

**CITY OF BRONTE**

---

FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT

---

YEAR ENDED SEPTEMBER 30, 2023

**CITY OF BRONTE**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Financial Section</b>	
Independent Auditors' Report-----	1
Management's Discussion and Analysis -----	3
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position -----	9
Statement of Activities-----	10
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds -----	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds -----	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities -----	14
Proprietary Fund Financial Statements	
Statement of Fund Net Position – Proprietary Funds -----	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds -----	16
Statement of Cash Flows – Proprietary Funds-----	17
Notes to Financial Statements -----	18
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund-----	37
Schedule of Changes in Net Pension Liability and Related Ratios-----	38
Schedule of Pension Contributions-----	39
Schedule of Changes in Total OPEB Liability and Related Ratios-----	40

## **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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the City of 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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.



**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
December 6, 2023

## **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, 2023. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net position increased \$434,285 from the prior year. Net position of our business-type activities increased \$357,996, or 8.4%. Net position of our governmental activities increased \$76,289, or 13.7%.
- During the year, the City's expenses were \$76,289 less than the \$483,663 generated in taxes, other revenues for governmental programs and transfers.
- In the City's business-type activities, revenues were \$1,078,883 while expenses were \$720,887, including transfers.
- The total cost of the City's programs was \$1,121,261.
- The general fund reported a fund balance of \$522,713.

### 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 \$5,233,146. This is a \$434,285 increase over last year’s net position of \$4,798,861. The following Table A-1 provides a summary of the City’s net position at September 30, 2023.

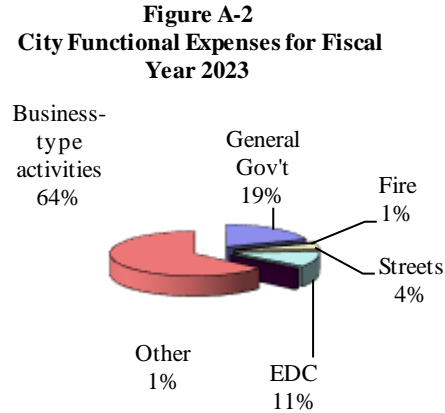
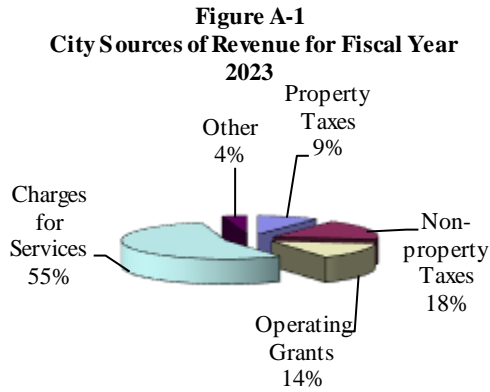
**Table A-1  
City of Bronte's Net Position**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 568,353	\$ 468,403	\$ 2,221,225	\$ 2,621,785	\$ 2,789,578	\$ 3,090,188
Capital and Non-Current Assets	99,091	112,194	2,570,298	1,939,965	2,669,389	2,052,159
<b>Total Assets</b>	<u>667,444</u>	<u>580,597</u>	<u>4,791,523</u>	<u>4,561,750</u>	<u>5,458,967</u>	<u>5,142,347</u>
<b>Deferred Outflows of Resources</b>	<u>15,250</u>	<u>10,558</u>	<u>49,898</u>	<u>17,767</u>	<u>65,148</u>	<u>28,325</u>
Current Liabilities	25,723	23,395	126,536	251,900	152,259	275,295
Long Term Liabilities	21,263	6,897	112,395	64,409	133,658	71,306
<b>Total Liabilities</b>	<u>46,986</u>	<u>30,292</u>	<u>238,931</u>	<u>316,309</u>	<u>285,917</u>	<u>346,601</u>
<b>Deferred Inflows of Resources</b>	<u>4,370</u>	<u>5,814</u>	<u>682</u>	<u>19,396</u>	<u>5,052</u>	<u>25,210</u>
Net Position						
Net Investment in Capital Assets	99,091	112,194	2,570,298	1,939,965	2,669,389	2,052,159
Unrestricted	<u>532,247</u>	<u>442,855</u>	<u>2,031,510</u>	<u>2,303,847</u>	<u>2,563,757</u>	<u>2,746,702</u>
<b>Total Net Position</b>	<u>\$ 631,338</u>	<u>\$ 555,049</u>	<u>\$ 4,601,808</u>	<u>\$ 4,243,812</u>	<u>\$ 5,233,146</u>	<u>\$ 4,798,861</u>

Net position in the City’s governmental activities increased 13.7% to \$631,338. \$99,091 of the net position is invested in capital assets, leaving unrestricted net position at year-end of \$532,247. Net position increased 8.4% to \$4,601,808 in business-type activities of the government. \$2,570,298 of the net position is invested in capital assets (distribution and collection system, equipment, etc. Unrestricted net position of business type activities showed a \$2,031,510 balance at the end of the year.

