

**CITY OF BRECKENRIDGE, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CITY OF BRECKENRIDGE, TEXAS**

## Annual Financial Report

For the year ended September 30, 2023

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**CITY OF BRECKENRIDGE, TEXAS**

Annual Financial Report

For the year ended September 30, 2023

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Members of the City Commission  
City of Breckenridge, Texas

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

#### **Opinions**

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 Breckenridge, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not

a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, budgetary comparison – general fund, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in total OPEB liability and related ratios on pages 52 - 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. This 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

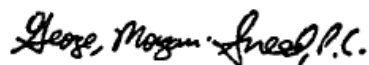
### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprised the other supplementary information listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2024 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.  
Weatherford, Texas  
February 1, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Breckenridge, Texas, we offer readers of The City of Breckenridge's financial statements this narrative overview and analysis of the financial activities of The City of Breckenridge for the fiscal year ended September 30, 2023.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Breckenridge exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$26,056,787 (*net position*) compared to net position of \$24,154,901 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was \$4,908,375 at year end.
- The City's total net position increased by \$1,901,886. The City's operations decreased the governmental activities net position by \$331,270 and increased the business-type activities net position by \$2,233,156.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$11,129,231. This compares to an ending fund balance of \$4,118,055 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,546,443, or 37% of total general fund expenditures. This compares to an unassigned fund balance of \$1,077,816 in the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components 1) management's discussion and analysis, 2) the basic financial statements (government-wide financial statements, fund financial statements and notes to the financial statements) and 3) supplementary information.

#### **Government-wide financial statements.**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the City's financial health or position.



- Over time, increases or decreases in the City’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base.

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). All of the City’s services are included here, such as general government, public works and safety, and community services in the governmental activities and water, wastewater, and sanitation in the business-type or proprietary activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit: Breckenridge Economic Development Corporation (“BEDC”) for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

### **Fund financial statements.**

The fund financial statements provide more detailed information about the City’s most significant funds-not the City as a whole. Funds are used by the City to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Most of the City’s basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

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, debt service fund and general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

**Proprietary funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary funds. The City uses enterprise funds to account for its water, wastewater, sanitation services, and trade day events. The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

**Notes to the financial statements** provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements.

**Supplementary information** further explains and supports the information in the financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$26,056,787 as of September 30, 2023.

The largest portion of the City's net position (78%) reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure and water and wastewater systems); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors was \$4,908,375 at the end of the year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental and business-type activities and its component unit

Below is a summary of the City's Statement of Net Position.

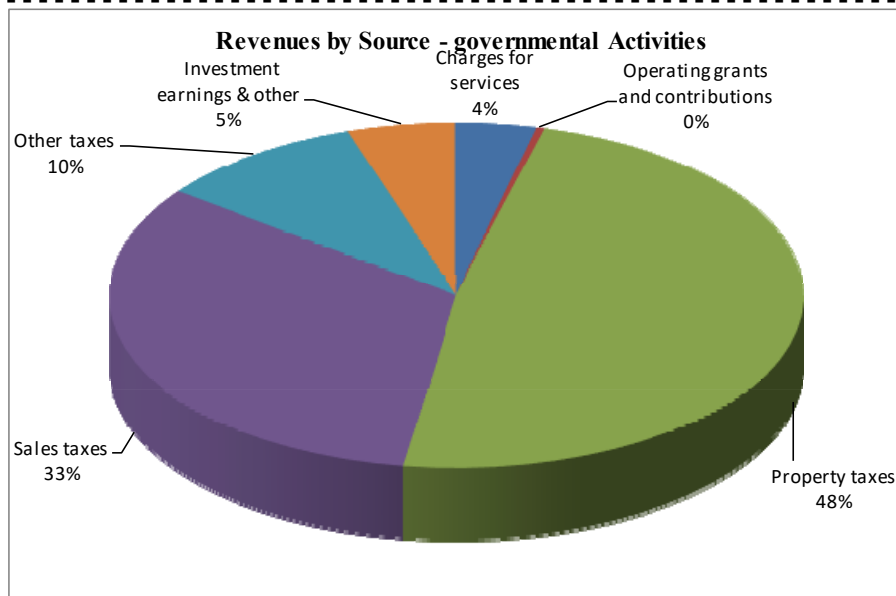
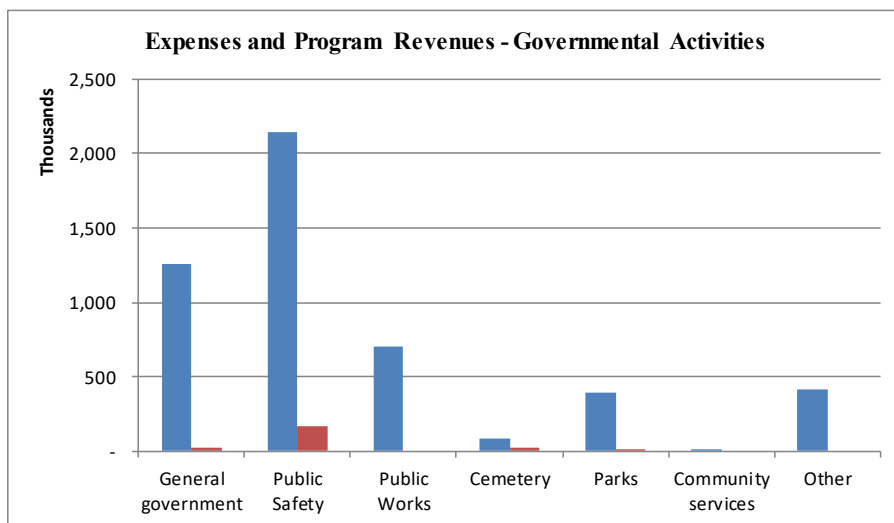
**Condensed Statement of Net Position**

|                                  | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                      | <b>Total</b>         |                      |
|----------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                  | <u>2023</u>                    | <u>2022</u>         | <u>2023</u>                     | <u>2022</u>          | <u>2023</u>          | <u>2022</u>          |
| Current and other assets         | \$ 11,613,328                  | \$ 4,829,468        | \$ 11,289,464                   | \$ 10,997,397        | \$ 22,902,792        | \$ 15,826,865        |
| Capital assets                   | 8,061,912                      | 7,305,025           | 20,035,691                      | 19,611,194           | 28,097,603           | 26,916,219           |
| Total Assets                     | <u>19,675,240</u>              | <u>12,134,493</u>   | <u>31,325,155</u>               | <u>30,608,591</u>    | <u>51,000,395</u>    | <u>42,743,084</u>    |
| Deferred outflows of resources   | <u>636,656</u>                 | <u>171,366</u>      | <u>191,076</u>                  | <u>48,587</u>        | <u>827,732</u>       | <u>219,953</u>       |
| Current liabilities              | 243,555                        | 189,384             | 2,894,109                       | 3,407,030            | 3,137,664            | 3,596,414            |
| Long-term liabilities            | 13,152,282                     | 4,436,451           | 9,386,591                       | 10,120,507           | 22,538,873           | 14,556,958           |
| Total liabilities                | <u>13,395,837</u>              | <u>4,625,835</u>    | <u>12,280,700</u>               | <u>13,527,537</u>    | <u>25,676,537</u>    | <u>18,153,372</u>    |
| Deferred inflows of resources    | <u>72,979</u>                  | <u>505,674</u>      | <u>21,824</u>                   | <u>149,090</u>       | <u>94,803</u>        | <u>654,764</u>       |
| Net Position:                    |                                |                     |                                 |                      |                      |                      |
| Net investment in capital assets | 4,172,445                      | 3,071,790           | 16,093,195                      | 14,578,165           | 20,265,640           | 17,649,955           |
| Restricted                       | 882,772                        | 2,918,471           | -                               | -                    | 882,772              | 2,918,471            |
| Unrestricted                     | 1,787,863                      | 1,184,089           | 3,120,512                       | 2,402,386            | 4,908,375            | 3,586,475            |
| Total Net Position               | <u>\$ 6,843,080</u>            | <u>\$ 7,174,350</u> | <u>\$ 19,213,707</u>            | <u>\$ 16,980,551</u> | <u>\$ 26,056,787</u> | <u>\$ 24,154,901</u> |

Below is a summary of the City's Statement of Activities.

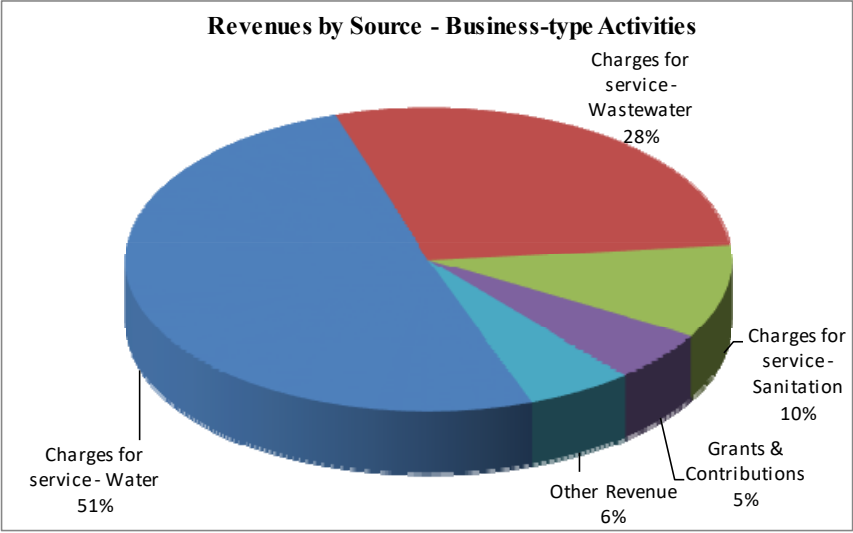
| Statement of Activities             |                         |              |                          |               |               |               |  |
|-------------------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|--|
|                                     | Governmental Activities |              | Business-type Activities |               | Total         |               |  |
|                                     | 2023                    | 2022         | 2023                     | 2022          | 2023          | 2022          |  |
| Revenues:                           |                         |              |                          |               |               |               |  |
| Program revenues:                   |                         |              |                          |               |               |               |  |
| Charges for services                | \$ 199,094              | \$ 219,177   | \$ 4,718,800             | \$ 4,469,098  | \$ 4,917,894  | \$ 4,688,275  |  |
| Operating grants and contributions  | 19,760                  | 22,986       | -                        | -             | 19,760        | 22,986        |  |
| Capital grants and contributions    | -                       | -            | 290,457                  | 1,173,392     | 290,457       | 1,173,392     |  |
| General revenues:                   |                         |              |                          |               | -             |               |  |
| Property taxes                      | 2,552,845               | 2,161,734    | -                        | -             | 2,552,845     | 2,161,734     |  |
| Sales and use taxes                 | 1,731,027               | 1,715,876    | -                        | -             | 1,731,027     | 1,715,876     |  |
| Franchise taxes                     | 463,958                 | 458,884      | -                        | -             | 463,958       | 458,884       |  |
| Hotel motel taxes                   | 51,221                  | 72,339       | -                        | -             | 51,221        | 72,339        |  |
| Investment earnings                 | 85,551                  | (84,020)     | 299,594                  | 19,462        | 385,145       | (64,558)      |  |
| Other Revenue                       | 181,835                 | 82,900       | -                        | -             | 181,835       | 82,900        |  |
| Total revenues                      | 5,285,291               | 4,649,876    | 5,308,851                | 5,661,952     | 10,594,142    | 10,311,828    |  |
| Expenses                            |                         |              |                          |               |               |               |  |
| General government                  | 1,261,456               | 1,104,012    | -                        | -             | 1,261,456     | 1,104,012     |  |
| Public Safety                       | 2,146,909               | 1,734,148    | -                        | -             | 2,146,909     | 1,734,148     |  |
| Public Works                        | 702,407                 | 832,734      | -                        | -             | 702,407       | 832,734       |  |
| Health and sanitation               | -                       | -            | 556,316                  | 828,944       | 556,316       | 828,944       |  |
| Cemetery                            | 82,830                  | 84,947       | -                        | -             | 82,830        | 84,947        |  |
| Parks                               | 396,897                 | 261,541      | -                        | -             | 396,897       | 261,541       |  |
| Community services                  | 16,560                  | 15,569       | -                        | -             | 16,560        | 15,569        |  |
| Tourism                             | 84,684                  | 43,962       | -                        | -             | 84,684        | 43,962        |  |
| Interest on long-term               | 136,128                 | 118,242      | -                        | -             | 136,128       | 118,242       |  |
| Bond issuance costs                 | 190,024                 | -            | -                        | -             | 190,024       | -             |  |
| Water and wastewater                | -                       | -            | 3,113,019                | 2,935,739     | 3,113,019     | 2,935,739     |  |
| Trade Days                          | -                       | -            | 5,026                    | 8,126         | 5,026         | 8,126         |  |
| Total expenses                      | 5,017,895               | 4,195,155    | 3,674,361                | 3,772,809     | 8,692,256     | 7,967,964     |  |
| Increase (decrease) in net position |                         |              |                          |               |               |               |  |
| before transfers                    | 267,396                 | 454,721      | 1,634,490                | 1,889,143     | 1,901,886     | 2,343,864     |  |
| Transfers                           | (598,666)               | 247,168      | 598,666                  | (247,168)     | -             | -             |  |
| Increase (decrease) in net position | (331,270)               | 701,889      | 2,233,156                | 1,641,975     | 1,901,886     | 2,343,864     |  |
| Net Position October 1              | 7,174,350               | 6,472,461    | 16,980,551               | 15,338,576    | 24,154,901    | 21,811,037    |  |
| Net Position September 30           | \$ 6,843,080            | \$ 7,174,350 | \$ 19,213,707            | \$ 16,980,551 | \$ 26,056,787 | \$ 24,154,901 |  |

