	(15,536)	(15,536)	(15,178)
Net Change in Total Pension Liability	<u>48,250</u>	<u>35,764</u>	<u>46,536</u>
Total Pension Liability - Beginning	627,896	592,132	545,596
Total Pension Liability - Ending	<u>\$ 676,146</u>	<u>\$ 627,896</u>	<u>\$ 592,132</u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 24,564	\$ 23,331	\$ 20,278
Contributions - employee	16,040	15,249	13,035
Net investment income	62,061	59,576	(39,065)
Benefit payments, including refunds of employee contributions	(15,536)	(15,536)	(15,178)
Administrative expense	(397)	(378)	(337)
Other	(9)	(3)	402
Net Change in Plan Fiduciary Net Pension	<u>86,723</u>	<u>82,239</u>	<u>(20,865)</u>
Plan Fiduciary Net Position - Beginning	595,327	513,088	533,953
Plan Fiduciary Net Position - Ending	<u>\$ 682,050</u>	<u>\$ 595,327</u>	<u>\$ 513,088</u>
 Net Pension Liability - Ending	<u>\$ (5,904)</u>	<u>\$ 32,569</u>	<u>\$ 79,044</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.87%	94.81%	86.65%
 Covered Payroll	\$ 229,145	\$ 217,847	\$ 186,210
 Net Pension Liability as a Percentage of Covered Payroll	-2.58%	14.95%	42.45%

	2021	2020	2019	2018	2017	2016	2015
\$	14,868	\$ 12,851	\$ 11,793	\$ 10,590	\$ 10,523	\$ 9,906	\$ 8,891
	34,513	32,543	31,276	29,873	28,066	26,165	24,948
	(948)	(5,862)	(1,352)	(3,799)	1,566	5,214	329
		(3,797)	(1,110)				9,971
	(13,422)	(13,422)	(19,559)	(13,422)	(13,422)	(13,425)	(13,422)
	35,011	22,313	21,048	23,242	26,733	27,860	30,717
	510,585	488,272	467,224	443,982	417,249	389,389	358,672
\$	<u>545,596</u>	<u>\$ 510,585</u>	<u>\$ 488,272</u>	<u>\$ 467,224</u>	<u>\$ 443,982</u>	<u>\$ 417,249</u>	<u>\$ 389,389</u>
\$	19,118	\$ 18,527	\$ 17,855	\$ 17,473	\$ 14,123	\$ 11,203	\$ 10,086
	11,487	8,492	8,247	7,993	7,942	7,476	7,038
	59,725	31,364	54,481	(10,512)	41,676	18,715	403
	(13,422)	(13,422)	(19,559)	(13,422)	(13,422)	(13,422)	(13,422)
	(276)	(203)	(307)	(203)	(216)	(211)	(246)
	2	(7)	(9)	(10)	(11)	(11)	(12)
	76,634	44,751	60,708	1,319	50,092	23,750	3,847
	457,319	412,568	351,860	350,541	300,449	276,699	272,852
\$	<u>533,953</u>	<u>\$ 457,319</u>	<u>\$ 412,568</u>	<u>\$ 351,860</u>	<u>\$ 350,541</u>	<u>\$ 300,449</u>	<u>\$ 276,699</u>
\$	<u>11,643</u>	<u>\$ 53,266</u>	<u>\$ 75,704</u>	<u>\$ 115,364</u>	<u>\$ 93,441</u>	<u>\$ 116,800</u>	<u>\$ 112,690</u>
	97.87%	89.57%	84.50%	75.31%	78.95%	72.01%	71.06%
\$	164,101	\$ 141,536	\$ 137,448	\$ 133,208	\$ 132,361	\$ 124,604	\$ 117,923
	7.10%	37.63%	55.08%	86.60%	70.60%	93.74%	95.56%

CITY OF BRONTE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2025

	<u>Fiscal Year Ended September 30,</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Actuarially determined contribution	\$ 22,925	\$ 25,089	\$ 23,387
Contributions in relation to actuarially determined contribution	<u>(22,925)</u>	<u>(25,089)</u>	<u>(23,387)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	213,854	230,382	214,756
Contributions as a percentage of covered employee payroll	10.72%	10.89%	10.89%

Notes to Schedule of Pension Contributions

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	8 years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety tables used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information	There were no benefit changes during the year.

	2022	2021	2020	2019	2018	2017	2016
\$	19,904	\$ 15,480	\$ 18,485	\$ 17,758	\$ 16,639	\$ 13,258	\$ 10,872
	(19,904)	(15,480)	(18,485)	(17,758)	(16,639)	(13,258)	(10,872)
\$		\$	\$	\$	\$	\$	\$
	175,886	141,536	137,448	133,208	132,361	124,604	117,923
	11.32%	10.94%	13.45%	13.33%	12.57%	10.64%	9.22%

CITY OF BRONTE, TEXAS

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2025

	Plan Year Ended December 31,			
	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 917	\$ 828	\$ 1,490	\$ 1,099
Interest (on the total OPEB liability)	538	533	346	338
Changes of benefit terms				
Difference between expected and actual experience	(603)	(847)	76	(189)
Change of assumptions	(754)	703	(7,117)	611
Benefit payments, including refunds of employee contributions	(160)	(152)	(130)	(115)
Net Change in Total OPEB Liability	(62)	1,065	(5,335)	1,744
Total Pension OPEB - Beginning	13,880	12,815	18,150	16,406
Total OPEB Liability - Ending	<u>\$ 13,818</u>	<u>\$ 13,880</u>	<u>\$ 12,815</u>	<u>\$ 18,150</u>
Covered Payroll	\$ 229,145	\$ 217,847	\$ 186,210	\$ 164,101
Net OPEB Liability as a Percentage of Covered Payroll	6.03%	6.37%	6.88%	11.06%

	2020	2019	2018	2017
\$	722	\$ 467	\$ 280	\$ 225
	368	380	359	348
	(195)	(177)	(403)	
	2,456	2,380	(887)	1,047
		(27)	(27)	(26)
	3,351	3,023	(678)	1,594
	13,055	10,032	10,710	9,116
\$	<u>16,406</u>	<u>\$ 13,055</u>	<u>\$ 10,032</u>	<u>\$ 10,710</u>
\$	137,448	\$ 133,208	\$ 133,208	\$ 132,361
	11.94%	9.80%	7.53%	8.09%

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' 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

To the Honorable Mayor and
Members of the City Council
City of Bronte, Texas

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, and each major fund of the City of Bronte, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Bronte, Texas' basic financial statements, and have issued our report thereon dated December 23, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bronte, Texas' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

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

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

December 23, 2025
Abilene, Texas

CITY OF BRONTE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2025

I. Summary of Auditor's Results:

- a. The type of report issued on the financial statements of the City of Bronte, Texas, was an unmodified opinion.
- b. No material weaknesses were disclosed during the audit of the financial statements. No significant deficiencies were reported.
- c. No instances of noncompliance considered material to the financial statements of the City of Bronte, Texas were disclosed during the audit.

II. Findings Relating To The Financial Statements Which Are Required To Be Reported In Accordance With *Generally Accepted Government Auditing Standards*:

None

CITY OF BRONTE

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2025

Findings/Noncompliance

None