**Changes in net position.** The City’s total revenues were \$1,555,546. Over half (55%) of the City’s revenues come from fees charged for services, and 27 cents of every dollar raised comes from some type of tax (See Figure A-1).

The total cost of all programs and services was \$1,121,261. The City’s expenses cover a range of services, with approximately 64% related to business-type activities (See Figure A-2).



### Governmental Activities

Revenues for the City's governmental activities were \$483,663, including transfers, while total expenses were \$407,374. 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	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for services	\$ 2,004	\$ 1,890	\$ 850,824	\$ 829,634	\$ 852,828	\$ 831,524
Operating grants and contributions	1,072	2,621	222,027	375,023	223,099	377,644
<u>General Revenues</u>						
Sales tax	250,097	212,167			250,097	212,167
Property tax	147,391	143,029			147,391	143,029
Right of way	22,979	23,324			22,979	23,324
Investment earnings	27	352	886	429	913	781
Other income	53,093	24,019	5,146	4,823	58,239	28,842
Transfers	7,000	19,000	(7,000)	(19,000)		
<b>Total Revenues</b>	<b>483,663</b>	<b>426,402</b>	<b>1,071,883</b>	<b>1,190,909</b>	<b>1,555,546</b>	<b>1,617,311</b>
General government	218,562	162,868			218,562	162,868
Fire department	6,972	6,798			6,972	6,798
Municipal court	112	843			112	843
Streets	45,876	50,279			45,876	50,279
Public safety	1,543	1,543			1,543	1,543
EDC	123,198	104,345			123,198	104,345
Cemetery	11,111	24,203			11,111	24,203
Water			461,425	450,875	461,425	450,875
Sewer			36,234	30,692	36,234	30,692
Solid waste management			216,228	194,043	216,228	194,043
<b>Total Expenses</b>	<b>407,374</b>	<b>350,879</b>	<b>713,887</b>	<b>675,610</b>	<b>1,121,261</b>	<b>1,026,489</b>
Increase in net position	\$ 76,289	\$ 75,523	\$ 357,996	\$ 515,299	\$ 434,285	\$ 590,822

### 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 \$534,651.

The total ending fund balances of governmental funds show an increase of \$95,729 over the prior year. This increase is primarily the result of increased 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 increased \$94,070 to \$522,713.

The Cemetery Fund has a fund balance of \$11,938. The fiscal year included a net increase of \$1,659 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, and Solid Waste Fund. Total net positions at the end of the year in the Water, Sewer, and Solid Waste Funds, were \$3,780,188, \$628,983, and \$192,637, respectively. The Water, Sewer, and Solid Waste Funds had increases in net position of \$285,130, \$38,332, and \$34,534, respectively.

**General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2023 was \$398,708. This was an increase of approximately \$84,000 over the previous year’s expenditures.

The City amended the budget during the fiscal year with increases in general government and fire department. Actual revenues had a positive variance of \$63,005 Total expenditures were \$23,778 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, 2023, was \$99,091 and \$2,570,298, respectively. The total change in this net investment was a decrease of 11.7% in the governmental and an increase of 32.5% for business-type activities. The overall increase was 30.1% for the City as a whole. Major capital asset additions during the current fiscal year included system improvements for the water fund and a generator. See Table A-3 for additional information about changes in capital assets during the fiscal year.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 7,525	\$ 7,525	\$ 76,568	\$ 76,568	\$ 84,093	\$ 84,093
Construction in progress			106,419		106,419	
Buildings and system	51,678	51,678	4,514,002	3,900,121	4,565,680	3,951,799
Machinery and equipment	224,084	224,084	72,171	72,171	296,255	296,255
Total at historical cost	283,287	283,287	4,769,160	4,048,860	5,052,447	4,332,147
Total accumulated depreciation	184,196	171,093	2,198,862	2,108,895	2,383,058	2,279,988
Net capital assets	\$ 99,091	\$ 112,194	\$ 2,570,298	\$ 1,939,965	\$ 2,669,389	\$ 2,052,159

**Long-term Debt**

At year-end, the City had no long-term debt.

**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 2023-2024 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 2023.

These indicators were taken into account when adopting the general fund budget for 2024. Property taxes will remain consistent.

Expenditures for the General Fund are budgeted at \$406,930, which is an increase of \$32,000 from actual expenditures in 2023. The City has added no major new programs or initiatives to the 2024 budget.