**Governmental Activities.** Governmental activities decreased the City's net position by \$331,270 in the current year. Total governmental activities revenues increased by \$635,415. Property and sales taxes increased \$391,111 and \$15,151 respectively due to a \$57 million increase in property values and more local taxable sales. Total governmental activities expenses increased \$822,740 (20%). The largest increase was salaries and benefits in public safety due to being closer to full staff. Below are two graphs summarizing governmental revenue and expense:

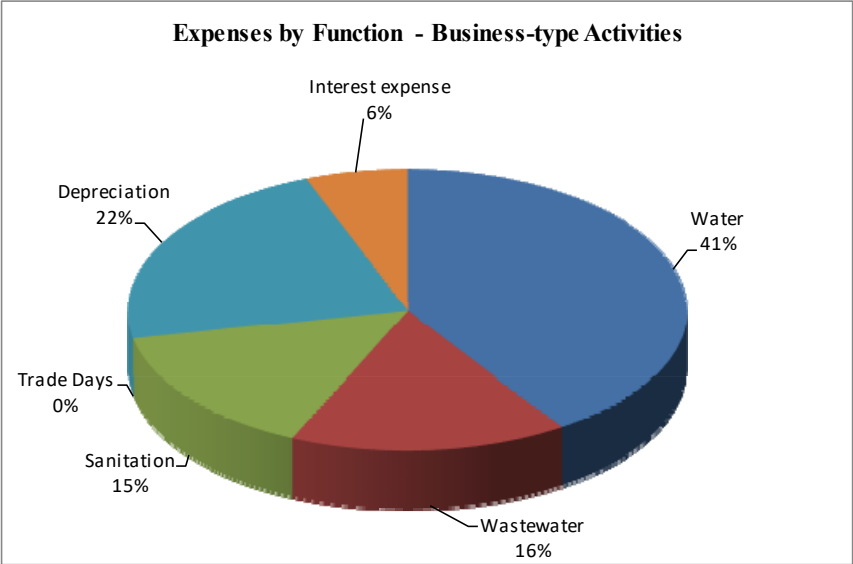


**Business-type activities.** Business-type activities increased the City's net position by \$2,233,156. The business-type activities total revenues decreased \$353,101 and total expenses decreased \$98,448. Charges for service increased \$249,702 primarily because more gallons of water were sold and rate changes. Capital grants and contributions decreased \$882,935. The largest decrease in expenses was \$272,628 in health and sanitation expense due to the City no longer billing for any commercial trash service.

Below are two graphs summarizing business-type activities revenue and expense:



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## Financial Analysis of the Government's Funds

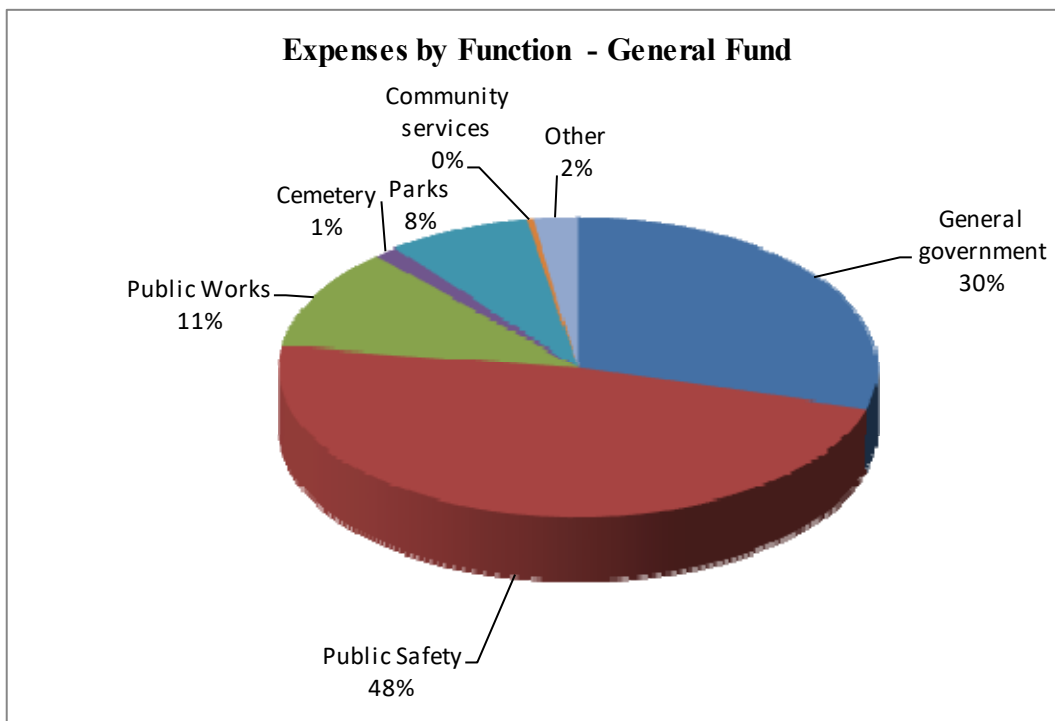
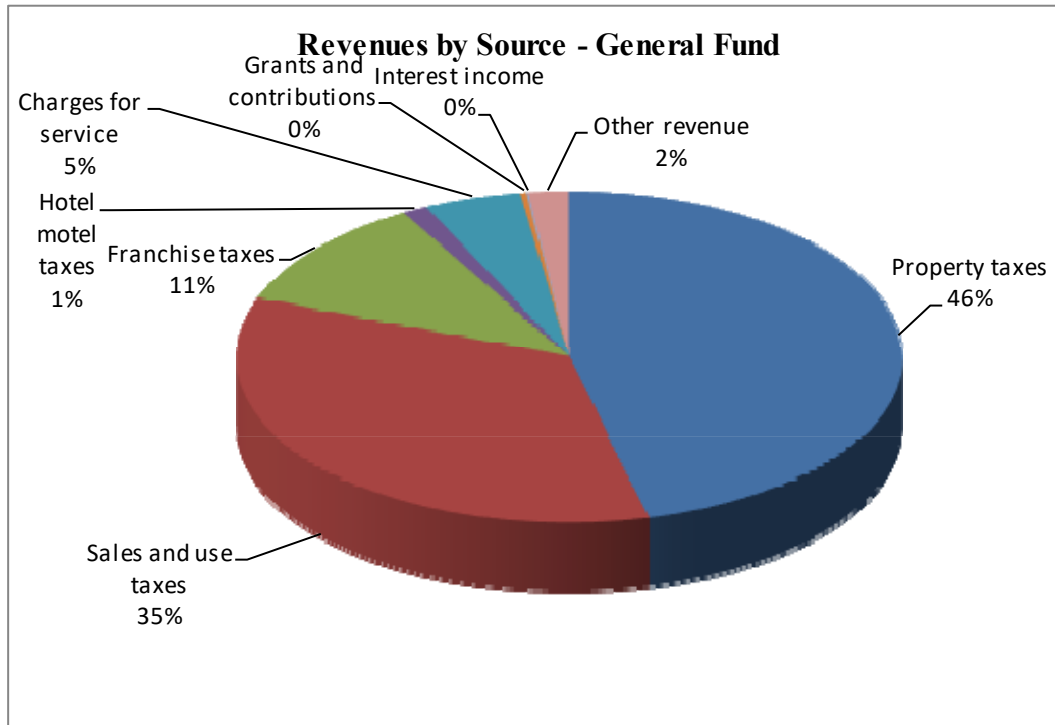
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$11,129,231. \$1,546,443 (14%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,546,443. Below is a comparison of the general fund's net change in fund balance for 2023 and 2022.

|                                 | 2023              | 2022              | Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|---------------------------------|-------------------|-------------------|------------------------|-----------------------------------|
| Revenues:                       |                   |                   |                        |                                   |
| Taxes:                          |                   |                   |                        |                                   |
| Property taxes                  | \$ 1,921,841      | \$ 1,553,628      | \$ 368,213             | 23.70%                            |
| Sales and use tax               | 1,443,302         | 1,430,749         | 12,553                 | 0.88%                             |
| Franchise                       | 457,358           | 459,682           | (2,324)                | -0.51%                            |
| Hotel motel taxes               | 51,221            | 72,339            | (21,118)               | -29.19%                           |
| Charges for service             | 196,765           | 215,040           | (18,275)               | -8.50%                            |
| Grants and contributions        | 12,300            | 8,113             | 4,187                  | 51.61%                            |
| Interest income                 | 3,901             | 2,365             | 1,536                  | 64.95%                            |
| Other revenue                   | 81,049            | 28,763            | 52,286                 | 181.78%                           |
| Total revenues                  | <u>4,167,737</u>  | <u>3,770,679</u>  | <u>397,058</u>         | <u>10.53%</u>                     |
| Expenditures:                   |                   |                   |                        |                                   |
| Current                         |                   |                   |                        |                                   |
| General government              | 1,231,872         | 1,093,393         | 138,479                | 12.67%                            |
| Public Safety                   | 2,003,372         | 1,833,842         | 169,530                | 9.24%                             |
| Public Works                    | 457,340           | 508,466           | (51,126)               | -10.05%                           |
| Cemetery                        | 55,427            | 61,339            | (5,912)                | -9.64%                            |
| Parks                           | 322,780           | 231,698           | 91,082                 | 39.31%                            |
| Community services              | 15,668            | 14,677            | 991                    | 6.75%                             |
| Tourism                         | 84,684            | 43,962            | 40,722                 | 92.63%                            |
| Debt service:                   |                   |                   |                        |                                   |
| Principal                       | 13,253            | 12,850            | 403                    | 3.14%                             |
| Interest and fiscal charges     | 1,384             | 1,787             | (403)                  | -22.55%                           |
| Total expenditures              | <u>4,185,780</u>  | <u>3,802,014</u>  | <u>383,766</u>         | <u>10.09%</u>                     |
| Other financing sources (uses): |                   |                   |                        |                                   |
| Insurance recoveries            | 56,714            | 47,539            | 9,175                  | 19.30%                            |
| Transfers in                    | 505,000           | 479,500           | 25,500                 | 5.32%                             |
| Transfers out                   | <u>(75,000)</u>   | <u>-</u>          | <u>(75,000)</u>        | <u>-100.00%</u>                   |
| Net change in fund balances     | <u>\$ 468,671</u> | <u>\$ 495,704</u> | <u>\$ (27,033)</u>     | <u>\$ -5.45%</u>                  |

Below are two graphs summarizing general fund revenue and expenditures.





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

Unrestricted net position of the Water Fund, Wastewater Fund, Sanitation Fund, and Trade Days Fund at the end of the year amounted to \$3,120,512. The total change in net position was \$2,233,156. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

## General Fund Budgetary Highlights

During the year the City amended its budget. General fund budgeted revenues increased \$49,166. Actual revenues were \$134,129 less than budgeted. Budget amendments increased expenditures \$99,562. Actual expenditures of the general fund were \$555,094 less than budgeted.

## Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$28,097,603 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

### Governmental Activities:

- \$1,034,150 for street improvements
- \$89,667 for two public safety intangible right-to-use leased vehicles
- \$45,581 for a park generator

### Business-type activities:

- \$901,752 for the meter replacement project and utility line relocation projects
- \$33,415 for a water treatment intangible right-to-use leased vehicle
- \$311,174 for WWTP improvements and the prison lift station

## The City of Breckenridge’s Capital Assets (Net of Depreciation)

|                                   | Governmental Activities |                     | Business-type Activities |                      | Total                |                      |
|-----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                                   | 2023                    | 2022                | 2023                     | 2022                 | 2023                 | 2022                 |
| Land                              | \$ 194,785              | \$ 194,785          | \$ 193,297               | \$ 193,297           | \$ 388,082           | \$ 388,082           |
| Construction in progress          | 1,049,400               | 15,250              | 636,386                  | 1,160,127            | 1,685,786            | 1,175,377            |
| Land Improvements                 | -                       | -                   | 29,658                   | 30,581               | 29,658               | 30,581               |
| Buildings and improvements        | 494,839                 | 532,585             | 318,761                  | 345,845              | 813,600              | 878,430              |
| Water and sewer systems           | -                       | -                   | 18,616,976               | 17,624,579           | 18,616,976           | 17,624,579           |
| Infrastructure                    | 5,779,070               | 5,938,710           | -                        | -                    | 5,779,070            | 5,938,710            |
| Vehicles and equipment            | 420,650                 | 573,789             | 205,342                  | 251,152              | 625,992              | 824,941              |
| Intangible right-to-use equipment | 123,168                 | 49,906              | 35,271                   | 5,614                | 158,439              | 55,520               |
| Total                             | <u>\$ 8,061,912</u>     | <u>\$ 7,305,025</u> | <u>\$ 20,035,691</u>     | <u>\$ 19,611,195</u> | <u>\$ 28,097,603</u> | <u>\$ 26,916,220</u> |

Additional information on the City’s capital assets can be found in the notes to the financial statements.

