

CITY OF BRONTE
Annual Financial Report
Year Ended September 30, 2016

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FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bronte, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bronte, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas Municipal Retirement System on pages 3 through 7, 41, and 42 through 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, on our consideration of the City of Bronte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bronte's internal control over financial reporting and compliance.

Eckert & Company, LLP

April 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bronte's financial performance provides an overview of the City's financial activities for the year ended September 30, 2016. It should be read in conjunction with the City's basic financial statements and independent auditor's report.

Financial Highlights

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$3,298,233 (net position). Of this amount, \$1,086,620 (unrestricted) may be used to meet the City's ongoing obligations.

The City's total net position increased by \$363,260 or 12%. This amount consists of a \$366,504 increase attributable to current year operations and a \$3,244 decrease attributable to prior period adjustments described in Note IV., E. to the financial statements. The City's statement of activities shows total revenues of \$1,237,574 and total expenses of \$871,070.

The total fund balance of the General Fund is \$368,120 which is a decrease of \$2,201 or 1% compared to the prior year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

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

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 392,652	\$ 402,373	\$ 1,207,036	\$ 1,118,428	\$ 1,599,688	\$ 1,520,801
Capital Assets	53,460	58,927	2,143,134	2,021,096	2,196,594	2,080,023
Total Assets	<u>\$ 446,112</u>	<u>\$ 461,300</u>	<u>\$ 3,350,170</u>	<u>\$ 3,139,524</u>	<u>\$ 3,796,282</u>	<u>\$ 3,600,824</u>
Deferred Outflows of Resources	\$ 12,184	\$ 3,854	\$ 17,956	\$ 6,370	\$ 30,140	\$ 10,224
Long-Term Liabilities Outstanding	\$ 43,530	\$ 32,352	\$ 349,157	\$ 464,781	\$ 392,687	\$ 497,133
Other Liabilities	7,045	15,712	128,457	158,865	135,502	174,577
Total Liabilities	<u>\$ 50,575</u>	<u>\$ 48,064</u>	<u>\$ 477,614</u>	<u>\$ 623,646</u>	<u>\$ 528,189</u>	<u>\$ 671,710</u>
Deferred Inflows of Resources	\$ 0	\$ 1,645	\$ 0	\$ 2,720	\$ 0	\$ 4,365
Net Position						
Net Investment in Capital Assets	\$ 53,460	\$ 58,927	\$ 2,158,153	\$ 1,904,220	\$ 2,211,613	\$ 1,963,147
Unrestricted	354,261	356,518	732,359	615,308	1,086,620	971,826
Total Net Position	<u>\$ 407,721</u>	<u>\$ 415,445</u>	<u>\$ 2,890,512</u>	<u>\$ 2,519,528</u>	<u>\$ 3,298,233</u>	<u>\$ 2,934,973</u>

A large portion of the City's net position (\$2,211,613) reflects the City's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens within the jurisdiction of the City; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$1,086,620) may be used to meet the City's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the City's net position by \$4,020 and increased the City's net position by \$11,062 for the fiscal years ended September 30, 2016 and 2015, respectively. Business-type activities increased the City's net position by \$370,524 and \$155,129 for the fiscal years ended September 30, 2016 and 2015, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,					
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 0	\$ 0	\$ 720,367	\$ 614,997	\$ 720,367	\$ 614,997
Operating Grants and Contributions	6,625	6,000	31,870	47,732	38,495	53,732
Capital Grants and Contributions	145,243	8,250	0	0	145,243	8,250
General Revenues						
Operations Taxes	109,249	101,345	0	0	109,249	101,345
Sales and Franchise Taxes	173,342	183,281	0	0	173,342	183,281
Other	20,760	6,625	30,118	582	50,878	7,207
Total Revenues	\$ 455,219	\$ 305,501	\$ 782,355	\$ 663,311	\$ 1,237,574	\$ 968,812
Expenses						
General Government	\$ 129,249	\$ 114,140	\$ 0	\$ 0	\$ 129,249	\$ 114,140
Public Health	14,757	14,218	0	0	14,757	14,218
Public Safety	45,314	16,176	0	0	45,314	16,176
Streets	48,541	50,625	0	0	48,541	50,625
Economic Development	76,135	79,030	0	0	76,135	79,030
Grants	1,040	0	0	0	1,040	0
Utility Systems	0	0	556,034	528,432	556,034	528,432
Total Expenses	\$ 315,036	\$ 274,189	\$ 556,034	\$ 528,432	\$ 871,070	\$ 802,621
Change in Net Position Before Capital Contributions and Transfers	\$ 140,183	\$ 31,312	\$ 226,321	\$ 134,879	\$ 366,504	\$ 166,191
Capital Contributions	(144,203)	(8,250)	144,203	8,250	0	0
Transfers	0	(12,000)	0	12,000	0	0
Change in Net Position	\$ (4,020)	\$ 11,062	\$ 370,524	\$ 155,129	\$ 366,504	\$ 166,191
Net Position - Beginning	415,445	427,250	2,519,528	2,409,654	2,934,973	2,836,904
Prior Period Adjustments	(3,704)	(22,867)	460	(45,255)	(3,244)	(68,122)
Net Position - Ending	\$ 407,721	\$ 415,445	\$ 2,890,512	\$ 2,519,528	\$ 3,298,233	\$ 2,934,973

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the City's Funds

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

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

The City's governmental funds reported combined ending fund balances \$375,677, a decrease of \$2,446 or 1% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$368,120. All of this balance is unassigned.