If these estimates are realized, the City's fund balance for the general fund is expected to decrease approximately \$10,000 by the end of the fiscal year 2024.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to 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, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 347,931	\$ 1,381,487	\$ 1,729,418	\$ 279,438
Restricted cash and cash equivalents		41,799	41,799	
Investments	155,975	727,254	883,229	429,091
Receivables:				
Property tax	13,168		13,168	
Allowance for uncollectible tax	(5,189)		(5,189)	
Sales tax	46,599		46,599	
Right of way	8,285		8,285	
Accounts		68,126	68,126	
Other	751	61	812	
Prepaid insurance	833	2,498	3,331	
Notes receivable - current				14,600
Total current assets	<u>568,353</u>	<u>2,221,225</u>	<u>2,789,578</u>	<u>723,129</u>
<b>Non-current Assets</b>				
Notes receivable - noncurrent				14,383
Capital assets:				
Land	7,525	76,568	84,093	
Construction in progress		106,419	106,419	
Buildings & system, net	5,230	2,369,977	2,375,207	
Machinery & equipment, net	86,336	17,334	103,670	
Total non-current assets	<u>99,091</u>	<u>2,570,298</u>	<u>2,669,389</u>	<u>14,383</u>
Total Assets	<u>667,444</u>	<u>4,791,523</u>	<u>5,458,967</u>	<u>737,512</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to TMRS Pension	14,946	49,624	64,570	
Deferred outflows related to TMRS OPEB	304	274	578	
Total Deferred Outflows of Resources	<u>15,250</u>	<u>49,898</u>	<u>65,148</u>	

*The accompanying notes are an integral part of this statement.*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	1,489	127,763	129,252	
Accrued wages payable	25		25	
Due to other funds	1,227	(1,227)		
Due to EDC	22,982		22,982	(22,982)
Total current liabilities	25,723	126,536	152,259	(22,982)
Non-current Liabilities				
Utility deposits		41,799	41,799	
Net pension liability	18,296	60,748	79,044	
Net OPEB liability	2,967	9,848	12,815	
Total non-current liabilities	21,263	112,395	133,658	
Total Liabilities	46,986	238,931	285,917	(22,982)
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to TMRS pension	51	167	218	
Deferred inflows related to TMRS OPEB	4,319	515	4,834	
Total Deferred Inflows of Resources	4,370	682	5,052	
<b>NET POSITION</b>				
Net investment in capital assets	99,091	2,570,298	2,669,389	
Unrestricted	532,247	2,031,510	2,563,757	760,494
Total Net Position	\$ 631,338	\$ 4,601,808	\$ 5,233,146	\$ 760,494

**CITY OF BRONTE, TEXAS**

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2023

<u>Functions/Programs</u>	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Government Activities:			
General government	\$ 218,562		\$ 1,072
Fire department	6,972		
Municipal court	112	2,004	
Streets	45,876		
Public safety	1,543		
Economic development	123,198		
Cemetery	11,111		
Total governmental activities	407,374	2,004	1,072
Business-type Activities:			
Water utilities	461,425	526,901	222,027
Sewer management	36,234	79,553	
Solid waste management	216,228	244,370	
Total business-type activities	713,887	850,824	222,027
Total Primary Government	\$ 1,121,261	\$ 852,828	\$ 223,099
<b>Component Units:</b>			
Economic Development Corporation - A	\$ 19,130	\$	
Economic Development Corporation - B	74,812		
	\$ 93,942	\$	
General Revenues:			
Taxes:			
Sales tax			
Property tax			
Right of way			
Investment earnings			
Sale of assets			
Miscellaneous income			
Transfers			
Total General Revenues			
<b>Change in Net Position</b>			
Net Position - Beginning			
Prior period adjustment			
Net Position - Beginning, as Restated			
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>
\$ (217,490)		\$ (217,490)	
(6,972)		(6,972)	
1,892		1,892	
(45,876)		(45,876)	
(1,543)		(1,543)	
(123,198)		(123,198)	
(11,111)		(11,111)	
<u>(404,298)</u>		<u>(404,298)</u>	
	287,503	287,503	
	43,319	43,319	
	28,142	28,142	
	<u>358,964</u>	<u>358,964</u>	
<u>(404,298)</u>	<u>358,964</u>	<u>(45,334)</u>	
			\$ (19,130)
			<u>(74,812)</u>
			<u>(93,942)</u>
250,097		250,097	123,198
147,391		147,391	
22,979		22,979	
27	886	913	682
42,699		42,699	
10,394	5,146	15,540	2,098
7,000	(7,000)		
<u>480,587</u>	<u>(968)</u>	<u>479,619</u>	<u>125,978</u>
<u>76,289</u>	<u>357,996</u>	<u>434,285</u>	<u>32,036</u>
555,049	4,243,812	4,798,861	695,675
			32,783
<u>555,049</u>	<u>4,243,812</u>	<u>4,798,861</u>	<u>728,458</u>
\$ <u>631,338</u>	\$ <u>4,601,808</u>	\$ <u>5,233,146</u>	\$ <u>760,494</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**CITY OF BRONTE, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 335,993	\$ 11,938	\$ 347,931
Investments	155,975		155,975
Receivables:			
Property tax	13,168		13,168
Allowance for uncollectible	(5,189)		(5,189)
Sales tax	46,599		46,599
Right of way	8,285		8,285
Other	751		751
Prepaid insurance	833		833
Total Assets	\$ <u>556,415</u>	\$ <u>11,938</u>	\$ <u>568,353</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,489	\$	\$ 1,489
Accrued wages payable	25		25
Due to other funds	1,227		1,227
Due to EDC	22,982		22,982
Total Liabilities	<u>25,723</u>		<u>25,723</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable resources - tax revenue	<u>7,979</u>		<u>7,979</u>
Total Deferred Inflows of Resources	<u>7,979</u>		<u>7,979</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid insurance	833		833
Committed			
Cemetery		11,938	11,938
Unassigned	<u>521,880</u>		<u>521,880</u>
Total Fund Balance	<u>522,713</u>	<u>11,938</u>	<u>534,651</u>
Total Liabilities and Fund Balances	\$ <u>556,415</u>	\$ <u>11,938</u>	\$ <u>568,353</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, 2023