## Long-Term Debt

### City of Breckenridge's Outstanding Debt

|                            | Governmental Activities |                     | Business-type Activities |                      | Total                |                      |
|----------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                            | 2023                    | 2022                | 2023                     | 2022                 | 2023                 | 2022                 |
| Financed Purchases         | \$ 120,953              | \$ 178,568          | \$ 20,257                | \$ 29,896            | \$ 141,210           | \$ 208,464           |
| Lease Financing Payable    | 124,771                 | 50,667              | 35,752                   | 5,698                | 160,523              | 56,365               |
| Certificates of Obligation | 11,645,000              | 4,004,000           | 9,087,000                | 10,025,000           | 20,732,000           | 14,029,000           |
| Total                      | <u>\$ 11,890,724</u>    | <u>\$ 4,233,235</u> | <u>\$ 9,143,009</u>      | <u>\$ 10,060,594</u> | <u>\$ 21,033,733</u> | <u>\$ 14,293,829</u> |

During 2023 the City issued \$8,385,000 in Combination Tax and Surplus Revenue Certificates of Obligation.

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter. More detailed information about the City's debt is presented in the notes to the Financial Statements.

### Economic factors and the Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rate, and fees that will be charged for the governmental and business-type activities. The major factor affecting all decisions is the changing economy within the framework of the national economic recovery. Along with the rest of the nation, Breckenridge only saw a minimal increase in sales and hotel occupancy taxes. In addition, the local oil and gas industry continues to struggle and remains very volatile. Based on these two factors, sales tax projections remained flat for the fiscal year 2024 budget.

The City prides itself on a quality school district and "hometown" atmosphere. The Breckenridge Economic Development Corporation (BEDC) works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities in coordination with the school district and Texas State Technical College. The BEDC receives one-fourth of the sales tax collected and remitted to the City to support these growth and development initiatives. The City of Breckenridge considered these factors when adopting the General Fund budget for fiscal year 2024. The budgeted revenues for fiscal year 2024 total \$4,917,969 for the General Fund, which is a \$160,269 or 3.37% increase from the previous fiscal year budget. Ad valorem tax revenue is determined by two factors – the total assessed value established by the Stephens County Appraisal District and the tax rate established by the Breckenridge City Commission. The property tax rate for the budgeted year increased by 0.03471 cents to \$1.05471 per hundred dollars of assessed value for 2023. Certified taxable property value is \$282,363,231. This is a 9.61% increase over the last year's values, or \$24.7 million.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Offices at 105 North Rose Avenue or by telephone at 254-559-8287.

Readers can find separately issued financial statements for the Breckenridge Economic Development Corporation at the Chamber of Commerce, 100 East Elm Street, Breckenridge, Texas 76424.

## **BASIC FINANCIAL STATEMENTS**

## EXHIBIT A-1

CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
September 30, 2023

|   | Primary Government  |                      |                      | Component Unit      |
|---|---------------------|----------------------|----------------------|---------------------|
|   | Governmental        | Business-type        |                      | Breckenridge        |
|   | Activities          | Activities           | Total                | Economic            |
|   |                     |                      |                      | Development         |
| <b>ASSETS:</b>                                      |                     |                      |                      |                     |
| Cash and cash equivalents                           | \$ 2,008,648        | \$ 2,490,472         | \$ 4,499,120         | \$ 1,418,369        |
| Investments   | 8,990,868           | -                    | 8,990,868            |                     |
| Receivables (Net of allowances for uncollectibles)  |                     |                      |                      |                     |
| Property taxes                                      | 173,329             | -                    | 173,329              | -                   |
| Other taxes   | 408,277             | -                    | 408,277              | 99,229              |
| Accounts  | 11,195              | 563,321              | 574,516              | -                   |
| Miscellaneous                                       | 21,011              | -                    | 21,011               | 634,942             |
| Supplies inventory                                  | -                   | 179,978              | 179,978              | -                   |
| Restricted assets:                                  |                     |                      |                      |                     |
| Cash and cash equivalents                           | -                   | 8,055,693            | 8,055,693            | -                   |
| Notes receivable                                    | -                   | -                    | -                    | 174,666             |
| Capital assets (net of accumulated depreciation):   |                     |                      |                      |                     |
| Non-depreciable assets                              | 1,244,185           | 829,683              | 2,073,868            | 56,546              |
| Depreciable assets                                  | 6,817,727           | 19,206,008           | 26,023,735           | 185,381             |
| Land held for economic development, at cost         |                     |                      |                      | 2,302,223           |
| <b>Total Assets</b>                                 | <b>19,675,240</b>   | <b>31,325,155</b>    | <b>51,000,395</b>    | <b>4,871,356</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>              |                     |                      |                      |                     |
| Deferred outflow related to TMRS pension            | 611,290             | 183,952              | 795,242              | -                   |
| Deferred outflow related to TMRS OPEB               | 25,366              | 7,124                | 32,490               | -                   |
| <b>Total Deferred Outflows of Resources</b>         | <b>636,656</b>      | <b>191,076</b>       | <b>827,732</b>       | <b>-</b>            |
| <b>LIABILITIES:</b>                                 |                     |                      |                      |                     |
| Accounts Payable                                    | 184,586             | 184,961              | 369,547              | 92,150              |
| Accrued Payroll                                     | 27,219              | 10,105               | 37,324               | 894                 |
| Due to other governments                            | 9,022               | -                    | 9,022                | -                   |
| Unearned Revenue                                    | -                   | 2,422,779            | 2,422,779            | -                   |
| Current Liabilities Payable from Restricted Assets: |                     |                      |                      |                     |
| Interest payable                                    | 22,728              | 8,445                | 31,173               | -                   |
| Customer deposits                                   | -                   | 267,819              | 267,819              | -                   |
| Noncurrent liabilities:                             |                     |                      |                      |                     |
| Due within one year                                 | 444,339             | 311,393              | 755,732              | -                   |
| Due in more than one year                           | 12,707,943          | 9,075,198            | 21,783,141           | -                   |
| <b>Total Liabilities</b>                            | <b>13,395,837</b>   | <b>12,280,700</b>    | <b>25,676,537</b>    | <b>93,044</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                     |                      |                      |                     |
| Deferred inflow related to TMRS pension             | 5,932               | 1,774                | 7,706                | -                   |
| Deferred inflow related to TMRS OPEB                | 67,047              | 20,050               | 87,097               | -                   |
| Deferred inflows - leases                           | -                   | -                    | -                    | 634,942             |
| <b>Total Deferred Inflows of Resources</b>          | <b>72,979</b>       | <b>21,824</b>        | <b>94,803</b>        | <b>634,942</b>      |
| <b>NET POSITION:</b>                                |                     |                      |                      |                     |
| Net Investments in Capital Assets                   | 4,172,445           | 16,093,195           | 20,265,640           | 241,927             |
| Restricted Net Position (Expendable)                |                     |                      |                      |                     |
| Restricted for USDA loan program                    | -                   | -                    | -                    | 484,572             |
| Debt service  | 176,537             | -                    | 176,537              | -                   |
| Property tax reduction                              | 17,632              | -                    | 17,632               | -                   |
| Public safety                                       | 23,006              | -                    | 23,006               | -                   |
| Public works  | 100,062             | -                    | 100,062              | -                   |
| Cemetery  | 555,923             | -                    | 555,923              | -                   |
| Parks   | 9,612               | -                    | 9,612                | -                   |
| Unrestricted Net Position                           | 1,787,863           | 3,120,512            | 4,908,375            | 3,416,871           |
| <b>Total Net Position</b>                           | <b>\$ 6,843,080</b> | <b>\$ 19,213,707</b> | <b>\$ 26,056,787</b> | <b>\$ 4,143,370</b> |

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Activities  
For the Year Ended September 30, 2023

|                                |                     | Program Revenues     |                                    |                                  |
|--------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| Functions/Programs             | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>      |                     |                      |                                    |                                  |
| Governmental activities:       |                     |                      |                                    |                                  |
| General government             | \$ 1,261,456        | \$ 25,209            | \$ -                               | \$ -                             |
| Public Safety                  | 2,146,909           | 158,644              | 8,898                              | -                                |
| Public Works                   | 702,407             | -                    | -                                  | -                                |
| Cemetery                       | 82,830              | 14,141               | 10,497                             | -                                |
| Parks                          | 396,897             | 1,100                | 365                                | -                                |
| Community services             | 16,560              | -                    | -                                  | -                                |
| Tourism                        | 84,684              | -                    | -                                  | -                                |
| Interest on long-term debt     | 136,128             | -                    | -                                  | -                                |
| Bond Issuance Cost             | 190,024             | -                    | -                                  | -                                |
| Total governmental activities  | <u>5,017,895</u>    | <u>199,094</u>       | <u>19,760</u>                      | <u>-</u>                         |
| Business-type activities:      |                     |                      |                                    |                                  |
| Water and wastewater           | 3,113,019           | 4,191,115            | -                                  | 290,457                          |
| Sanitation                     | 556,316             | 527,685              | -                                  | -                                |
| Trade Days                     | 5,026               | -                    | -                                  | -                                |
| Total business-type activities | <u>3,674,361</u>    | <u>4,718,800</u>     | <u>-</u>                           | <u>290,457</u>                   |
| Total primary government       | \$ <u>8,692,256</u> | \$ <u>4,917,894</u>  | \$ <u>19,760</u>                   | \$ <u>290,457</u>                |
| <b>Component Unit</b>          |                     |                      |                                    |                                  |
| Governmental activities:       |                     |                      |                                    |                                  |
| General administration         | \$ 149,604          | \$ -                 | \$ -                               | \$ -                             |
| Economic development           | 299,152             | -                    | -                                  | -                                |
| Community development          | 63,698              | -                    | -                                  | -                                |
| Interest on long-term debt     | 2,251               | -                    | -                                  | -                                |
| Total component unit           | \$ <u>514,705</u>   | \$ <u>-</u>          | \$ <u>-</u>                        | \$ <u>-</u>                      |

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales and Use Taxes

Franchise Taxes

Hotel Motel Taxes

Investment Earnings

Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position October 1, 2022

Net Position September 30, 2023

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

**EXHIBIT B-1**

| Net (Expense) Revenue and Changes in Net Position |                             |                       |   |
|---|-----------------------------|-----------------------|---|
| Primary Government                                |                             |                       | Component Unit                          |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                 | Breckenridge<br>Economic<br>Development |
| \$ (1,236,247)                                    | \$ -                        | \$ (1,236,247)        | \$ -                                    |
| (1,979,367)                                       | -                           | (1,979,367)           | -                                       |
| (702,407)   | -                           | (702,407)             | -                                       |
| (58,192)  | -                           | (58,192)              | -                                       |
| (395,432)   | -                           | (395,432)             | -                                       |
| (16,560)  | -                           | (16,560)              | -                                       |
| (84,684)  | -                           | (84,684)              | -                                       |
| (136,128)   | -                           | (136,128)             | -                                       |
| (190,024)   | -                           | (190,024)             | -                                       |
| <u>(4,799,041)</u>                                | <u>-</u>                    | <u>(4,799,041)</u>    | <u>-</u>                                |
| -   | 1,368,553                   | 1,368,553             | -                                       |
| -   | (28,631)                    | (28,631)              | -                                       |
| -   | (5,026)                     | (5,026)               | -                                       |
| <u>-</u>  | <u>1,334,896</u>            | <u>1,334,896</u>      | <u>-</u>                                |
| \$ <u>(4,799,041)</u>                             | \$ <u>1,334,896</u>         | \$ <u>(3,464,145)</u> | \$ <u>-</u>                             |
|   |                             |                       |   |
| \$ -  | \$ -                        | \$ -                  | \$ (149,604)                            |
| -   | -                           | -                     | (299,152)                               |
| -   | -                           | -                     | (63,698)                                |
| -   | -                           | -                     | (2,251)                                 |
| \$ <u>-</u>                                       | \$ <u>-</u>                 | \$ <u>-</u>           | \$ <u>(514,705)</u>                     |
|   |                             |                       |   |
| \$ 1,928,965                                      | \$ -                        | \$ 1,928,965          | \$ -                                    |
| 623,880   | -                           | 623,880               | -                                       |
| 1,731,027   | -                           | 1,731,027             | 575,451                                 |
| 463,958   | -                           | 463,958               | -                                       |
| 51,221  | -                           | 51,221                | -                                       |
| 85,551  | 299,594                     | 385,145               | 46,216                                  |
| 181,835   | -                           | 181,835               | 164,427                                 |
| (598,666)   | 598,666                     | -                     | -                                       |
| <u>4,467,771</u>                                  | <u>898,260</u>              | <u>5,366,031</u>      | <u>786,094</u>                          |
| (331,270)   | 2,233,156                   | 1,901,886             | 271,389                                 |
| 7,174,350   | 16,980,551                  | 24,154,901            | 3,871,981                               |
| \$ <u>6,843,080</u>                               | \$ <u>19,213,707</u>        | \$ <u>26,056,787</u>  | \$ <u>4,143,370</u>                     |