Other Funds \$7,557. All of this balance is assigned for special programs.

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

The City's proprietary funds reported unrestricted net position of \$732,359, an increase of \$117,051 or 19% in comparison with the prior year.

General Fund Budget

The original budget for the General Fund was \$375,031, and the final amended budget was \$385,031 which represents a \$10,000 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 41 in the required supplementary information section of the audit report.

The City has adopted a budget for the General Fund in the amount of \$370,704 for the fiscal year 2017, which is a decrease of \$14,327 from the fiscal year 2016.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., C. discloses the City's capital asset activity for the year ended September 30, 2016.

Long-Term Debt - Financial statement footnote III., E. discloses the City's debt activity for the year ended September 30, 2016.

Requests for Information

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

Basic Financial Statements

CITY OF BRONTE
Statement of Net Position
September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and Cash Equivalents	\$ 331,345	\$ 795,357	\$ 1,126,702	\$ 507,962
Receivables:				
Accounts	0	55,636	55,636	0
Property Taxes	14,322	0	14,322	0
Allowance for Uncollectibles	(4,392)	0	(4,392)	0
Sales Tax	33,197	0	33,197	0
Other Taxes	260	0	260	0
Accrued Interest	245	121	366	146
Internal Balances	14,520	(14,520)	0	0
Prepaid Insurance	2,115	0	2,115	0
Due from Other Government	1,040	0	1,040	0
Due from Primary Government	0	0	0	5,701
Restricted Assets:				
Cash and Cash Equivalents	0	370,442	370,442	0
Capital Assets (Net of Accumulated Depreciation):				
Land	14,625	76,568	91,193	0
Buildings and Systems	28,227	1,794,180	1,822,407	0
Machinery and Equipment	10,608	10,538	21,146	0
Construction in Progress	0	261,848	261,848	0
Total Assets	\$ 446,112	\$ 3,350,170	\$ 3,796,282	\$ 513,809
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to TMRS	\$ 12,184	\$ 17,956	\$ 30,140	\$ 0
LIABILITIES				
Accounts Payable	\$ 0	\$ 13,269	\$ 13,269	\$ 0
Employment Taxes Payable	908	1,764	2,672	0
Retirement Payable	611	988	1,599	0
Accrued Interest Payable	0	169	169	0
Sales Tax Payable	0	1,267	1,267	0
Unearned Revenue	0	75,423	75,423	0
Customer Deposits	0	35,402	35,402	0
Due to Component Unit	5,526	175	5,701	0

CITY OF BRONTE
Statement of Net Position - Continued
September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<u>LIABILITIES - Continued</u>				
Long-Term Liabilities:				
Due Within One Year	0	280,000	280,000	0
Net Pension Liability (City's Share)	<u>43,530</u>	<u>69,157</u>	<u>112,687</u>	<u>0</u>
Total Liabilities	<u>\$ 50,575</u>	<u>\$ 477,614</u>	<u>\$ 528,189</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflow Related to TMRS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 53,460	\$ 2,158,153	\$ 2,211,613	\$ 0
Unrestricted	<u>354,261</u>	<u>732,359</u>	<u>1,086,620</u>	<u>513,809</u>
Total Net Position	<u><u>\$ 407,721</u></u>	<u><u>\$ 2,890,512</u></u>	<u><u>\$ 3,298,233</u></u>	<u><u>\$ 513,809</u></u>

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

General Revenues				
Property Taxes	\$ 109,249	\$ 0	\$ 109,249	\$ 0
Sales Tax	152,270	0	152,270	0
Franchise Taxes	21,072	0	21,072	0
Investment Earnings	506	295	801	550
Miscellaneous	17,553	0	17,553	0
Sale of Asset	2,701	29,823	32,524	0
Sales Tax Transferred from Primary Government	0	0	0	76,135
Capital Contributions	<u>(144,203)</u>	<u>144,203</u>	<u>0</u>	<u>0</u>
Total General Revenues and Capital Contributions	<u>\$ 159,148</u>	<u>\$ 174,321</u>	<u>\$ 333,469</u>	<u>\$ 76,685</u>
Change in Net Position	\$ (4,020)	\$ 370,524	\$ 366,504	\$ 50,627
Net Position - Beginning	415,445	2,519,528	2,934,973	463,182
Prior Period Adjustments	<u>(3,704)</u>	<u>460</u>	<u>(3,244)</u>	<u>0</u>
Net Position - Ending	<u>\$ 407,721</u>	<u>\$ 2,890,512</u>	<u>\$ 3,298,233</u>	<u>\$ 513,809</u>