Total fund balances - governmental funds balance sheet	\$	534,651
Amounts reported for governmental activities in the statement of net position (SNP) are different because:		
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 \$171,093.		112,194
Depreciation expense decreases net position in SNP.		(13,103)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$18,296, a deferred resource outflow in the amount of \$14,946, and a deferred resource inflow of \$51. This resulted in a decrease in net position.		(3,401)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of 2,967, a deferred resource outflow in the amount of \$304 and a deferred resource inflow in the amount of \$4,319 This resulted in an increase in net position.		(6,982)
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.		<u>7,979</u>
Net position of governmental activities - statement of net position	\$	<u><u>631,338</u></u>

*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, 2023

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Tax revenue			
Property	\$ 145,498	\$	\$ 145,498
Sales and use	250,097		250,097
Right of way	22,979		22,979
Fines & forfeitures	2,004		2,004
Donations and grants	972	100	1,072
Miscellaneous revenue	4,724	5,670	10,394
	<u>426,274</u>	<u>5,770</u>	<u>432,044</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
General government	202,132		202,132
Fire department	6,972		6,972
Municipal court	112		112
Streets	41,316		41,316
Public safety	1,200		1,200
Economic development	123,198		123,198
Cemetery		11,111	11,111
	<u>374,930</u>	<u>11,111</u>	<u>386,041</u>
Total Expenditures			
Excess (Deficiency) of Revenues over (under) Expenditures	<u>51,344</u>	<u>(5,341)</u>	<u>46,003</u>
<b>OTHER FINANCING SOURCES</b>			
Investment income	27		27
Sales of asset	42,699		42,699
Transfers		7,000	7,000
	<u>42,726</u>	<u>7,000</u>	<u>49,726</u>
Total other financing sources			
Net Change in Fund Balance	94,070	1,659	95,729
Fund Balance - Beginning	<u>428,643</u>	<u>10,279</u>	<u>438,922</u>
Fund Balance - Ending	<u>\$ 522,713</u>	<u>\$ 11,938</u>	<u>\$ 534,651</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, 2023**

Total change in fund balances - total governmental funds	\$	95,729
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Depreciation expense decreases net position in SNP.		(13,103)
<p>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, 2022 caused the change in the ending net position to increase in the amount of \$4,051. 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 \$3,405. The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$1,046. The result of these changes is to increase net position.</p>		1,692
<p>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, 2022 caused the change in the ending net position to increase in the amount of \$89. 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 \$73. The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$9,938. The result of these changes is to decrease net position.</p>		(9,922)
Various other reclassifications and eliminations.		<u>1,893</u>
Total change in net position of governmental activities - statement of activities	\$	<u><u>76,289</u></u>