CITY OF BRECKENRIDGE, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2023

|  | General<br>Fund     | General<br>Debt Service<br>Fund | General<br>Capital Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS:</b>   |                     |                                 |                                     |                                |                                |
| Assets:  |                     |                                 |                                     |                                |                                |
| Cash and cash equivalents  | \$ 1,349,166        | \$ 151,300                      | \$ 128,834                          | 379,348                        | \$ 2,008,648                   |
| Investments  | -                   | -                               | 8,434,944                           | 555,924                        | 8,990,868                      |
| Receivables (Net of allowances)  |                     |                                 |                                     |                                |                                |
| Property taxes   | 125,364             | 47,965                          | -                                   | -                              | 173,329                        |
| Other taxes  | 358,662             | -                               | -                                   | 49,615                         | 408,277                        |
| Accounts   | 11,195              | -                               | -                                   | -                              | 11,195                         |
| Miscellaneous  | 21,011              | -                               | -                                   | -                              | 21,011                         |
| Total assets   | <u>\$ 1,865,398</u> | <u>\$ 199,265</u>               | <u>\$ 8,563,778</u>                 | <u>984,887</u>                 | <u>\$ 11,613,328</u>           |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND<br/>BALANCES</b> |                     |                                 |                                     |                                |                                |
| Liabilities:   |                     |                                 |                                     |                                |                                |
| Accounts payable   | \$ 49,777           | \$ -                            | \$ 115,516                          | 19,293                         | \$ 184,586                     |
| Accrued payroll  | 27,219              | -                               | -                                   | -                              | 27,219                         |
| Due to other governments   | 9,022               | -                               | -                                   | -                              | 9,022                          |
| Total liabilities  | <u>86,018</u>       | <u>-</u>                        | <u>115,516</u>                      | <u>19,293</u>                  | <u>220,827</u>                 |
| Deferred inflows of resources:   |                     |                                 |                                     |                                |                                |
| Deferred property tax  | 125,364             | 47,965                          | -                                   | -                              | 173,329                        |
| Other deferred revenue   | 89,941              | -                               | -                                   | -                              | 89,941                         |
| Total deferred inflows of resources  | <u>215,305</u>      | <u>47,965</u>                   | <u>-</u>                            | <u>-</u>                       | <u>263,270</u>                 |
| Fund Balances:   |                     |                                 |                                     |                                |                                |
| Restricted fund balance  | 17,632              | 151,300                         | 8,448,262                           | 688,604                        | 9,305,798                      |
| Committed fund balance   | -                   | -                               | -                                   | 276,990                        | 276,990                        |
| Unassigned Fund Balance  | 1,546,443           | -                               | -                                   | -                              | 1,546,443                      |
| Total fund balances  | <u>1,564,075</u>    | <u>151,300</u>                  | <u>8,448,262</u>                    | <u>965,594</u>                 | <u>11,129,231</u>              |
| Total liabilities, deferred inflows<br>of resources, and fund balances       | <u>\$ 1,865,398</u> | <u>\$ 199,265</u>               | <u>\$ 8,563,778</u>                 | <u>984,887</u>                 | <u>\$ 11,613,328</u>           |

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



CITY OF BRECKENRIDGE, TEXAS  
Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
September 30, 2023

|  |                       |
|--|-----------------------|
| Total Fund Balances - Governmental Funds   | 11,129,231            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$13,229,568 and the accumulated depreciation was \$5,167,656.   | 8,061,912             |
| Long-term liabilities, including \$120,952 financed purchases, \$124,771 lease financing payable and \$12,092,007 certificates of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.  | (12,337,731)          |
| Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. Including interest payable results in a decrease to net position.  | (22,728)              |
| Property taxes, franchise taxes, and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the fund financial statements.   | 263,270               |
| Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$673,392 , a Deferred Resource Inflow related to pensions in the amount of \$5,932, and a Deferred Resource Outflow related to pensions in the amount of \$611,290. This results in a decrease in Net Position. | (68,034)              |
| Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of \$141,160, Deferred Resource Inflow related to OPEB in the amount of \$67,047, and a Deferred Resource Outflow related to OPEB in the amount of \$25,367. This results in a decrease in Net Position.             | (182,840)             |
| Net Position of Governmental Activities  | <hr/> 6,843,080 <hr/> |

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended September 30, 2023

|  | General<br>Fund            | General<br>Debt Service<br>Fund | General<br>Capital Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------------|---------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Revenues:  |                            |                                 |                                     |                                |                                |
| Taxes:   |                            |                                 |                                     |                                |                                |
| Property taxes   | \$ 1,921,841               | \$ 623,026                      | \$ -                                | -                              | \$ 2,544,867                   |
| Sales and use tax  | 1,443,302                  | -                               | -                                   | 287,725                        | 1,731,027                      |
| Franchise  | 457,358                    | -                               | -                                   | -                              | 457,358                        |
| Hotel motel taxes  | 51,221                     | -                               | -                                   | -                              | 51,221                         |
| Charges for service  | 196,765                    | -                               | -                                   | -                              | 196,765                        |
| Grants and contributions                                     | 12,300                     | -                               | -                                   | 7,460                          | 19,760                         |
| Investment earnings  | 3,901                      | 4,189                           | 42,959                              | 34,502                         | 85,551                         |
| Other revenue  | 81,049                     | -                               | -                                   | 3,152                          | 84,201                         |
| Total revenues   | <u>4,167,737</u>           | <u>627,215</u>                  | <u>42,959</u>                       | <u>332,839</u>                 | <u>5,170,750</u>               |
| Expenditures:  |                            |                                 |                                     |                                |                                |
| Current  |                            |                                 |                                     |                                |                                |
| General government   | 1,231,872                  | -                               | -                                   | -                              | 1,231,872                      |
| Public Safety  | 2,003,372                  | -                               | -                                   | 11,753                         | 2,015,125                      |
| Public Works   | 457,340                    | -                               | -                                   | 55,195                         | 512,535                        |
| Cemetery   | 55,427                     | -                               | -                                   | 21,924                         | 77,351                         |
| Parks  | 322,780                    | -                               | -                                   | -                              | 322,780                        |
| Community services   | 15,668                     | -                               | -                                   | -                              | 15,668                         |
| Tourism  | 84,684                     | -                               | -                                   | -                              | 84,684                         |
| Capital Outlay   | -                          | -                               | 1,106,681                           | 117,408                        | 1,224,089                      |
| Debt service:  |                            |                                 |                                     |                                |                                |
| Principal  | 13,253                     | 744,000                         | -                                   | 59,899                         | 817,152                        |
| Interest and fiscal charges                                  | 1,384                      | 112,890                         | -                                   | 6,969                          | 121,243                        |
| Bond issuance costs  | -                          | -                               | 190,023                             | -                              | 190,023                        |
| Total expenditures   | <u>4,185,780</u>           | <u>856,890</u>                  | <u>1,296,704</u>                    | <u>273,148</u>                 | <u>6,612,522</u>               |
| Excess (deficiency) of revenue<br>over (under) expenditures) | \$ <u>(18,043)</u>         | \$ <u>(229,675)</u>             | \$ <u>(1,253,745)</u>               | <u>59,691</u>                  | \$ <u>(1,441,772)</u>          |
| Other financing sources (uses):                              |                            |                                 |                                     |                                |                                |
| Proceeds from Bonds  | -                          | -                               | 8,385,000                           | -                              | 8,385,000                      |
| Bond Premium   | -                          | -                               | 447,007                             | -                              | 447,007                        |
| Lease Financing  | -                          | -                               | -                                   | 89,667                         | 89,667                         |
| Insurance recoveries   | 56,714                     | -                               | -                                   | -                              | 56,714                         |
| Gain On Sale of Assets                                       | -                          | -                               | -                                   | 73,226                         | 73,226                         |
| Transfers in   | 505,000                    | -                               | 870,000                             | 147,338                        | 1,522,338                      |
| Transfers out  | <u>(75,000)</u>            | <u>(1,165,364)</u>              | <u>-</u>                            | <u>(880,640)</u>               | <u>(2,121,004)</u>             |
| Net change in fund balances                                  | 468,671                    | (1,395,039)                     | 8,448,262                           | (510,718)                      | 7,011,176                      |
| Fund balance, October 1, 2022                                | <u>1,095,404</u>           | <u>1,546,339</u>                | <u>-</u>                            | <u>1,476,312</u>               | <u>4,118,055</u>               |
| Fund balance, September 30, 2023                             | \$ <u><u>1,564,075</u></u> | \$ <u><u>151,300</u></u>        | \$ <u><u>8,448,262</u></u>          | <u><u>965,594</u></u>          | \$ <u><u>11,129,231</u></u>    |

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

CITY OF BRECKENRIDGE, TEXAS  
Reconciliation of Statement of Revenues,  
Expenditures and Changes in Fund Balances of  
The Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2023

|  |                         |
|--|-------------------------|
| Total Net Change in Fund Balances - Governmental Funds   | 7,011,176               |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,169,398 of capital outlays and \$817,151 of debt principal payments is to increase net position. | 1,986,549               |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.  | (32,306)                |
| Depreciation and amortization 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 and amortization is to decrease net position.  | (380,205)               |
| Current year financed purchases are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.  | (8,921,674)             |
| Current year interest payable of the governmental funds is not due and payable in the current period and, therefore is not reported as a liability in the funds. The increase in interest payable decreases net position.  | (14,885)                |
| Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | 16,935                  |
| GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decrease net pension.   | (885)                   |
| GASB 75 requires the City to recognize their OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net pension.  | 4,025                   |
| Change in Net Position of Governmental Activities  | <u><u>(331,270)</u></u> |

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
Proprietary Funds  
September 30, 2023

|   | Enterprise Funds |                    |                    |                    |               |
|---|------------------|--------------------|--------------------|--------------------|---------------|
|   | Water<br>Fund    | Wastewater<br>Fund | Sanitation<br>Fund | Trade Days<br>Fund | Totals        |
| <b>ASSETS:</b>                                      |                  |                    |                    |                    |               |
| Current Assets:                                     |                  |                    |                    |                    |               |
| Cash and cash equivalents                           | \$ 1,211,548     | \$ 1,218,444       | \$ 21,055          | \$ 39,425          | \$ 2,490,472  |
| Receivables (Net of allowances):                    |                  |                    |                    |                    |               |
| Accounts  | 340,011          | 180,637            | 42,673             | -                  | 563,321       |
| Supplies inventory                                  | 179,978          | -                  | -                  | -                  | 179,978       |
| Restricted Assets:                                  |                  |                    |                    |                    |               |
| Cash and cash equivalents                           | 3,912,591        | 4,143,102          | -                  | -                  | 8,055,693     |
| Total current assets                                | 5,644,128        | 5,542,183          | 63,728             | 39,425             | 11,289,464    |
| Noncurrent Assets:                                  |                  |                    |                    |                    |               |
| Capital assets, at cost:                            |                  |                    |                    |                    |               |
| Land and land improvements                          | 165,068          | 22,289             | 39,000             | 18,382             | 244,739       |
| Construction in progress                            | 569,436          | 66,950             | -                  | -                  | 636,386       |
| Buildings and improvements                          | 993,146          | 108,363            | -                  | 209,321            | 1,310,830     |
| Water system  | 20,354,460       | -                  | -                  | -                  | 20,354,460    |
| Wastewater system                                   | -                | 10,079,274         | -                  | -                  | 10,079,274    |
| Vehicles and equipment                              | 458,809          | 441,426            | -                  | -                  | 900,235       |
| Intangible Right-to-Use - Leased Equipment          | 36,987           | 3,572              | -                  | -                  | 40,559        |
| Less: accumulated depreciation and amortization     | (9,247,892)      | (4,240,739)        | -                  | (42,161)           | (13,530,792)  |
| Capital assets, net                                 | 13,330,014       | 6,481,135          | 39,000             | 185,542            | 20,035,691    |
| Total noncurrent assets                             | 13,330,014       | 6,481,135          | 39,000             | 185,542            | 20,035,691    |
| Total assets  | 18,974,142       | 12,023,318         | 102,728            | 224,967            | 31,325,155    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>              |                  |                    |                    |                    |               |
| Deferred outflow related to TMRS pension            | 132,916          | 51,036             | -                  | -                  | 183,952       |
| Deferred outflow related to TMRS OPEB               | 5,510            | 1,614              | -                  | -                  | 7,124         |
| Total Deferred Outflows of Resources                | 138,426          | 52,650             | -                  | -                  | 191,076       |
| <b>LIABILITIES:</b>                                 |                  |                    |                    |                    |               |
| Current Liabilities:                                |                  |                    |                    |                    |               |
| Accounts payable                                    | 106,324          | 32,424             | 46,213             | -                  | 184,961       |
| Accrued payroll                                     | 7,451            | 2,243              | 411                | -                  | 10,105        |
| Unearned revenues                                   | 1,262,309        | 1,160,470          | -                  | -                  | 2,422,779     |
| Current portion of long-term debt                   | 198,764          | 112,629            | -                  | -                  | 311,393       |
| Interest payable                                    | 5,722            | 2,723              | -                  | -                  | 8,445         |
| Current Liabilities Payable from Restricted Assets: |                  |                    |                    |                    |               |
| Customer deposits payable                           | 267,819          | -                  | -                  | -                  | 267,819       |
| Total current liabilities                           | 1,848,389        | 1,310,489          | 46,624             | -                  | 3,205,502     |
| Noncurrent Liabilities:                             |                  |                    |                    |                    |               |
| Long-term portion of bonds payable                  | 5,005,980        | 3,787,020          | -                  | -                  | 8,793,000     |
| Long-term portion of financed purchases payable     | 10,295           | -                  | -                  | -                  | 10,295        |
| Long-term portion of lease financing payable        | 26,985           | 1,335              | -                  | -                  | 28,320        |
| Net pension liability                               | 148,359          | 53,010             | -                  | -                  | 201,369       |
| Total OPEB liability                                | 31,101           | 11,113             | -                  | -                  | 42,214        |
| Total noncurrent liabilities                        | 5,222,720        | 3,852,478          | -                  | -                  | 9,075,198     |
| Total liabilities                                   | 7,071,109        | 5,162,967          | 46,624             | -                  | 12,280,700    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                  |                    |                    |                    |               |
| Deferred inflow related to TMRS                     | 1,307            | 467                | -                  | -                  | 1,774         |
| Deferred inflow related to OPEB                     | 14,772           | 5,278              | -                  | -                  | 20,050        |
| Total Deferred Inflows of Resources                 | 16,079           | 5,745              | -                  | -                  | 21,824        |
| <b>NET POSITION:</b>                                |                  |                    |                    |                    |               |
| Net Investment in Capital Assets                    | 10,354,781       | 5,513,872          | 39,000             | 185,542            | 16,093,195    |
| Unrestricted  | 1,670,599        | 1,393,384          | 17,104             | 39,425             | 3,120,512     |
| Total net position                                  | \$ 12,025,380    | \$ 6,907,256       | \$ 56,104          | \$ 224,967         | \$ 19,213,707 |