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

CITY OF BRONTE
Balance Sheet
Governmental Funds
September 30, 2016

	General	TCDP Grant	Other Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 323,508	\$ 280	\$ 7,557	\$ 331,345
Receivables:				
Property Taxes	14,322	0	0	14,322
Allowance for Uncollectibles	(4,392)	0	0	(4,392)
Other Taxes	33,457	0	0	33,457
Accrued Interest	245	0	0	245
Other Governments	0	0	1,040	1,040
Due from Other Funds	23,374	0	0	23,374
Prepaid Insurance	2,115	0	0	2,115
	<u>\$ 392,629</u>	<u>\$ 280</u>	<u>\$ 8,597</u>	<u>\$ 401,506</u>
Total				
<u>LIABILITIES</u>				
Employment Taxes Payable	\$ 908	\$ 0	\$ 0	\$ 908
Retirement Payable	611	0	0	611
Due to Component Unit	5,526	0	0	5,526
Due to Other Funds	7,534	280	1,040	8,854
	<u>\$ 14,579</u>	<u>\$ 280</u>	<u>\$ 1,040</u>	<u>\$ 15,899</u>
Total Liabilities				
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	\$ 9,930	\$ 0	\$ 0	\$ 9,930
	<u>\$ 9,930</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,930</u>
<u>FUND BALANCES</u>				
Assigned for:				
Nonmajor Special Revenue Fund	\$ 0	\$ 0	\$ 7,557	\$ 7,557
Unassigned, Reported in:				
General Fund	368,120	0	0	368,120
	<u>\$ 368,120</u>	<u>\$ 0</u>	<u>\$ 7,557</u>	<u>\$ 375,677</u>
Total Fund Balances				
	<u>\$ 392,629</u>	<u>\$ 280</u>	<u>\$ 8,597</u>	<u>\$ 401,506</u>
Total				

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

CITY OF BRONTE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016

Total Fund Balances - Governmental Funds	\$ 375,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net position.	58,927
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(5,467)
Property taxes are recognized when they become available in the fund financial statements but are shown as revenues when they are levied in the government-wide financial statements. The net effect of including unavailable revenue from property taxes as revenue is to increase (decrease) net position.	9,930
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68, a Deferred Resource Inflow related to TMRS, and a Deferred Resource Outflow related to TMRS. The net effect of these adjustments is to increase (decrease) net position.	<u>(31,346)</u>
Net Position of Governmental Activities	<u><u>\$ 407,721</u></u>

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

CITY OF BRONTE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016

	<u>General</u>	<u>TCDP Grant</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes:				
Property	\$ 107,857	\$ 0	\$ 0	\$ 107,857
Sales	152,270	0	0	152,270
Franchise	21,072	0	0	21,072
Intergovernmental	6,625	0	0	6,625
Grant Revenues	0	144,203	1,040	145,243
Interest	506	0	0	506
Miscellaneous	15,795	0	1,758	17,553
	<u>\$ 304,125</u>	<u>\$ 144,203</u>	<u>\$ 2,798</u>	<u>\$ 451,126</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 124,324	\$ 0	\$ 0	\$ 124,324
Public Health	12,411	0	2,003	14,414
Public Safety	44,912	0	0	44,912
Streets	47,759	0	0	47,759
Economic Development	76,135	0	0	76,135
Grant:				
Administration	0	144,203	1,040	145,243
	<u>\$ 305,541</u>	<u>\$ 144,203</u>	<u>\$ 3,043</u>	<u>\$ 452,787</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,416)	\$ 0	\$ (245)	(1,661)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Asset	2,701	0	0	2,701
Net Change in Fund Balances	\$ 1,285	\$ 0	\$ (245)	1,040
Fund Balances - Beginning	370,321	0	7,802	378,123
Prior Period Adjustment	(3,486)	0	0	(3,486)
Fund Balances - Ending	<u>\$ 368,120</u>	<u>\$ 0</u>	<u>\$ 7,557</u>	<u>\$ 375,677</u>

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

CITY OF BRONTE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended September 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 1,040
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(5,467)
Property taxes are recognized when they become available in the fund financial statements but are shown as revenues when they are levied in the government-wide financial statements. The net effect of including unavailable revenue from property taxes as revenue is to increase (decrease) net position.	1,392
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, 2014, caused the change in ending net position to increase. The City recorded its proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2016 were for pension expense from TMRS data and the amounts de-expended for the net deferred resource inflow recognized by TMRS in the measurement period. This caused a net decrease in the change in net position. The impact of all of these is to increase (decrease) net position.	<u>(985)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,020)</u></u>

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

CITY OF BRONTE
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-Type Activities
	Utility Enterprise Fund
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 795,357
Accounts Receivable	55,636
Accrued Interest Receivable	121
Due from Other Funds	7,534
Restricted Assets:	
Cash and Cash Equivalents	370,442
Total Current Assets	\$ 1,229,090
Noncurrent Assets:	
Capital Assets:	
Land	\$ 76,568
Buildings and Systems	3,637,836
Machinery and Equipment	60,497
Construction in Progress	261,848
Total	\$ 4,036,749
Less, Accumulated Depreciation	1,893,615
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,143,134
Total Assets	\$ 3,372,224
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflow Related to TMRS	\$ 17,956
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 13,269
Employment Taxes Payable	1,764
Retirement Payable	988
Accrued Interest Payable	169
Sales Tax Payable	1,267
Due to Other Funds	22,054
Due to Component Unit	175
Unearned Revenue	75,423