*The accompanying notes are an integral part of this statement.*

**PROPRIETARY FUND FINANCIAL STATEMENTS**



**CITY OF BRONTE, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Operating Revenues:				
Charges for services	\$ 526,901	\$ 79,553	\$ 244,370	\$ 850,824
Total operating revenues	<u>526,901</u>	<u>79,553</u>	<u>244,370</u>	<u>850,824</u>
Operating Expenses:				
Personnel	200,589			200,589
Supplies	19,305	4,630	1,067	25,002
Repairs & maintenance	8,105	3,628	2,853	14,586
Contracted services	62,362	10,000	206,031	278,393
Utilities	32,991	1,801		34,792
Miscellaneous	60,731	3,550	6,277	70,558
Total operating expenses	<u>384,083</u>	<u>23,609</u>	<u>216,228</u>	<u>623,920</u>
Net operating income (loss)	<u>142,818</u>	<u>55,944</u>	<u>28,142</u>	<u>226,904</u>
Nonoperating revenues (expenses):				
Investment earnings	873	13		886
Miscellaneous income	31		5,115	5,146
Grant proceeds	218,750		3,277	222,027
Transfers		(5,000)	(2,000)	(7,000)
Depreciation	(77,342)	(12,625)		(89,967)
Total nonoperating revenues (expenses)	<u>142,312</u>	<u>(17,612)</u>	<u>6,392</u>	<u>131,092</u>
Change in Net Position	285,130	38,332	34,534	357,996
Net Position - Beginning of Year	<u>3,495,058</u>	<u>590,651</u>	<u>158,103</u>	<u>4,243,812</u>
Net Position - End of Year	<u>\$ 3,780,188</u>	<u>\$ 628,983</u>	<u>\$ 192,637</u>	<u>\$ 4,601,808</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, 2023

	Water	Sewer	Solid Waste	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 522,913	\$ 79,276	\$ 242,266	\$ 844,455
Cash received from miscellaneous sources	904	13	5,115	6,032
Cash received from grants	446,250		3,277	449,527
Cash transfers from other funds		(5,000)	(2,000)	(7,000)
Cash payments to employees	(200,589)			(200,589)
Cash payments to suppliers for goods and services	(313,653)	(23,283)	(211,124)	(548,060)
Net cash provided (used) by operating activities	455,825	51,006	37,534	544,365
Cash flows from noncapital financing activities:				
Net pension liability	(3,145)			(3,145)
Transfers to/from other funds	7,079	(1,992)	(5,722)	(635)
Net cash provided (used) by noncapital financing activities	3,934	(1,992)	(5,722)	(3,780)
Cash flows from capital and related financing activities:				
Acquisition of property and equipment	(720,300)			(720,300)
Net cash used by capital and related financing activities	(720,300)			(720,300)
Cash flows from investing activities				
Purchase of investments	(600,000)			(600,000)
Net cash used by investing activities:	(600,000)			(600,000)
Net Increase (Decrease) in Cash	(860,541)	49,014	31,812	(779,715)
Cash at Beginning of Year	1,789,358	267,696	145,947	2,203,001
Cash at End of Year	\$ 928,817	\$ 316,710	\$ 177,759	\$ 1,423,286
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	\$ 285,130	\$ 38,332	\$ 34,534	\$ 357,996
Depreciation	77,342	12,625		89,967
(Increase) decrease in operating assets				
Accounts receivable	(4,274)	(277)	(2,104)	(6,655)
Grant receivable	227,500			227,500
Increase (decrease) in operating liabilities				
Accounts payable	97,341	326	5,104	102,771
Restricted payables	(227,500)			(227,500)
Utility deposits	286			286
Net cash provided (used) by operating activities	\$ 455,825	\$ 51,006	\$ 37,534	\$ 544,365

*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, 2023.

#### 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.

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 no long-term debt at September 30, 2023.

*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 \$49,898 and \$65,148 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 \$7,979 recorded as deferred inflows of resources in the governmental fund financial statements, while the City reports \$682 and \$5,052 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 TRS-Care'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 \$833 classified as nonspendable at September 30, 2023.

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 no amounts classified as restricted at September 30, 2023.

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 \$11,938 classified as committed fund balance for use at the cemetery, at September 30, 2023.

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, 2023.

**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, 2023.

The Economic Development Corporations deposits were not adequately covered by FDIC at September 30, 2023. 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 II for certificates of deposits held at First National Bank.

The City’s investments at September 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities		
Certificates of deposit	\$ 155,975	553
Business-type Activities		
Certificates of deposit	<u>727,254</u>	929
Total Primary Government	<u>\$ 883,229</u>	
Component Units		
Certificates of deposit	<u>\$ 429,091</u>	582
Total component units	<u>\$ 429,091</u>	

*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, 2023, 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, 2023, 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, 2023, 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, 2023 are shown as follows:

Primary government:	
Water fund	\$ 41,399
Sewer fund	6,243
Solid waste fund	<u>20,484</u>
Total primary government	<u>\$ 68,126</u>