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2023

|  | Enterprise Funds     |                     |                    |                    |                      |
|--|----------------------|---------------------|--------------------|--------------------|----------------------|
|  | Water<br>Fund        | Wastewater<br>Fund  | Sanitation<br>Fund | Trade Days<br>Fund | Totals               |
| Operating revenues:                                |                      |                     |                    |                    |                      |
| Charges for sales and services                     | \$ 2,616,545         | \$ 1,489,657        | \$ 525,184         | \$ -               | \$ 4,631,386         |
| Miscellaneous                                      | 68,676               | 16,237              | 2,501              | -                  | 87,414               |
| Total operating revenue                            | <u>2,685,221</u>     | <u>1,505,894</u>    | <u>527,685</u>     | <u>-</u>           | <u>4,718,800</u>     |
| Operating expenses:                                |                      |                     |                    |                    |                      |
| Water and sewer commercial                         | 157,287              | 2,149               | -                  | -                  | 159,436              |
| Water meters and readers                           | 60,944               | -                   | -                  | -                  | 60,944               |
| Lake Daniel  | 15,026               | -                   | -                  | -                  | 15,026               |
| Water production                                   | 878,741              | -                   | -                  | -                  | 878,741              |
| Water distribution                                 | 382,052              | -                   | -                  | -                  | 382,052              |
| Sewer collection                                   | -                    | 260,394             | -                  | -                  | 260,394              |
| Sewer treatment                                    | -                    | 327,620             | -                  | -                  | 327,620              |
| Solid waste  | -                    | -                   | 552,116            | -                  | 552,116              |
| Depreciation and amortization                      | 577,299              | 235,318             | 4,200              | 5,026              | 821,843              |
| Total operating expenses                           | <u>2,071,349</u>     | <u>825,481</u>      | <u>556,316</u>     | <u>5,026</u>       | <u>3,458,172</u>     |
| Operating income (loss)                            | <u>613,872</u>       | <u>680,413</u>      | <u>(28,631)</u>    | <u>(5,026)</u>     | <u>1,260,628</u>     |
| Nonoperating revenues (expenses):                  |                      |                     |                    |                    |                      |
| Interest revenue                                   | 141,089              | 158,174             | 106                | 225                | 299,594              |
| Interest expense and fiscal charges                | <u>(149,563)</u>     | <u>(66,626)</u>     | <u>-</u>           | <u>-</u>           | <u>(216,189)</u>     |
| Total nonoperating revenues (expenses)             | <u>(8,474)</u>       | <u>91,548</u>       | <u>106</u>         | <u>225</u>         | <u>83,405</u>        |
| Income (loss) before contributions and transfers   | <u>605,398</u>       | <u>771,961</u>      | <u>(28,525)</u>    | <u>(4,801)</u>     | <u>1,344,033</u>     |
| Transfers (to) from other funds and contributions: |                      |                     |                    |                    |                      |
| Capital Grants & Contributions                     | 244,317              | 46,140              | -                  | -                  | 290,457              |
| Transfers in                                       | 1,036,375            | 139,629             | -                  | -                  | 1,176,004            |
| Transfers out                                      | <u>(402,338)</u>     | <u>(175,000)</u>    | <u>-</u>           | <u>-</u>           | <u>(577,338)</u>     |
| Change in Net Position                             | 1,483,752            | 782,730             | (28,525)           | (4,801)            | 2,233,156            |
| Net Position, October 1, 2022                      | <u>10,541,628</u>    | <u>6,124,526</u>    | <u>84,629</u>      | <u>229,768</u>     | <u>16,980,551</u>    |
| Net Position, September 30, 2023                   | <u>\$ 12,025,380</u> | <u>\$ 6,907,256</u> | <u>\$ 56,104</u>   | <u>\$ 224,967</u>  | <u>\$ 19,213,707</u> |

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

## EXHIBIT D-3

CITY OF BRECKENRIDGE, TEXAS  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2023

|   | Enterprise Funds    |                     |                    |                    |                      |
|---|---------------------|---------------------|--------------------|--------------------|----------------------|
|   | Water<br>Fund       | Wastewater<br>Fund  | Sanitation<br>Fund | Trade Days<br>Fund | Totals               |
| Cash flows from operating activities:   |                     |                     |                    |                    |                      |
| Cash received from customers  | \$ 2,625,013        | \$ 1,476,726        | \$ 523,773         | \$ -               | \$ 4,625,512         |
| Cash paid to suppliers  | (1,249,974)         | (442,819)           | (524,243)          | -                  | (2,217,036)          |
| Cash paid to employees  | (408,990)           | (185,116)           | (23,510)           | -                  | (617,616)            |
| Net cash provided (used) by operating activities  | <u>966,049</u>      | <u>848,791</u>      | <u>(23,980)</u>    | <u>-</u>           | <u>1,790,860</u>     |
| Cash flow from noncapital financing activities:   |                     |                     |                    |                    |                      |
| Transfers in  | 1,036,375           | 139,629             | -                  | -                  | 1,176,004            |
| Transfers out   | (402,338)           | (175,000)           | -                  | -                  | (577,338)            |
| Net cash provided (used) by noncapital financing activities                                       | <u>634,037</u>      | <u>(35,371)</u>     | <u>-</u>           | <u>-</u>           | <u>598,666</u>       |
| Cash flow from capital and related financing activities:  |                     |                     |                    |                    |                      |
| Capital expenditures  | (901,752)           | (311,174)           | -                  | -                  | (1,212,926)          |
| Principal payments on long-term debt  | (884,586)           | (66,415)            | -                  | -                  | (951,001)            |
| Interest paid on bonds  | (155,273)           | (74,037)            | -                  | -                  | (229,310)            |
| Net cash (used) by capital and related financing activities                                       | <u>(1,941,611)</u>  | <u>(451,626)</u>    | <u>-</u>           | <u>-</u>           | <u>(2,393,237)</u>   |
| Cash flow from investing activities:  |                     |                     |                    |                    |                      |
| Interest received   | <u>141,089</u>      | <u>158,174</u>      | <u>106</u>         | <u>225</u>         | <u>299,594</u>       |
| Net cash provided by investing activities   | <u>141,089</u>      | <u>158,174</u>      | <u>106</u>         | <u>225</u>         | <u>299,594</u>       |
| Net increase (decrease) in cash and cash equivalents  | (200,436)           | 519,968             | (23,874)           | 225                | 295,883              |
| Cash and cash equivalents, October 1, 2022  | <u>5,324,575</u>    | <u>4,841,578</u>    | <u>44,929</u>      | <u>39,200</u>      | <u>10,250,282</u>    |
| Cash and cash equivalents, September 30, 2023   | <u>\$ 5,124,139</u> | <u>\$ 5,361,546</u> | <u>\$ 21,055</u>   | <u>\$ 39,425</u>   | <u>\$ 10,546,165</u> |
| Reconciliation of Operating Income to<br>Net Cash Provided (Used) by Operating Activities         |                     |                     |                    |                    |                      |
| Operating income  | \$ 613,872          | \$ 680,413          | \$ (28,631)        | \$ (5,026)         | \$ 1,260,628         |
| Adjustments to reconcile operating income to<br>net cash provided (used) by operating activities: |                     |                     |                    |                    |                      |
| Depreciation expense  | 577,299             | 235,318             | 4,200              | 5,026              | 821,843              |
| (Increase) decrease in accounts receivable  | (70,064)            | (29,168)            | (3,912)            | -                  | (103,144)            |
| (Increase) decrease in supplies inventory   | 23,370              | -                   | -                  | -                  | 23,370               |
| Increase (decrease) in accounts payable   | (194,924)           | (31,938)            | 4,261              | -                  | (222,601)            |
| Increase (decrease) in accrued payroll  | 2,922               | 379                 | 102                | -                  | 3,403                |
| Increase (decrease) in customer meter deposits  | 9,856               | -                   | -                  | -                  | 9,856                |
| Increase (decrease) in net pension balances   | 2,406               | (4,949)             | -                  | -                  | (2,543)              |
| Increase (decrease) in total OPEB balances  | 1,312               | (1,264)             | -                  | -                  | 48                   |
| Total adjustments   | <u>352,177</u>      | <u>168,378</u>      | <u>4,651</u>       | <u>5,026</u>       | <u>530,232</u>       |
| Net cash provided by operating activities   | <u>\$ 966,049</u>   | <u>\$ 848,791</u>   | <u>\$ (23,980)</u> | <u>\$ -</u>        | <u>\$ 1,790,860</u>  |
| Noncash Investing, Capital and Financial Activities   |                     |                     |                    |                    |                      |
| Vehicle acquired with lease financing   | \$ 33,415           | \$ -                | \$ -               | \$ -               | \$ 33,415            |
|   | <u>\$ 33,415</u>    | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 33,415</u>     |

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.      Reporting Entity**

The City operates under a Home Rule/Commission/Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, social services, public improvements, planning and zoning, parks and recreation, and general administration services. Other services include water production and distribution and sewer disposal.

The reporting entity consists of the City of Breckenridge, Texas ("City") and its component unit. Component unit are legally separate entities for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either the City's ability to impose its will on the organization or there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The financial statements include one discretely presented component unit which has a September 30 year-end. 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 City.

*Discretely Presented Component Unit*

The Breckenridge Economic Development Corporation (the "BEDC") was incorporated under the Development Corporation Act of 1979 (the "Act"), with the approval of the City. The purpose of the BEDC is to promote the economic development of the City of Breckenridge through the use of a ½% 4B sales tax approved by the voters of the City. The BEDC receives its authority from the City of Breckenridge. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for the BEDC. The City has the authority to appoint board members and approve budgets and contracts. The City is the sole beneficiary of the BEDC and will receive the remaining assets and assume the remaining liabilities upon termination. Readers can find separately issued financial statements for the Breckenridge Economic Development Corporation at the Chamber of Commerce, 100 East Elm Street, Breckenridge, Texas 76424.

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

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. 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 to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of 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 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 revenue 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. Under the modified accrual basis of accounting, revenues are recognized as soon as they are 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. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for service, and interest associated with the current fiscal period are all 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 the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City 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.

The *general debt service fund* was established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated.

The *general capital projects fund* is used to account for bonds proceeds issued for capital projects.

The City reports the following major proprietary funds:

The *water fund* is used to account for the operation of the water utility.

The *wastewater fund* is used to account for the operation of the wastewater utility.

The *sanitation fund* is used to account for the operation of residential trash.



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. *Internally* dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and wastewater fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Financial Statement Amounts**

**1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased.

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance for the general fund of \$125,364 and the general debt service fund of \$47,965 is equal to 50% of outstanding delinquent property taxes at September 30, 2023. The court fines and fees receivable is reported net of an allowance of \$20,596 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$93,934 which is the accounts aged over 60 days. The Breckenridge Economic Development Corporation notes receivable are reported net of an allowance of \$32,854 which is based on historical experience and collectability.

**3. Property Tax**

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill and are delinquent if not paid before the following February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Inventory**

The City's water fund inventory is recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories held by the water fund are priced at the lower of cost or market on the first-in, first-out method.

**5. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

|                       |               |
|-----------------------|---------------|
| Infrastructure        | 30 - 50 years |
| Building              | 50 years      |
| Building improvements | 20 years      |
| Vehicles              | 2 - 15 years  |
| Office equipment      | 3 - 15 years  |
| Computer equipment    | 3 - 5 years   |

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

**6. Compensated Absences**

Regular full-time employees earn vacation and sick leave in accordance with City guidelines. Vacation time may be accumulated up to 240 hours. The City does allow for the accumulation of sick leave, however, the sick leave is not paid upon an employee's separation from services therefore a long-term liability has not been accrued.