CITY OF BRONTE
Statement of Net Position
Proprietary Funds - Continued
September 30, 2016

	Business-Type Activities
	Utility Enterprise Fund
<u>LIABILITIES</u> - Continued	
Current Liabilities - Continued:	
Notes Payable - Current	280,000
Customer Deposits	35,402
Total Current Liabilities	\$ 430,511
Noncurrent Liabilities:	
Net Pension Liability (City's Share)	69,157
Total Liabilities	\$ 499,668
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflow Related to TMRS	\$ 0
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 2,158,153
Unrestricted	732,359
Total Net Position	\$ 2,890,512

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

CITY OF BRONTE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2016

	Business-Type Activities
	Utility Enterprise Fund
<u>OPERATING REVENUES</u>	
Charges for Sales and Services:	
Sales of Services:	
Water	\$ 443,883
Sewer	67,655
Trash Collection	204,413
Connect Fees	2,799
Other Services	1,617
Grant Revenue	31,870
	\$ 752,237
<u>OPERATING EXPENSES</u>	
Water Department:	
Cost of Sales and Services	\$ 5,047
Salaries and Benefits	71,550
Maintenance and Repairs	58,583
Other Operating Expenses	107,243
Depreciation	70,153
Total Water Department	\$ 312,576
Sewer Department:	
Salaries and Benefits	\$ 33,579
Maintenance and Repairs	1,410
Other Operating Expenses	9,742
Depreciation	12,877
Total Sewer Department	\$ 57,608
Sanitation Department:	
Cost of Sales and Services	\$ 173,433
Salaries and Benefits	5,996
Other Operating Expenses	1,366
Total Sanitation Department	\$ 180,795
Total Operating Expenses	\$ 550,979
Operating Income	\$ 201,258

CITY OF BRONTE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds - Continued
Year Ended September 30, 2016

	Business-Type Activities
	Utility Enterprise Fund
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Gain on the Sale of Land	\$ 29,823
Interest Earned	295
Interest Expense	(4,249)
Bond Fees	(806)
	\$ 25,063
Total Non-Operating Revenues (Expenses)	\$ 25,063
Income (Loss) Before Capital Contributions	\$ 226,321
Capital Contributions	144,203
Change in Net Position	\$ 370,524
Total Net Position - Beginning	2,519,528
Prior Period Adjustment	460
Total Net Position - Ending	\$ 2,890,512

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

CITY OF BRONTE
 Combined Statement of Cash Flows -
 All Proprietary Fund Types
 Year Ended September 30, 2016

	<u>Business-Type Activities</u> Utility Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 725,006
Cash Payments for Goods and Services	(356,940)
Cash Payments for Salaries and Benefits	(110,261)
Grant Revenues	<u>31,870</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 289,675</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Net Increase in Due to Other Funds	<u>\$ 14,181</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (154,517)
Proceeds from Sale of Asset	123,475
Proceeds from Grant	(31,870)
Principal Paid on Notes	(131,313)
Interest Paid on Notes	(4,439)
Payment on Bond Fees	<u>(806)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (199,470)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	\$ 293
Purchase of Certificates of Deposit	<u>(189)</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 104</u>
Net Increase in Cash and Cash Equivalents	\$ 104,490
Cash and Cash Equivalents - Beginning	934,662
Prior Period Adjustment	<u>460</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,039,612</u></u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u>	
Total Cash and Cash Equivalents Per the Statement of Net Position	\$ 1,165,799
Less: Items Not Meeting the Definition of Cash Equivalents	<u>126,187</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,039,612</u></u>

CITY OF BRONTE
 Combined Statement of Cash Flows -
 All Proprietary Fund Types - Continued
 Year Ended September 30, 2016

	Business-Type Activities
	Utility Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income	<u>\$ 201,258</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 83,030
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	2,352
(Increase) Decrease in Deferred Resource Outflows	(16,540)
Increase (Decrease) in Accounts Payable	(612)
Increase (Decrease) in Employment Taxes Payable	(500)
Increase (Decrease) in Retirement Payable	(19)
Increase (Decrease) in Sales Tax Payable	435
Increase (Decrease) in Customer Deposits	2,287
Increase (Decrease) in Due to Component Unit	61
Increase (Decrease) in Net Pension Liability	15,689
Increase (Decrease) in Deferred Resource Inflows	<u>2,234</u>
Total Adjustments	<u>\$ 88,417</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 289,675</u></u>

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

CITY OF BRONTE
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	<u>Firemen's Relief and Retirement Fund</u>
<u>ASSETS</u>	
Restricted Assets:	
Cash and Cash Equivalents	\$ 49,546
Accrued Interest Receivable	<u>22</u>
Total Assets	\$ 49,568
<u>LIABILITIES</u>	
None	<u>0</u>
<u>NET POSITION</u>	
Held in Trust for Benefits	<u><u>\$ 49,568</u></u>

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

CITY OF BRONTE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Firemen's Relief and Retirement Fund
<u>ADDITIONS</u>	
Contributions:	
City	\$ 16,526
Investment Earnings:	
Interest	98
Total Additions	\$ 16,624
<u>DEDUCTIONS</u>	
Benefits	\$ 1,444
Other Deductions	54
Total Deductions	\$ 1,498
Change in Net Position	\$ 15,126
Net Position - Beginning	34,442
Net Position - Ending	\$ 49,568

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

CITY OF BRONTE
Notes to the Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The City reports the following component unit -

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

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

The government reports the following major governmental funds:

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

Special Revenue Fund - Texas Community Development Block Grant - This Fund is used for water facility improvements.