*Property Taxes Receivable, Unavailable Revenue and Property Tax Calendar*

Property taxes are levied by October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due one-half by November 30<sup>th</sup> and one-half by June 30<sup>th</sup>. Major tax payments are received December through April. Lien dates for real property are February 1<sup>st</sup>. 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:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
<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			224,084
Total capital assets being depreciated	275,762			275,762
Less accumulated depreciation for:				
Buildings and system	44,916	1,532		46,448
Machinery and equipment	126,177	11,571		137,748
Total accumulated depreciation	171,093	13,103		184,196
Total capital assets being depreciated, net	104,669	(13,103)		91,566
Governmental activities capital assets, net	\$ <u>112,194</u>	\$ <u>(13,103)</u>	\$ _____	\$ <u>99,091</u>
Depreciation was charged to functions as follows:				
<u>Governmental Activities</u>				
General government	\$ 8,200			
Streets	4,560			
Public safety	343			
Total governmental activities	\$ <u>13,103</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			76,568
Construction in progress		106,419		106,419
Total capital assets not being depreciated	<u>76,568</u>	<u>106,419</u>		<u>182,987</u>
Capital assets being depreciated:				
Buildings and system	3,900,121	613,881		4,514,002
Machinery and equipment	<u>72,171</u>			<u>72,171</u>
Total capital assets being depreciated	<u>3,972,292</u>	<u>613,881</u>		<u>4,586,173</u>
Less accumulated depreciation for:				
Buildings and system	2,056,534	87,491		2,144,025
Machinery and equipment	<u>52,361</u>	<u>2,476</u>		<u>54,837</u>
Total accumulated depreciation	<u>2,108,895</u>	<u>89,967</u>		<u>2,198,862</u>
Total business-type activities being depreciated, net	<u>1,863,397</u>	<u>523,914</u>		<u>2,387,311</u>
Business-type activities capital assets, net	<u>1,939,965</u>	<u>630,333</u>		<u>2,570,298</u>
Total Primary Government	\$ <u>2,052,159</u>	\$ <u>617,230</u>	\$ <u>          </u>	\$ <u>2,669,389</u>
Depreciation was charged to functions as follows:				
<u>Business-type activities</u>				
Water fund	\$ 77,341			
Sewer fund		<u>12,626</u>		
Total business-type activities		<u>89,967</u>		

**NOTE 6: 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 7: 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:

	Due From	Due To
General Fund	\$	\$ 1,227
Water Fund		15,799
Sewer Fund	4,413	
Solid Waste Fund	12,613	
	\$ <u>17,026</u>	\$ <u>17,026</u>

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - continued**

Transfers in and out are as follows:

		Transfers		Transfers
		Out		In
Cemetery Fund	\$		\$	7,000
Sewer Fimd		2,000		
Solid Waste Fund		5,000		
	\$	<u>7,000</u>	\$	<u>7,000</u>

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Bronte participates as one of 919 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 comprehensive annual financial report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member'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	Plan Year
	<u>2021</u>	<u>2022</u>
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, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPE	0% of CPE

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 8: DEFINED BENEFIT PENSION PLAN - continued**

*Employees covered by benefit terms.*

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

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	<u>5</u>	<u>4</u>
Total	7	6

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 10.89% and 10.89% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$23,387, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

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

Inflation	2.5% per year
Overall payroll growth declines, if any	2.75% per year, adjusted down for population
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 the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (AORs) is

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 8: DEFINED BENEFIT PENSION PLAN - continued**

based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Core Fixed Income	1%	6%	11%
Non-Core Fixed Income	15%	20%	25%
Global Public Equity	25%	35%	45%
Real Estate	7%	12%	17%
Other Public & Private Mkts	7%	12%	17%
Hedge Funds	0%	5%	10%
Private Equity	5%	10%	15%
Cash Equivalents	0%	0%	3%

*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 12/31/21	\$ 545,596	\$ 533,953	\$ 11,643
Changes for the year:			-
Service cost	17,392		17,392
Interest	36,902		36,902
Change of benefit terms			-
Difference between expected and actual experience	7,420		7,420
Changes of assumptions			-
Contributions - employer		20,278	(20,278)
Contributions - employee		13,035	(13,035)
Net investment income		(39,065)	39,065
Benefit payments, including refunds of employee contributions	(15,178)	(15,178)	-
Administrative expense		(337)	337
Other changes		402	(402)
Net changes	46,536	(20,865)	67,401
Balance at 12/31/22	\$ 592,132	\$ 513,088	\$ 79,044

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 8: DEFINED BENEFIT PENSION PLAN - continued**

*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	\$ 137,861	\$ 79,044	\$ 28,084

*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, 2023, the city recognized pension expense of \$14,847.

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

	Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 4,995	\$	218
Changes in actuarial assumptions			
Difference between projected and actual investment earnings	42,069		
Contributions subsequent to the measurement date	17,506		
Total	\$ 64,570	\$	218

\$17,506 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, 2024. 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,				
2024	\$		10,754	
2025			11,675	
2026			9,394	
2027			15,023	

**CITY OF BRONTE, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: 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 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 0.24% and 0.24% in calendar years 2022 and 2023, respectively. The City’s contributions to OPEB for the year ended September 30, 2023 were \$515 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 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 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.