**7. 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, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when they are incurred and are no longer amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and report amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

**9. Fund Balances – Governmental Funds**

In accordance with GASB No. 54, the City classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action by City Commission, the City's highest level of decision making authority. Commitments may be modified or rescinded only through formal action of City Commission.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the City Manager and the City Secretary.

Unassigned – All amounts not included in other spendable classifications.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following table is a summary of the fund balance of the governmental funds.

|                        | General<br>Fund     | General<br>Debt Service<br>Fund | General<br>Capital Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------|---------------------|---------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Restricted:            |                     |                                 |                                     |                                |                                |
| Debt service           | \$ -                | \$ 151,300                      | \$ -                                | \$ -                           | \$ 151,300                     |
| Property tax reduction | 17,632              | -                               | -                                   | -                              | 17,632                         |
| Public Safety          | -                   | -                               | -                                   | 23,006                         | 23,006                         |
| Public Works           | -                   | -                               | -                                   | 100,062                        | 100,062                        |
| Cemetery               | -                   | -                               | -                                   | 555,924                        | 555,924                        |
| Parks                  | -                   | -                               | -                                   | 9,612                          | 9,612                          |
| Capital projects       | -                   | -                               | 8,448,262                           | -                              | 8,448,262                      |
| Committed:             |                     |                                 | -                                   | -                              | -                              |
| Equipment replacement  | -                   | -                               | -                                   | 276,990                        | 276,990                        |
| Unassigned             | 1,546,443           | -                               | -                                   | -                              | 1,546,443                      |
|                        | <u>\$ 1,564,075</u> | <u>\$ 151,300</u>               | <u>\$ 8,448,262</u>                 | <u>\$ 965,594</u>              | <u>\$ 11,129,231</u>           |

**10. Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

**11. 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.

**NOTE 2: DEPOSITS AND INVESTMENTS**

The City of Breckenridge investment policies and types of investments are governed by the State Public Funds Investment Act (the "Act"). The Act authorizes the City to invest, with certain restrictions, in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, banker's acceptances, mutual funds and investment pools. The City's management believes that it complied with the requirements of the Act and the City's investment policies.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 2: DEPOSITS AND INVESTMENTS (continued)**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. The BEDC's deposits are secured by a pledge of securities and FDIC Insurance in BEDC's name. At September 30, 2023, the City's deposits were fully collateralized and insured however \$5,996 of BEDC's deposits were uninsured or collateralized. BEDC believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

The City's fiduciary funds (Cemetery Perpetual Care Trust Fund) are invested in accordance with the provision of a trust agreement. These funds are invested by the trustee according to Section 113.056 of the Texas Trust Code. The City has the following types of investments:

| Investment               | Credit Rating | Cost                | Fair Value          | Percentage of Total Investments | Investment Maturities (in Years) |                   |                  |                   |
|--------------------------|---------------|---------------------|---------------------|---------------------------------|----------------------------------|-------------------|------------------|-------------------|
|                          |               |                     |                     |                                 | Less than 1 year                 | 1-5 Years         | 6-10 Years       | Over 10 Years     |
| Cash                     | N/A           | 4,583               | 4,583               | 0.05%                           | 4,583                            | -                 | -                | -                 |
| Equity Mutual Funds      | N/A           | 126,797             | 137,613             | 1.53%                           | 137,613                          | -                 | -                | -                 |
| Bond Mutual Funds        | N/A           | 198,818             | 168,657             | 1.88%                           | 168,657                          | -                 | -                | -                 |
| Corporate Bonds          | Aaa - Baa2    | 121,413             | 108,390             | 1.21%                           | 4,882                            | 72,815            | 16,862           | 13,831            |
| U.S. Treasuries          | N/A           | 73,844              | 60,294              | 0.67%                           | 5,841                            | 25,885            | 2,847            | 25,721            |
| U.S. Government Agencies | N/A           | 86,833              | 76,387              | 0.85%                           | -                                | 2,566             | 9,162            | 64,659            |
| Logic Investment Pool    | AAAm          | 8,434,944           | 8,434,944           | 93.82%                          | 8,434,944                        | -                 | -                | -                 |
|                          |               | <u>\$ 9,047,232</u> | <u>\$ 8,990,868</u> |                                 | <u>\$ 8,756,520</u>              | <u>\$ 101,266</u> | <u>\$ 28,871</u> | <u>\$ 104,211</u> |

Investment Valuation

All securities are stated at fair value as reported by the City's portfolio manager. For securities traded on a major exchange, market values are priced as of the statement date, September 30, 2023, as provided by various pricing services (Level 1 inputs). The method and frequency of pricing assets not traded on major exchanges varies depending on the type of assets (Level 2 inputs); therefore, the market value may not be a current value as of the statement date.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 3:      RESTRICTED ASSETS**

The following cash and investments in the government-wide statement of net position are restricted for the following purposes:

|                                | <u>Cash</u>           |
|--------------------------------|-----------------------|
| Business-type Activities       |                       |
| Customer water deposits        | \$   267,819          |
| Construction - water fund      | 3,644,772             |
| Construction - wastewater fund | <u>4,143,102</u>      |
|                                | <u>\$   8,055,693</u> |

\$7,787,866 of the City's restricted cash balances are held in escrow accounts that investment in government securities money market funds. These funds were deposited in these escrow accounts pursuant to an agreement with the Texas Water Development Board. The escrowed funds are kept in separate accounts and can only be disbursed or withdrawn to pay the costs of approved projects and solely upon written authorization from the Texas Water Development Board.

Part of the Texas Water Development Board escrowed funds are loan forgiveness grants. At year-end the City reported \$2,422,779 unearned revenues in the business-type activities for the unspent portion of these grants. The grant revenue will be recognized as the funds are spent on the capital projects.

**NOTE 4:      DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. They are deferred outflow related to TMRS pension and deferred outflows related to TMRS OPEB reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources. The BEDC has deferred inflows related to leases. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 4:      DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)**

**Deferred inflows of resources - governmental funds**

|  |                   |
|--|-------------------|
| Deferred property taxes receivable (general fund)              | \$ 125,364        |
| Deferred property taxes receivable (general debt service fund) | 47,965            |
| Deferred franchise taxes receivable (general fund)             | 69,345            |
| Deferred court fines (general fund)                            | <u>20,596</u>     |
| Total deferred inflows for governmental funds                  | <u>\$ 263,270</u> |

**NOTE 5:      INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2023, is as follows:

| <u>Transfer In</u>                    | <u>Transfer Out</u>           | <u>Amount</u>       |
|---------------------------------------|-------------------------------|---------------------|
| General Fund                          | Water Fund                    | \$ 355,000          |
| General Fund                          | Wastewater Fund               | 150,000             |
| General Capital Projects Fund         | Other governmental funds      | 870,000             |
| Other governmental funds              | General                       | 75,000              |
| Other governmental funds              | Water Fund                    | 47,338              |
| Other governmental funds              | Wastewater Fund               | <u>25,000</u>       |
| Total Governmental Funds Transfers In |                               | <u>\$ 1,522,338</u> |
|                                       |                               |                     |
| Water Fund                            | General Debt Service Fund     | \$ 1,025,735        |
| Water Fund                            | General Capital Projects Fund | 10,640              |
| Wastewater Fund                       | General Debt Service Fund     | <u>139,629</u>      |
| Total Enterprise Funds Transfers In   |                               | <u>\$ 1,176,004</u> |

Each year the water fund and wastewater fund transfer unrestricted revenues to finance various programs accounted for in the general fund in accordance with budgetary authorizations. Amounts transferred to the general capital projects fund and other governmental funds were for construction projects and equipment replacement. The general debt service fund was created to pay part of the water and wastewater debt and the amounts paid were treated as transfers.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 was as follows:

| Governmental activities:                                  | Primary Government   |            |             |           | Ending<br>Balance |
|---|----------------------|------------|-------------|-----------|-------------------|
|   | Beginning<br>Balance | Increases  | Decreases   | Transfers |                   |
| Non - Depreciable Assets:                                 |                      |            |             |           |                   |
| Land  | \$ 194,785           | \$ -       | \$ -        | \$ -      | \$ 194,785        |
| Construction in Progress                                  | 15,250               | 1,034,150  | -           | -         | 1,049,400         |
| Total non-depreciable assets                              | 210,035              | 1,034,150  | -           | -         | 1,244,185         |
| Depreciable Assets:                                       |                      |            |             |           |                   |
| Buildings and improvements                                | 1,561,651            | -          | -           | -         | 1,561,651         |
| Infrastructure  | 7,881,190            | -          | -           | -         | 7,881,190         |
| Vehicles and Equipment                                    | 2,718,891            | 45,581     | (375,114)   | -         | 2,389,358         |
| Intangible Right-to-Use Lease<br>vehicles and equipment   | 63,517               | 89,667     | -           | -         | 153,184           |
| Total capital assets being<br>depreciated                 | 12,225,249           | 135,248    | (375,114)   | -         | 11,985,383        |
| Accumulated Depreciation and Amortization:                |                      |            |             |           |                   |
| Buildings and improvements                                | (1,029,066)          | (37,746)   | -           | -         | (1,066,812)       |
| Infrastructure  | (1,942,480)          | (159,640)  | -           | -         | (2,102,120)       |
| Vehicles and Equipment                                    | (2,145,102)          | (166,414)  | 342,808     | -         | (1,968,708)       |
| Intangible Right-to-Use Lease -<br>vehicles and equipment | (13,611)             | (16,405)   | -           | -         | (30,016)          |
| Total accumulated depreciation<br>and amortization        | (5,130,259)          | (380,205)  | 342,808     | -         | (5,167,656)       |
| Governmental activities capital<br>assets, net            | \$7,305,025          | \$ 789,193 | \$ (32,306) | \$ -      | \$8,061,912       |

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Governmental activities:        |                   |
| General government              | 30,032            |
| Public Safety                   | 106,099           |
| Public Works                    | 190,334           |
| Cemetery                        | 5,529             |
| Parks                           | 47,319            |
| Community services              | 892               |
| Total - governmental activities | <u>\$ 380,205</u> |



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 6: CAPITAL ASSETS - (Continued)**

| Business-type activities:                                 | Primary Government   |            |           |             |                   |
|---|----------------------|------------|-----------|-------------|-------------------|
|   | Beginning<br>Balance | Increases  | Decreases | Transfers   | Ending<br>Balance |
| Non - Depreciable Assets:                                 |                      |            |           |             |                   |
| Land  | \$ 193,297           | \$ -       | \$ -      | \$ -        | \$ 193,297        |
| Construction in Progress                                  | 1,160,127            | 1,212,926  | -         | (1,736,667) | 636,386           |
| Total non-depreciable assets                              | 1,353,424            | 1,212,926  | -         | (1,736,667) | 829,683           |
| Depreciable Assets:                                       |                      |            |           |             |                   |
| Land improvements   | 51,442               | -          | -         | -           | 51,442            |
| Buildings and improvements                                | 1,310,830            | -          | -         | -           | 1,310,830         |
| Water and sewer systems                                   | 28,697,067           | -          | -         | 1,736,667   | 30,433,734        |
| Vehicles and equipment                                    | 1,072,342            | -          | (172,107) | -           | 900,235           |
| Intangible Right-to-Use Lease<br>Vehicles and equipment   | 7,144                | 33,415     | -         | -           | 40,559            |
| Total capital assets being<br>depreciated                 | 31,138,825           | 33,415     | (172,107) | 1,736,667   | 32,736,800        |
| Accumulated Depreciation and Amortization:                |                      |            |           |             |                   |
| Land improvements   | (20,861)             | (923)      | -         | -           | (21,784)          |
| Buildings and improvements                                | (964,985)            | (27,084)   | -         | -           | (992,069)         |
| Water and sewer systems                                   | (11,072,488)         | (753,157)  | -         | 8,887       | (11,816,758)      |
| Vehicles and equipment                                    | (821,190)            | (36,923)   | 172,107   | (8,887)     | (694,893)         |
| Intangible Right-to-Use Lease -<br>Vehicles and equipment | (1,530)              | (3,758)    | -         | -           | (5,288)           |
| Total accumulated depreciation<br>and amortization        | (12,881,054)         | (821,845)  | 172,107   | -           | (13,530,792)      |
| Business-type activities capital<br>assets, net           | \$19,611,195         | \$ 424,496 | \$ -      | \$ -        | \$ 20,035,691     |

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

|                                  |                   |
|----------------------------------|-------------------|
| Business-type activities:        |                   |
| Water                            | \$ 577,299        |
| Wastewater                       | 235,318           |
| Sanitation                       | 4,200             |
| Trade Days                       | 5,026             |
| Total - business-type activities | <u>\$ 821,843</u> |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 6:      CAPITAL ASSETS - (Continued)**

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2023 was as follows:

|  | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|--|----------------------|-------------|-----------|-------------------|
| Non - Depreciable Assets:                      |                      |             |           |                   |
| Land   | \$ 56,546            | \$ -        | \$ -      | \$ 56,546         |
| Total non-depreciable assets                   | 56,546               | -           | -         | 56,546            |
| Depreciable Assets:                            |                      |             |           |                   |
| Buildings and improvements                     | 280,030              | -           | -         | 280,030           |
| Office furniture and equipment                 | 9,508                | -           | (5,008)   | 4,500             |
| Total capital assets being<br>depreciated      | 289,538              | -           | (5,008)   | 284,530           |
| Accumulated Depreciation:                      |                      |             |           |                   |
| Buildings and improvements                     | (86,772)             | (9,527)     | -         | (96,299)          |
| Office furniture and Equipment                 | (6,058)              | (1,800)     | 5,008     | (2,850)           |
| Total accumulated depreciation                 | (92,830)             | (11,327)    | 5,008     | (99,149)          |
| Governmental activities capital<br>assets, net | \$ 253,254           | \$ (11,327) | \$ -      | \$241,927         |

Properties Held for Economic Development

BEDC's goal is to promote and develop the industrial and manufacturing enterprises in order to encourage employment in the City of Breckenridge. Property and equipment are acquired with the intent of making these properties available to prospective companies at a reasonable price as an incentive to relocate their business in Breckenridge. These properties are not considered investments and are reported at cost. At September 30, 2023, properties held for economic development at cost was \$2,302,223.