The government reports the following major proprietary fund:

The Utility Fund accounts for the operation of the water and sewer systems for the City.

Additionally, the government reports the following fund type:

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

D. Cash and Cash Equivalents - Proprietary Funds

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

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Interfund Receivables and Payables

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

F. Receivables and Payables

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

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

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

G. Prepaid Items

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

H. Capital Assets

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

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

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

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

I. Restricted Assets

Restricted assets held by the Enterprise Fund consist of cash and temporary investments, which have been restricted by the Texas Water Development Board for authorized projects held in the Water Fund.

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Long-Term Obligations

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

K. 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.

L. Compensated Absences

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

M. Net Position on the Statement of Net Position

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

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets

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

N. Fund Balances/Equity

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

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

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

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

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

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Property Tax Revenues

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

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

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

P. Interfund Transfers

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

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

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

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

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in two programs as shown on page 41.

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

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

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2016, the City was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables and Payables

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

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Enterprise Funds	\$ 22,054	\$ 7,534	Reimbursement
Major Special Revenue Fund	280	0	Reimbursement
Nonmajor Special Revenue Funds	<u>1,040</u>	<u>0</u>	Reimbursement
	<u>\$ 23,374</u>	<u>\$ 7,534</u>	
Major Special Revenue Fund			
General Fund	0	280	Reimbursement
Nonmajor Special Revenue Funds			
General Fund	0	1,040	Reimbursement
Enterprise Funds			
General Fund	<u>7,534</u>	<u>22,054</u>	Reimbursement
Totals	<u><u>\$ 30,908</u></u>	<u><u>\$ 30,908</u></u>	

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 14,625	\$ 0	\$ 0	\$ 14,625
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 70,542	\$ 0	\$ 0	\$ 70,542
Equipment	200,461	0	8,473	191,988
Total Capital Assets Being Depreciated	<u>\$ 271,003</u>	<u>\$ 0</u>	<u>\$ 8,473</u>	<u>\$ 262,530</u>
Total Capital Assets	<u>\$ 285,628</u>	<u>\$ 0</u>	<u>\$ 8,473</u>	<u>\$ 277,155</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (40,380)	\$ (1,935)	\$ 0	\$ (42,315)
Equipment	(186,321)	(3,532)	(8,473)	(181,380)
Total Accumulated Depreciation	<u>\$ (226,701)</u>	<u>\$ (5,467)</u>	<u>\$ (8,473)</u>	<u>\$ (223,695)</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,927</u>	<u>\$ (5,467)</u>	<u>\$ 0</u>	<u>\$ 53,460</u>

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 52,641	\$ 117,579	\$ 93,652	\$ 76,568
Construction in Progress	85,707	176,141	0	261,848
Total Capital Assets Not Being Depreciated	<u>\$ 138,348</u>	<u>\$ 293,720</u>	<u>\$ 93,652</u>	<u>\$ 338,416</u>
Capital Assets Being Depreciated				
Buildings and Systems	\$ 3,632,836	\$ 5,000	\$ 0	\$ 3,637,836
Equipment	60,497	0	0	60,497
Total Capital Assets Being Depreciated	<u>\$ 3,693,333</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 3,698,333</u>
Total Capital Assets	<u>\$ 3,831,681</u>	<u>\$ 298,720</u>	<u>\$ 93,652</u>	<u>\$ 4,036,749</u>
Less Accumulated Depreciation				
Buildings and Systems	\$ (1,765,711)	\$ (77,945)	\$ 0	\$ (1,843,656)
Equipment	(44,874)	(5,085)	0	(49,959)
Total Accumulated Depreciation	<u>\$ (1,810,585)</u>	<u>\$ (83,030)</u>	<u>\$ 0</u>	<u>\$ (1,893,615)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,021,096</u>	<u>\$ 215,690</u>	<u>\$ 93,652</u>	<u>\$ 2,143,134</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 3,940
Public Health	343
Public Safety	402
Streets	782
Total Depreciation Expense - Governmental Activities	<u>\$ 5,467</u>
Business-Type Activities	
Water	\$ 70,153
Sewer	12,877
Total Depreciation Expense - Business-Type Activities	<u>\$ 83,030</u>

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

Deferred Outflows (Statement of Net Position)

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

Deferred Inflows (Statement of Net Position)

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

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

E. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Certificates of Obligation	\$ 315,000	\$ 0	\$ 35,000	\$ 280,000	\$ 280,000
Note Payable	96,313	0	96,313	0	0
Totals	<u>\$ 411,313</u>	<u>\$ 0</u>	<u>\$ 131,313</u>	<u>\$ 280,000</u>	<u>\$ 280,000</u>

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Long-Term Debt - Continued

The City's outstanding bond issue is as follows:

City of Bronte, Texas, Combination Tax and Utility System Revenues Certificates of Obligation, Series 2013. Issued for constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving Waterworks System properties and facilities, and related fees in the original amount of \$345,000. Due in annual payments from August 15, 2013, to August 15, 2024, with interest rates of .15% to 2.08%.