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued**

- 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 4.05%. 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/21	\$ 18,150
Changes for the year:	
Service cost	1,490
Interest	346
Change in benefit terms	
Diff between expected/actual experience	76
Changes of assumptions	(7,117)
Benefit payments	(130)
Net changes	<u>(5,335)</u>
Balance at 12/31/22	\$ <u>12,815</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 4.05%, 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 (3.05%) or 1 percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's net OPEB liability	\$ 15,536	\$ 12,815	\$ 10,664

*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](http://www.tmrs.com).

**CITY OF BRONTE, TEXAS**

NOTES TO FINANCIAL STATEMENTS

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued**

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

For the year ended September 30, 2023, the City recognized OPEB expense in the amount of \$270.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 51	\$ 43
Changes in actuarial assumptions	141	4,791
Contributions subsequent to the measurement date	386	
Total	\$ 578	\$ 4,834

\$386 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:		
2024	\$	(2,203)
2025		(2,301)
2026		(138)

**NOTE 10: HEALTH CARE COVERAGE**

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$743 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 11: 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 12: PRIOR PERIOD ADJUSTMENT**

The Bronte Economic Development Corporation – B discovered there were notes receivables that were not properly recorded in the financial statements in the previous year. Recorded these receivables caused an increase to net position of \$32,783.

## CITY OF BRONTE, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS**

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 31, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB 95 postponed the implementation by one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The City has determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City

CITY OF BRONTE, TEXAS

NOTES TO FINANCIAL STATEMENTS

**NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued**

determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In October 2021, the GASB issued Statement No. 98 *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The City determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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 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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Neg)
	Original	Final		
<b>REVENUES</b>				
Tax revenue				
Property	\$ 144,794	\$ 144,794	\$ 145,498	\$ 704
Sales and use	193,000	193,000	250,097	57,097
Right of way	18,500	18,500	22,979	4,479
Fines & forfeitures	2,125	2,125	2,004	(121)
Donations and grants	800	850	972	122
Miscellaneous revenue	4,000	4,000	4,724	724
	<u>363,219</u>	<u>363,269</u>	<u>426,274</u>	<u>63,005</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General government	228,758	229,758	202,132	27,626
Fire department	8,800	8,850	6,972	1,878
Municipal court	1,100	1,100	112	988
Streets	63,000	63,000	41,316	21,684
Public safety	1,200	1,200	1,200	
Economic development	94,800	94,800	123,198	(28,398)
	<u>397,658</u>	<u>398,708</u>	<u>374,930</u>	<u>23,778</u>
Total Expenditures				
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(34,439)</u>	<u>(35,439)</u>	<u>51,344</u>	<u>86,783</u>
<b>OTHER FINANCING SOURCES</b>				
Investment income	40	40	27	(13)
Sale of asset	36,000	36,000	42,699	6,699
	<u>36,040</u>	<u>36,040</u>	<u>42,726</u>	<u>6,686</u>
Total other financing sources				
Net Change in Fund Balance	1,601	601	94,070	93,469
Fund Balance - Beginning	<u>428,643</u>	<u>428,643</u>	<u>428,643</u>	
Fund Balance - Ending	<u>\$ 430,244</u>	<u>\$ 429,244</u>	<u>\$ 522,713</u>	<u>\$ 93,469</u>

**CITY OF BRONTE, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,		
	2022	2021	2020
<b>Total Pension Liability</b>			
Service cost	\$ 17,392	\$ 14,868	\$ 12,851
Interest (on the total pension liability)	36,902	34,513	32,543
Changes of benefit terms			(5,862)
Difference between expected and actual experience	7,420	(948)	(3,797)
Change of assumptions			
Benefit payments, including refunds of employee contributions	(15,178)	(13,422)	(13,422)
<b>Net Change in Total Pension Liability</b>	<u>46,536</u>	<u>35,011</u>	<u>22,313</u>
Total Pension Liability - Beginning	545,596	510,585	488,272
<b>Total Pension Liability - Ending</b>	<u>\$ 592,132</u>	<u>\$ 545,596</u>	<u>\$ 510,585</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 20,278	\$ 19,118	\$ 18,527
Contributions - employee	13,035	11,487	8,492
Net investment income	(39,065)	59,725	31,364
Benefit payments, including refunds of employee contributions	(15,178)	(13,422)	(13,422)
Administrative expense	(337)	(276)	(203)
Other	402	2	(7)
<b>Net Change in Plan Fiduciary Net Pension</b>	<u>(20,865)</u>	<u>76,634</u>	<u>44,751</u>
Plan Fiduciary Net Position - Beginning	533,953	457,319	412,568
Plan Fiduciary Net Position - Ending	<u>\$ 513,088</u>	<u>\$ 533,953</u>	<u>\$ 457,319</u>
<b>Net Pension Liability - Ending</b>	<u>\$ 79,044</u>	<u>\$ 11,643</u>	<u>\$ 53,266</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.65%	97.87%	89.57%
Covered Payroll	\$ 186,210	\$ 164,101	\$ 141,536
Net Pension Liability as a Percentage of Covered Payroll	42.45%	7.10%	37.63%