**NOTE 7:      FINANCED PURCHASES**

The City has entered into agreements to finance the acquisition of equipment for the general fund and water fund. These leases qualify as financed purchases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

\$199,876 agreement dated April 1, 2015, for a fire truck due in annual payments of \$23,719 including interest at 3.24% maturing April 1, 2025.

\$151,241 agreement dated April 15, 2022, for four trucks due in annual payments of \$50,414 including interest at 3.35% maturing April 15, 2025. This was split between the governmental activities and business-type activities.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 7: FINANCED PURCHASES- (Continued)**

Future minimum commitments are as follows:

|                                 | Governmental<br>Activities | Business-type<br>Activities |
|---------------------------------|----------------------------|-----------------------------|
| 2024                            | \$ 63,493                  | \$ 10,640                   |
| 2025                            | 63,493                     | 10,640                      |
| Total debt service requirements | 126,986                    | 21,280                      |
| Less: Interest Portion          | 6,034                      | 1,023                       |
| Debt Principal                  | <u>\$ 120,952</u>          | <u>\$ 20,257</u>            |

Assets and related accumulated depreciation are as follows:

|                                | Activities        | Activities       |
|--------------------------------|-------------------|------------------|
| Vehicles and equipment         | \$ 330,838        | \$ 36,111        |
| Less: Accumulated depreciation | <u>(155,175)</u>  | <u>(9,028)</u>   |
| Net                            | <u>\$ 175,663</u> | <u>\$ 27,083</u> |

**NOTE 8: LEASE FINANCING**

The City, as a lessee, has entered into lease agreements involving copiers and printers and vehicles. The total of the City's leased assets are recorded at a cost of \$193,743, less accumulated amortization of \$35,304. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset. This lease and assets are split between governmental and business-type activities.

The lease agreement is summarized as follows:

| Description      | Date      | Payment<br>Terms | Interest<br>Rate | Total<br>Lease<br>Liability | Balance<br>9/30/2023 |
|------------------|-----------|------------------|------------------|-----------------------------|----------------------|
| Copiers/Printers | 5/28/2021 | 60 months        | 3.10%            | \$ 70,661                   | \$ 41,622            |
| Vehicles         |           | 60 months        | 7.25 - 8.01%     | 123,082                     | 118,900              |
| Total            |           |                  |                  | <u>\$ 193,743</u>           | <u>\$ 160,522</u>    |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 8: LEASE FINANCING – (Continued)**

The future lease payments under lease agreements are as follows:

|       | Governmental Activities |           |            | Business-Type Activities |          |           |
|-------|-------------------------|-----------|------------|--------------------------|----------|-----------|
|       | Principal               | Interest  | Total      | Principal                | Interest | Total     |
| 2024  | \$ 29,111               | \$ 7,244  | \$ 36,355  | \$ 7,431                 | \$ 2,202 | \$ 9,633  |
| 2025  | 30,789                  | 5,565     | 36,354     | 7,921                    | 1,712    | 9,633     |
| 2026  | 27,685                  | 3,791     | 31,476     | 7,895                    | 1,190    | 9,085     |
| 2027  | 19,499                  | 2,219     | 21,718     | 7,321                    | 667      | 7,988     |
| 2028  | 17,687                  | 657       | 18,344     | 5,183                    | 141      | 5,324     |
| Total | \$ 124,771              | \$ 19,476 | \$ 144,247 | \$ 35,751                | \$ 5,912 | \$ 41,663 |

**NOTE 9: LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2023.

| Primary Government                       | 09/30/2022    | Additions    | Retirements  | 09/30/2023    | Due Within One Year |
|--|---------------|--------------|--------------|---------------|---------------------|
| Governmental Activities.:                |               |              |              |               |                     |
| Direct Placement                         |               |              |              |               |                     |
| Certificates of Obligation, Series 2017B | \$ 4,004,000  | \$ -         | \$ 744,000   | \$ 3,260,000  | \$ 71,000           |
| Certificates of Obligation, Series 2023  | -             | 8,385,000    | -            | 8,385,000     | 235,000             |
| Series 2023 unamortized premium          | -             | 447,007      | -            | 447,007       | 49,736              |
| Financed purchases                       | 178,540       | -            | 57,588       | 120,952       | 59,492              |
| Lease Financing Payable                  | 50,667        | 89,667       | 15,563       | 124,771       | 29,111              |
| Net pension liability                    | -             | 673,392      | -            | 673,392       | -                   |
| Total OPEB liability                     | 203,216       | -            | 62,056       | 141,160       | -                   |
| Total Governmental Activities            | 4,436,423     | 9,595,066    | 879,207      | 13,152,282    | 444,339             |
| Business-type Activities:                |               |              |              |               |                     |
| Direct Placement                         |               |              |              |               |                     |
| Certificates of Obligation               | 10,025,000    | -            | 938,000      | 9,087,000     | 294,000             |
| Financed purchases                       | 29,896        | -            | 9,639        | 20,257        | 9,962               |
| Lease Financing Payable                  | 5,698         | 33,415       | 3,362        | 35,751        | 7,431               |
| Net pension liability                    | -             | 201,369      | -            | 201,369       | -                   |
| Total OPEB liability                     | 59,913        | -            | 17,699       | 42,214        | -                   |
| Total Business-type Activities           | 10,120,507    | 234,784      | 968,700      | 9,386,591     | 311,393             |
| Total Long-Term Liabilities              | \$ 14,556,930 | \$ 9,829,850 | \$ 1,847,907 | \$ 22,538,873 | \$ 755,732          |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 9:      LONG-TERM DEBT – (continued)**

At September 30, 2023, governmental activities and business-type activities bonds payable consisted of the following issues:

|   | <u>Primary<br/>Government</u> |
|---|-------------------------------|
| <u>Governmental Activities</u>  |                               |
| \$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B,<br>due in annual installments through September 15, 2057, bearing interest at 2.75%             | \$ 3,260,000                  |
| \$8,385,000 Combination Tax and Revenue Certificates of Obligation, Series 2023,<br>due in annual installments through September 15, 2043, bearing interest at 4.00 - 5.00%       | <u>8,385,000</u>              |
| Total Governmental Activities   | <u><u>\$ 11,645,000</u></u>   |
| <u>Business-Type Activities</u>   |                               |
| \$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012,<br>due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%. | \$ 535,000                    |
| \$840,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2013,<br>due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.   | 615,000                       |
| \$2,380,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2014,<br>due in annual installments through September 15, 2045, bearing interest at 0% - 4.30%  | 1,965,000                     |
| \$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A,<br>due in annual installments through September 15, 2057, bearing interest at 2.75%               | 712,000                       |
| \$2,935,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022A,<br>due in annual installments through March 15, 2053, bearing interest at 0.9%-2.02%     | 2,935,000                     |
| \$2,325,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022B,<br>due in annual installments through March 15, 2053, bearing interest at 0.74%-1.89%    | <u>2,325,000</u>              |
| Total business-type activities  | <u><u>\$ 9,087,000</u></u>    |

Certain Certificates of Obligation Bonds are direct placements and include provisions that in the event the City defaults in the payments or performance of covenants, conditions, or obligations, the bond holders shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City to observe and perform the covenant, condition and obligation prescribed by the bond ordinance.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 9: LONG-TERM DEBT – (continued)**

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2023 are as follows:

| Primary Government              | Certificates of Obligation |              |               |                          |              |               |
|---------------------------------|----------------------------|--------------|---------------|--------------------------|--------------|---------------|
|                                 | Governmental Activities    |              |               | Business-type Activities |              |               |
|                                 | Principal                  | Interest     | Total         | Principal                | Interest     | Total         |
| 2024                            | \$ 306,000                 | \$ 485,617   | \$ 791,617    | \$ 294,000               | 193,033      | \$ 487,033    |
| 2025                            | 338,000                    | 453,761      | 791,761       | 299,000                  | 188,301      | 487,301       |
| 2026                            | 355,000                    | 438,100      | 793,100       | 305,000                  | 183,392      | 488,392       |
| 2027                            | 372,000                    | 421,635      | 793,635       | 310,000                  | 178,206      | 488,206       |
| 2028                            | 389,000                    | 404,588      | 793,588       | 316,000                  | 172,793      | 488,793       |
| 2029-2033                       | 2,240,000                  | 1,731,935    | 3,971,935     | 1,661,000                | 772,547      | 2,433,547     |
| 2034-2038                       | 2,813,000                  | 1,156,826    | 3,969,826     | 1,544,000                | 603,553      | 2,147,553     |
| 2039-2043                       | 3,436,000                  | 527,818      | 3,963,818     | 1,742,000                | 403,593      | 2,145,593     |
| 2044-2048                       | 650,000                    | 148,351      | 798,351       | 1,383,000                | 190,680      | 1,573,680     |
| 2049-2053                       | 746,000                    | 52,382       | 798,382       | 1,168,000                | 69,452       | 1,237,452     |
| 2054-2058                       | -                          | -            | -             | 65,000                   | 1,794        | 66,794        |
| Total debt service requirements | \$ 11,645,000              | \$ 5,821,013 | \$ 17,466,013 | \$ 9,087,000             | \$ 2,957,344 | \$ 12,044,344 |

Tax and revenue bonds are payable from property taxes pledges and surplus revenues of the water and wastewater system. The debt ordinances provide for tax pledges to be budgeted annually to the extent budgeted net operating water and wastewater system revenues fall short of annual retirements of principal and interest. A tax rate of \$.255160 per \$100 of assessed valuation was levied for this purpose during the current year. The debt ordinances also provide for the establishment of sinking funds for the retirement of debt principal and interest. The balances in the interest and sinking funds was \$151,300 for the general debt service at year-end. Management of the City believes that it is in compliance with all significant financial requirements required by debt covenants as of September 30, 2023.

The following is a summary of long-term debt transactions of the Breckenridge Economic Development Corporation for the year ended September 30, 2023.

| Component Unit            | 09/30/2022 | Additions | Retirements | 09/30/2023 | Due Within One Year |
|---------------------------|------------|-----------|-------------|------------|---------------------|
| Governmental Activities.: |            |           |             |            |                     |
| Tax leveraged fund note   | 68,997     | -         | 68,997      | -          | -                   |
| Total Component Unit      | \$ 68,997  | \$ -      | \$ 68,997   | \$ -       | \$ -                |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

**NOTE 11: TAX ABATEMENTS**

The City of Breckenridge is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with a developer and has agreed to provide sales tax grants and rebates. The City will pay to developer an amount equal to 60% of the project sales tax revenue for a period of ten years up to a maximum of \$325,000. The first payment was made in February 2018 and the final payment will be made in February 2027 if the maximum has not been paid at that date. The 380 Agreement was entered into in conjunction with a Performance Agreement between a developer and Breckenridge Economic Development Corporation, the two agreements being contingent upon execution of the other.

Below is a table of tax abatements for the year ended September 30, 2023.

| Type of<br>Business    | Purpose                                  | Tax<br>Abated | Percent<br>Abated | Abated    |      |
|------------------------|--|---------------|-------------------|-----------|------|
|                        |  |               |                   | City      | BEDC |
| Retail shopping center | Purchase, remodel and redevelop property | Sales Tax     | 60% of 1 cent     | \$ 16,287 |      |

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)**

Benefits Provided

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

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

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

|  | Plan Year 2022            |
|--|---------------------------|
| Employee deposit rate  | 5%                        |
| Matching ratio (city to employee)                                  | 1.5 -1                    |
| Years required for vesting   | 5                         |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20                |
| Updated service credit   | 100% Repeating, Transfers |
| Annuity increase (to retirees)                                     | 70% of CPI Repeating      |

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

|  |            |
|--|------------|
| Active Employees   | 56         |
| Inactive employees or beneficiaries currently receiving benefits | 55         |
| Inactive employees entitled to but not yet receiving benefits    | 61         |
|  | <u>172</u> |

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.64% and 8.54% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$217,961, and were more than the required contributions.