The net revenues of the Waterworks and Sewer System are pledged to secure this debt. In accordance with bond covenants, the City must maintain a certificate fund bank account, to which all net revenues are to be credited immediately upon receipt. The City must transfer and deposit into this account each month an amount of not less than 1/12th of the annual Debt Service Requirements on the Certificates until the amount accumulated and maintained in the account equals the amount required for the full payment of the Debt Service Requirements on the Certificates then outstanding. At September 30, 2016, the amount available in this account was \$337,079. The outstanding obligations were redeemed on March 16, 2017.

\$ 280,000

The annual debt service requirements are as follows:

Year Ending September 30,	Certificates of Obligation		Total
	Principal	Interest	
2017	\$ 280,000	\$ 353	\$ 280,353

CITY OF BRONTE
Notes to the Financial Statements
September 30, 2016

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

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

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

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

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

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

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

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.85% and 9.16% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 31, 2016, were \$10,141, and were equal to the required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between arithmetic mean (aggressive) without an adjustment for time (conservative) and the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	<u>100.0%</u>	

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Discount Rate

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

<u>Changes in the Net Pension Liability</u>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 358,672	\$ 272,852	\$ 85,820
Changes for the Year:			
Service Cost	\$ 8,891	\$ 0	\$ 8,891
Interest on the Total Pension Liability	24,948	0	24,948
Change of Benefit Terms	0	0	0
Difference Between Expected and Actual Experience	326	0	326
Changes of Assumptions	9,971	0	9,971
Contributions - Employer	0	10,086	(10,086)
Contributions - Employee	0	7,038	(7,038)
Net Investment Income	0	403	(403)
Benefit Payments, Including Refunds of Employee Contributions	(13,422)	(13,422)	0
Administrative Expense	0	(246)	246
Other	0	(12)	12
Net Changes	<u>\$ 30,714</u>	<u>\$ 3,847</u>	<u>\$ 26,867</u>
Balance at December 31, 2015	<u>\$ 389,386</u>	<u>\$ 276,699</u>	<u>\$ 112,687</u>

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

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

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's Net Pension Liability	<u>\$ 158,657</u>	<u>\$ 112,687</u>	<u>\$ 73,487</u>

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ (3,459)	\$ -
Changes in Actuarial Assumptions	8,485	-
Differences Between Projected and Actual Investment Earnings	16,855	-
Contributions Made Subsequent to the Measurement Date	<u>8,259</u>	<u>-</u>
Totals	<u>\$ 30,140</u>	<u>\$ -</u>

Deferred outflows of resources of \$8,259 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Pension Expense Amount</u>
2016	\$ 5,278
2017	5,278
2018	5,276
2019	4,647
2020	906
Thereafter	496

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits

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

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

Funding Policy - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015, and 2014, were \$223, \$286, and \$268, respectively, which equaled the required contributions each year.

C. Workers' Compensation Insurance

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

D. Property and Liability Coverage

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

CITY OF BRONTE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

E. Adjustments to Fund Balance/Net Position

The financial statements reflect the following prior period adjustments:

	<u>Net Position Statement of Activities</u>	<u>Fund Balances Governmental Funds</u>
General Fund		
Adjustment for Old Outstanding Items	\$ 678	\$ 678
Adjustment for Various Miscellaneous Adjustments	<u>(4,164)</u>	<u>(4,164)</u>
Total General Fund	\$ (3,486)	\$ (3,486)
Enterprise Fund		
Adjustment for Old Outstanding Items	460	0
Government-Wide		
Prior Year's Deferred Outflow Related to TMRS	<u>(218)</u>	<u>0</u>
Totals	<u>\$ (3,244)</u>	<u>\$ (3,486)</u>

F. Subsequent Events

Certificates of Obligation payable to the Texas Water Development Board in the amount of \$280,353 was paid off on March 16, 2017. Excess Loan Forgiveness Grant Funds payable to the Texas Water Development Board in the amount of \$75,327 were refunded on March 16, 2017.

The City's management has evaluated subsequent events through April 18, 2017, the date which the financial statements were available for issue.