	2019	2018	2017	2016	2015	2014
\$	11,793	\$ 10,590	\$ 10,523	\$ 9,906	\$ 8,891	\$ 9,481
	31,276	29,873	28,066	26,165	24,948	23,701
	(1,352)	(3,799)	1,566	5,214	329	
	(1,110)				9,971	(4,994)
	(19,559)	(13,422)	(13,422)	(13,425)	(13,422)	(6,711)
	21,048	23,242	26,733	27,860	30,717	21,477
	467,224	443,982	417,249	389,389	358,672	337,195
\$	<u>488,272</u>	<u>\$ 467,224</u>	<u>\$ 443,982</u>	<u>\$ 417,249</u>	<u>\$ 389,389</u>	<u>\$ 358,672</u>
\$	17,855	\$ 17,473	\$ 14,123	\$ 11,203	\$ 10,086	\$ 10,538
	8,247	7,993	7,942	7,476	7,038	7,377
	54,481	(10,512)	41,676	18,715	403	14,172
	(19,559)	(13,422)	(13,422)	(13,422)	(13,422)	(6,711)
	(307)	(203)	(216)	(211)	(246)	(148)
	(9)	(10)	(11)	(11)	(12)	(12)
	60,708	1,319	50,092	23,750	3,847	25,216
	351,860	350,541	300,449	276,699	272,852	247,636
\$	<u>412,568</u>	<u>\$ 351,860</u>	<u>\$ 350,541</u>	<u>\$ 300,449</u>	<u>\$ 276,699</u>	<u>\$ 272,852</u>
\$	<u>75,704</u>	<u>\$ 115,364</u>	<u>\$ 93,441</u>	<u>\$ 116,800</u>	<u>\$ 112,690</u>	<u>\$ 85,820</u>
	84.50%	75.31%	78.95%	72.01%	71.06%	76.07%
\$	137,448	\$ 133,208	\$ 132,361	\$ 124,604	\$ 117,923	\$ 122,930
	55.08%	86.60%	70.60%	93.74%	95.56%	69.81%

**CITY OF BRONTE, TEXAS**

SCHEDULE OF PENSION CONTRIBUTIONS  
YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ended September 30,		
	2023	2022	2021
Actuarially determined contribution	\$ 23,387	\$ 19,904	\$ 15,480
Contributions in relation to actuarially determined contribution	(23,387)	(19,904)	(15,480)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	214,756	175,886	141,536
Contributions as a percentage of covered employee payroll	10.89%	11.32%	10.94%

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	10 years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMNP. Pre-retirement: PUB(10) mortality tables, with Public Safety tables used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	There were no benefit changes during the year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	18,485	\$ 17,758	\$ 16,639	\$ 13,258	\$ 10,872	\$ 10,141
	<u>(18,485)</u>	<u>(17,758)</u>	<u>(16,639)</u>	<u>(13,258)</u>	<u>(10,872)</u>	<u>(10,141)</u>
\$	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	137,448	133,208	132,361	124,604	117,923	122,930
	13.45%	13.33%	12.57%	10.64%	9.22%	8.25%

**CITY OF BRONTE, TEXAS**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,			
	2022	2021	2020	2019
<b>Total OPEB Liability</b>				
Service cost	\$ 1,490	\$ 1,099	\$ 722	\$ 467
Interest (on the total OPEB liability)	346	338	368	380
Changes of benefit terms				
Difference between expected and actual experience	76	(189)	(195)	(177)
Change of assumptions	(7,117)	611	2,456	2,380
Benefit payments, including refunds of employee contributions	(130)	(115)		(27)
<b>Net Change in Total OPEB Liability</b>	<b>(5,335)</b>	<b>1,744</b>	<b>3,351</b>	<b>3,023</b>
Total Pension OPEB - Beginning	18,150	16,406	13,055	10,032
<b>Total OPEB Liability - Ending</b>	<b>\$ 12,815</b>	<b>\$ 18,150</b>	<b>\$ 16,406</b>	<b>\$ 13,055</b>
Covered Payroll	\$ 186,210	\$ 164,101	\$ 137,448	\$ 133,208
Net OPEB Liability as a Percentage of Covered Payroll	6.88%	11.06%	11.94%	9.80%

	<u>2018</u>	<u>2017</u>
\$	280	\$ 225
	359	348
	(403)	
	(887)	1,047
	<u>(27)</u>	<u>(26)</u>
	(678)	1,594
	10,710	9,116
\$	<u>10,032</u>	<u>\$ 10,710</u>
\$	133,208	\$ 132,361
	7.53%	8.09%