Required Supplementary Information

CITY OF BRONTE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2016

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes:				
Property	\$ 113,000	\$ 113,000	\$ 107,857	\$ (5,143)
Sales	140,000	140,000	152,270	12,270
Franchise	22,000	22,000	21,072	(928)
Intergovernmental Revenue and Grants	96,000	96,000	6,625	(89,375)
Interest	0	0	506	506
Miscellaneous	4,300	4,300	15,795	11,495
Total Revenues	<u>\$ 375,300</u>	<u>\$ 375,300</u>	<u>\$ 304,125</u>	<u>\$ (71,175)</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 163,049	\$ 163,049	\$ 124,324	\$ 38,725
Public Health	15,463	15,463	12,411	3,052
Public Safety	20,703	30,703	44,912	(14,209)
Streets	105,816	105,816	47,759	58,057
Economic Development	70,000	70,000	76,135	(6,135)
Total Expenditures	<u>\$ 375,031</u>	<u>\$ 385,031</u>	<u>\$ 305,541</u>	<u>\$ 79,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 269	\$ (9,731)	\$ (1,416)	\$ 8,315
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Asset	0	0	2,701	2,701
Net Change in Fund Balance	\$ 269	\$ (9,731)	\$ 1,285	\$ 11,016
Fund Balance - Beginning	370,321	370,321	370,321	0
Prior Period Adjustments	0	0	(3,486)	(3,486)
Fund Balance - Ending	<u>\$ 370,590</u>	<u>\$ 360,590</u>	<u>\$ 368,120</u>	<u>\$ 7,530</u>

CITY OF BRONTE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
Year Ended September 30, 2016

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 8,891	\$ 9,481
Interest on the Total Pension Liability	24,948	23,701
Change of Benefit Terms	0	0
Difference Between Expected and Actual Experience	326	0
Change of Assumptions	9,971	(4,994)
Benefit Payments, Including Refunds of Employee Contributions	<u>(13,422)</u>	<u>(6,711)</u>
Net Change in Total Pension Liability	\$ 30,714	\$ 21,477
Total Pension Liability, Beginning	<u>358,672</u>	<u>337,195</u>
Total Pension Liability, Ending	<u>\$ 389,386</u>	<u>\$ 358,672</u>
Fiduciary Net Position		
Contributions - Employer	\$ 10,086	\$ 10,538
Contributions - Employee	7,038	7,377
Net Investment Income	403	14,172
Benefit Payments, Including Refunds of Employee Contributions	(13,422)	(6,711)
Administrative Expense	(246)	(148)
Other	<u>(12)</u>	<u>(12)</u>
Net Change in Fiduciary Net Position	\$ 3,847	\$ 25,216
Fiduciary Net Position, Beginning	<u>272,852</u>	<u>247,636</u>
Fiduciary Net Position, Ending	<u>\$ 276,699</u>	<u>\$ 272,852</u>
Net Pension Liability/(Asset), Ending	<u>\$ 112,687</u>	<u>\$ 85,820</u>
Fiduciary Net Position as a % of Total Pension Liability	71.06%	76.07%
Pensionable Covered Payroll	\$ 117,293	\$ 122,930
Net Pension Liability as a % of Covered Payroll	96.07%	69.81%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the measurement date as opposed to the City's fiscal year.

CITY OF BRONTE
Schedule of Employer Contributions -
Texas Municipal Retirement System
Year Ended September 30, 2016

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 10,141	\$ 10,141	\$ 0	\$ 119,199	8.51%
2016	10,872	10,872	0	122,150	8.90%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the City's fiscal year as opposed to the time period covered by the measurement date.

CITY OF BRONTE
Notes to the Required Supplementary Information
September 30, 2016

Note A - Net Pension Liability

Changes in Benefit Terms

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

Changes of Assumptions

Inflation	3% for Fiscal Years Prior to 2016
Investment Rate of Return	7% for Fiscal Years Prior to 2016
Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Supplementary Information

CITY OF BRONTE
Schedule of Certificates of Deposit
September 30, 2016

	<u>Interest Rate (%)</u>	<u>Amount</u>
<u>UNRESTRICTED CERTIFICATES OF DEPOSIT</u>		
Governmental Funds		
General Fund		
Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
3301020	0.40	\$ 102,269
3301022	0.25	50,653
		<u>\$ 152,922</u>
Proprietary Funds		
Utility Enterprise Fund		
Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
3300316	0.25	\$ 50,000
3300867	0.25	25,534
3301021	0.25	50,653
		<u>\$ 126,187</u>
Total Unrestricted Certificates of Deposit		<u><u>\$ 279,109</u></u>
<u>RESTRICTED CERTIFICATES OF DEPOSIT</u>		
Fiduciary Fund		
Firemen's Relief and Retirement Certificates of Deposit at The First National Bank in Bronte:		
<u>Number</u>		
1903	0.35	\$ 1,750
2678	0.35	2,000
3148	0.35	3,500
3357	0.35	1,629
7023	0.35	4,500
700735	0.35	10,250
700758	0.35	2,500
700884	0.35	1,232
Total Restricted Certificates of Deposit		<u><u>\$ 27,361</u></u>

Statistical Information
Unaudited

CITY OF BRONTE
Customer Connections
September 30, 2016
Unaudited

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

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

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bronte, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bronte's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bronte's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bronte's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. The reference numbers of the findings are: 2016-001, 2016-002, 2016-003, and 2016-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bronte's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2016-005 and 2016-006.

City's Response to Findings

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

Purpose of This Report

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

Eckert & Company, LLP

April 18, 2017

CITY OF BRONTE
Schedule of Findings and Responses
Year Ended September 30, 2016

Findings -

Reference Number: 2016-001

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

Reference Number: 2016-002

Criteria:

The City's books should be reviewed at least monthly to determine that all funds are complete and in balance, all bank accounts are reconciled, interfund receivables and payables agree, interfund transfers offset, payroll expenditure accounts are correct, and that all accounts are reasonable as to amount and balance status (i.e., debit or credit).

Condition:

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

Cause:

The City's personnel were not performing the duties necessary to ensure the accuracy and completeness of the City's financial records. Lack of proper oversight by management contributed to this failure. In addition, the City changed software during the fiscal year, and personnel did not receive adequate training on the features and procedures related to the new software.

Effect:

The general ledger contained numerous errors and did not accurately reflect the City's finances. Internal control over financial reporting was not effective.

Auditor's Recommendation:

The general ledger should be reviewed for completeness and accuracy, and any necessary corrections should be made in a timely manner. Other reconciliations and payroll reporting should be performed in a timely and accurate manner. Outside assistance should be engaged as needed.

CITY OF BRONTE
Schedule of Findings and Responses - Continued
Year Ended September 30, 2016

Findings -

Reference Number: 2016-003

Criteria:

Bank reconciliations are common cash control procedures which help identify errors and irregularities in the cash account and adjustments which are needed to the cash account to help ensure accuracy and completeness of the City's financial records. If the bank reconciliations are reviewed and approved by a third party, an internal control will be established which allows for the segregation of duties which will help deter fraud and other irregularities.

Condition:

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

Cause:

The City's personnel were not performing the duties necessary to ensure the accuracy and completeness of the City's financial records. Lack of proper oversight by management contributed to this failure.

Effect:

The general ledger contained numerous errors and did not accurately reflect the City's finances. Internal control over cash was not effective.

Auditors' Recommendation:

Bank reconciliations should be prepared timely and agreed to the general ledger balances. Bank reconciliations should be reviewed for completeness and accuracy, and any necessary corrections should be made in a timely manner.

Reference Number: 2016-004

Criteria:

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

Condition:

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

CITY OF BRONTE
Schedule of Findings and Responses - Continued
Year Ended September 30, 2016

Findings - Continued

Reference Number: 2016-004 - Continued

Cause:

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

Effect:

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

Auditors' Recommendation:

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

Reference Number: 2016-005

Criteria:

Section 272.001 of the Texas Local Government Code provides that before real property owned by a political subdivision of the state may be sold or exchanged, notice to the general public must be published in a newspaper of general circulation in either the county in which the land is located or, if there is no such newspaper, in an adjoining county. The notice must include a description of the land, including its location, and the procedure by which sealed bids to purchase the land or offers to exchange the land may be submitted. The notice must be published on two separate dates, and the sale or exchange may not be made until after the 14th day after the date of the second publication.

Condition:

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

Cause:

Procedures were not followed notifying the general public of the City's intent to sell or exchange land held by the City due to inadequate controls over the notification and bidding process.

CITY OF BRONTE
Schedule of Findings and Responses - Continued
Year Ended September 30, 2016

Findings -

Reference Number: 2016-005 - Continued

Effect:

Because notification and bidding procedures were not followed, the City may not have obtained the best value for the City.

Auditors' Recommendation:

The City should implement stronger controls to ensure that notification and bidding procedures are complied with for all contracts that are subject to the requirements stated in Section 272.001.

Reference Number: 2016-006

Criteria:

Section 102.009 of the Texas Local Government Code states that municipal funds of the City may not be spent in any manner other than as provided for in the budget, as amended by the City Council.

Condition:

Expenditures exceeded appropriations in the following functions:

General Fund	
Public Safety	\$ 14,209
Economic Development	6,135

Cause:

Amendments to the budget were not adequate to ensure that expenditures did not exceed appropriations during the year.

Effect:

Municipal funds of the City were spent that were not provided for in the budget.

Auditors' Recommendation:

The budget should be monitored closely to see that amendments are made as necessary

CITY OF BRONTE
Schedule of Findings and Responses - Continued
Year Ended September 30, 2016

Responses -

Reference Number: 2016-001

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

Reference Number: 2016-002

The City will implement procedures to ensure that the City's personnel review the general ledger and make necessary adjustments when needed. Other reconciliations and payroll reporting will be performed in a timely and accurate manner. Outside assistance will be sought as needed.

Reference Number: 2016-003

The City will implement procedures to ensure that bank accounts are reconciled promptly, reviewed for accuracy, and corrected in a timely manner.

Reference Number: 2016-004

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

Reference Number: 2016-005

The City will implement stronger controls to ensure that notification and bidding procedures are complied with for all contracts that are subject to the requirements stated in Section 272.001.

Reference Number: 2016-006

The City will monitor the budget closely throughout the year and amend it as necessary.

CITY OF BRONTE
Schedule of Status of Prior Findings
Year Ended September 30, 2016

Findings -

Reference Number: 2015-001

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

Reference Number: 2015-002

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

Responses -

Reference Number: 2015-001

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

Reference Number: 2015-002

This condition still existed in the current year.