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)**

Net Pension Liability

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

*Actuarial Assumptions:*

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

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS of the four-year period December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)**

| Asset Class                      | Target Allocation | Long-Term Expected Rate<br>of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Equity                    | 35.00%            | 7.70%   |
| Core Fixed Income                | 6.00%             | 4.90%   |
| Non-Core Fixed Income            | 20.00%            | 8.70%   |
| Other Public and Private Markets | 12.00%            | 8.10%   |
| Real Estate                      | 12.00%            | 5.80%   |
| Hedge Funds                      | 5.00%             | 6.90%   |
| Private Equity                   | 10.00%            | 11.80%  |
| Total                            | 100.0%            |   |

*Discount Rate*

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

*Changes in the Net Pension Liability*

|   | Increase (Decrease)               |                                       |                                       |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Balance at 12/31/21   | \$ 8,703,773                      | \$ 9,070,872                          | \$ (367,099)                          |
| Changes for the year:   |                                   |                                       |                                       |
| Service cost  | 236,527                           | -                                     | 236,527                               |
| Interest  | 575,798                           | -                                     | 575,798                               |
| Difference between expected and actual experience             | 102,048                           | -                                     | 102,048                               |
| Changes of assumptions  | -                                 | -                                     | -                                     |
| Contributions-employer  | -                                 | 210,001                               | (210,001)                             |
| Contributions-employee  | -                                 | 121,911                               | (121,911)                             |
| Net investment income   | -                                 | (660,505)                             | 660,505                               |
| Benefit payments, including refunds of employee contributions | (583,396)                         | (583,396)                             | -                                     |
| Administrative expense  | -                                 | (5,730)                               | 5,730                                 |
| Other changes   | -                                 | 6,836                                 | (6,836)                               |
| Net changes   | 330,977                           | (910,883)                             | 1,241,860                             |
| Balance at 12/31/22   | \$ 9,034,750                      | \$ 8,159,989                          | \$ 874,761                            |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)**

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

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

|                              | 1% Decrease in<br>Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in<br>Discount Rate (7.75%) |
|------------------------------|---|-----------------------|---|
| City's Net Pension Liability | \$ 1,999,308                            | \$ 874,761            | \$ (52,643)                             |

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$212,231.

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience  | \$ 70,184                         | \$ 7,706                         |
| Differences between projected and actual investment earnings | 556,957                           | -                                |
| Contributions subsequent to the measurement date             | 168,101                           | -                                |
| Total  | <u>\$ 795,242</u>                 | <u>\$ 7,706</u>                  |

\$168,101 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)**

| Year ended December 31: | Net Deferred<br>outflows (inflows)<br>of resources |
|-------------------------|--|
| 2023                    | \$ 41,892  |
| 2024                    | 171,234  |
| 2025                    | 151,752  |
| 2026                    | 254,557  |
| 2027                    | -  |
| Thereafter              | -  |
|                         | <u>\$ 619,435</u>                                  |

**NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. The SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member 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.

**B. Benefits Provided**

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

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 35        |
| Inactive employees entitled to but not yet receiving benefits    | 10        |
| Active employees   | <u>56</u> |
|  | 101       |

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)**

**C. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

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

|  |                                    |
|--|------------------------------------|
| Inflation                                | 2.5% per year                      |
| Overall payroll growth                   | 3.50% to 11.50% including infation |
| Retirees' share of benefit related costs | \$0                                |

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates for disabled retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

*Discount Rate:*

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)**

*Changes in the OPEB Liability*

|  | Total OPEB<br>Liability<br>(a) |
|--|--------------------------------|
| Balances as of December 31, 2021               | \$ 263,129                     |
| Changes for the year:                          |                                |
| Service cost                                   | 11,355                         |
| Interest on total OPEB liability               | 4,884                          |
| Effect of plan changes                         | -                              |
| Effect of economic/demographic gains or losses | 277                            |
| Effect of assumptions changes or inputs        | (89,506)                       |
| Benefit payments                               | (6,765)                        |
| Net changes                                    | (79,755)                       |
| Balances as of December 31, 2022               | \$ 183,374                     |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

|                      | 1% decrease<br>discount rate<br>3.05% | Current<br>Discount Rate<br>4.05% | 1% increase<br>discount rate<br>5.05% |
|----------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| Total OPEB Liability | \$ 217,774                            | \$ 183,374                        | \$ 156,373                            |

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$3,304

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)**

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 222                            | \$ 14,494                        |
| Changes in assumptions                             | 26,418                            | 72,603                           |
| Contributions made subsequent to measurement date  | 5,850                             | -                                |
| Total  | <u>\$ 32,490</u>                  | <u>\$ 87,097</u>                 |

\$5,850 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                              |                    |
|------------------------------|--------------------|
| Plan year ended December 31: |                    |
| 2023                         | \$ (11,112)        |
| 2024                         | (12,219)           |
| 2025                         | (18,360)           |
| 2026                         | (17,707)           |
| 2027                         | (1,059)            |
| Thereafter                   | -                  |
| Total                        | <u>\$ (60,457)</u> |

**NOTE 14: CONTINGENT LIABILITIES**

**A. Federal and State Programs**

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**B. USDA Loan Program**

The Breckenridge Economic Development Corporation (BEDC) has in the past received funds from the USDA for a loan program to allow BEDC to assist new businesses with low interest loans. There are no reporting requirements on the use of the funds; however, the funds are required to be maintained intact with interest earned for the loan program. To the extent, if any, the BEDC has not complied with all the rules and regulations return of fund money may be required.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2023**

**NOTE 15: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective for the fiscal year ended September 30, 2023. The City has entered into subscription-based information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the Agency's water system.
- Various desktop and server software subscriptions
- Accounting and payroll services software
- Work order and code enforcement software
- Police and dispatch
- Emergency notification system

The City has outflows of resources during the fiscal year totaling \$55,930 that are not included in the measurement of a subscription liability. The City's software subscriptions are not commitments longer than twelve months therefore a subscription liability is not calculated.

**NOTE 16: SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 1, 2024, which is the date the financial statements were available to be issued.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT F-1**
**CITY OF BRECKENRIDGE, TEXAS**
**General Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the year ended September 30, 2023**

|  | Budgeted Amounts           |                            | Actual                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
|  | Original                   | Final                      |                            |   |
| Revenues:  |                            |                            |                            |   |
| Taxes:   |                            |                            |                            |   |
| Property taxes   | \$ 1,855,000               | \$ 1,855,000               | \$ 1,921,841               | 66,841  |
| Sales and use tax  | 1,628,500                  | 1,628,500                  | 1,443,302                  | (185,198)   |
| Franchise  | 453,000                    | 453,000                    | 457,358                    | 4,358   |
| Hotel motel taxes  | 75,000                     | 75,000                     | 51,221                     | (23,779)  |
| Charges for service  | 203,800                    | 203,800                    | 196,765                    | (7,035)   |
| Grants and contributions                                     | 12,400                     | 12,400                     | 12,300                     | (100)   |
| Interest income  | 1,500                      | 1,500                      | 3,901                      | 2,401   |
| Other revenue  | 23,500                     | 72,666                     | 81,049                     | 8,383   |
| Total revenues   | <u>4,252,700</u>           | <u>4,301,866</u>           | <u>4,167,737</u>           | <u>(134,129)</u>  |
| Expenditures:  |                            |                            |                            |   |
| Current  |                            |                            |                            |   |
| General government   | 1,251,120                  | 1,244,313                  | 1,231,872                  | 12,441  |
| Public Safety  | 2,192,967                  | 2,267,086                  | 2,003,372                  | 263,714   |
| Public Works   | 665,973                    | 641,973                    | 457,340                    | 184,633   |
| Cemetery   | 75,054                     | 75,054                     | 55,427                     | 19,627  |
| Parks  | 397,698                    | 420,398                    | 322,780                    | 97,618  |
| Community services   | 16,500                     | 17,050                     | 15,668                     | 1,382   |
| Tourism  | 42,000                     | 75,000                     | 84,684                     | (9,684)   |
| Debt service:  |                            |                            |                            |   |
| Principal  | -                          | -                          | 13,253                     | (13,253)  |
| Interest and fiscal charges                                  | -                          | -                          | 1,384                      | (1,384)   |
| Total expenditures   | <u>4,641,312</u>           | <u>4,740,874</u>           | <u>4,185,780</u>           | <u>555,094</u>  |
| Excess (deficiency) of revenue<br>over (under) expenditures) | \$ <u>(388,612)</u>        | \$ <u>(439,008)</u>        | \$ <u>(18,043)</u>         | <u>420,965</u>  |
| Other financing sources (uses):                              |                            |                            |                            |   |
| Insurance recoveries   | -                          | 56,714                     | 56,714                     | -   |
| Transfers in   | 505,000                    | 505,000                    | 505,000                    | -   |
| Transfers out  | <u>(75,000)</u>            | <u>(75,000)</u>            | <u>(75,000)</u>            | <u>-</u>  |
| Net change in fund balances                                  | 41,388                     | 47,706                     | 468,671                    | 420,965   |
| Fund balance, October 1, 2022                                | <u>1,095,404</u>           | <u>1,095,404</u>           | <u>1,095,404</u>           | <u>-</u>  |
| Fund balance, September 30, 2023                             | \$ <u><u>1,136,792</u></u> | \$ <u><u>1,143,110</u></u> | \$ <u><u>1,564,075</u></u> | <u><u>420,965</u></u>                                   |

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF BRECKENRIDGE  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2023

**Total pension liability**

| Plan Year   | 2014                | 2015                | 2016                | 2017                |
|---|---------------------|---------------------|---------------------|---------------------|
| Service Cost  | \$ 180,948          | \$ 202,264          | \$ 210,034          | \$ 208,582          |
| Interest (on the Total Pension Liability)                     | 523,394             | 529,436             | 528,297             | 542,655             |
| Differences between expected and actual experience            | (78,389)            | 9,535               | 7,317               | (186,991)           |
| Change of assumptions   | -                   | 20,408              | -                   | -                   |
| Benefit payments, including refunds of employee contributions | (609,804)           | (490,767)           | (513,801)           | (550,633)           |
| Net Change in Total Pension Liability                         | 16,149              | 270,876             | 231,847             | 13,613              |
| Total Pension Liability-Beginning                             | \$ 7,691,481        | \$ 7,707,630        | \$ 7,978,506        | \$ 8,210,353        |
| <b>Total Pension Liability-Ending (a)</b>                     | <b>\$ 7,707,630</b> | <b>\$ 7,978,506</b> | <b>\$ 8,210,353</b> | <b>\$ 8,223,966</b> |

**Plan Fiduciary Net Position**

|   |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
| Contributions-Employer  | \$ 192,605          | 194,097             | 190,642             | 202,916             |
| Contributions-Employee  | 110,082             | 111,625             | 108,714             | 120,197             |
| Net Investment Income   | 383,868             | 10,008              | 446,397             | 946,773             |
| Benefit payments, including refunds of employee contributions | (609,804)           | (490,767)           | (513,801)           | (550,633)           |
| Administrative Expense  | (4,008)             | (6,097)             | (5,039)             | (4,905)             |
| Other   | (330)               | (302)               | (272)               | (248)               |
| Net Change in Plan Fiduciary Net Position                     | 72,413              | (181,436)           | 226,641             | 714,100             |
| Plan Fiduciary Net Position-Beginning                         | 6,711,368           | 6,783,781           | 6,602,345           | 6,828,986           |
| <b>Plan Fiduciary Net Position-Ending (b)</b>                 | <b>\$ 6,783,781</b> | <b>\$ 6,602,345</b> | <b>\$ 6,828,986</b> | <b>\$ 7,543,086</b> |

|  |                   |                     |                     |                   |
|--|-------------------|---------------------|---------------------|-------------------|
| <b>Net Pension Liability/(Asset) -Ending (a) - (b)</b> | <b>\$ 923,849</b> | <b>\$ 1,376,161</b> | <b>\$ 1,381,367</b> | <b>\$ 680,880</b> |
|--|-------------------|---------------------|---------------------|-------------------|

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 88.01% | 82.75% | 83.18% | 91.72% |
|--|--------|--------|--------|--------|

|                          |              |              |              |              |
|--------------------------|--------------|--------------|--------------|--------------|
| Covered Employee Payroll | \$ 2,201,639 | \$ 2,232,491 | \$ 2,174,270 | \$ 2,152,549 |
|--------------------------|--------------|--------------|--------------|--------------|

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Net Pension Liability as a Percentage of Covered Employee Payroll | 41.96% | 61.64% | 63.53% | 31.63% |
|---|--------|--------|--------|--------|

The accompanying notes to the required supplementary information are an integral part of this schedule.

## EXHIBIT F-2

| 2018         | 2019         | 2020         | 2021         | 2022         |
|--------------|--------------|--------------|--------------|--------------|
| \$ 216,654   | \$ 221,658   | \$ 207,065   | \$ 198,705   | \$ 236,527   |
| 544,367      | 547,074      | 563,096      | 561,614      | 575,798      |
| (211,430)    | (23,452)     | (200,387)    | 5,208        | 102,048      |
| -            | 48,717       | -            | -            | -            |
| (535,182)    | (488,813)    | (609,861)    | (565,226)    | (583,396)    |
| 14,409       | 305,184      | (40,087)     | 200,301      | 330,977      |
| \$ 8,223,966 | \$ 8,238,375 | 8,543,559    | \$ 8,503,472 | \$ 8,703,773 |
| \$ 8,238,375 | \$ 8,543,559 | 8,503,472    | \$ 8,703,773 | \$ 9,034,750 |
| 195,613      | 199,772      | 186,334      | 176,398      | 210,001      |
| 112,140      | 114,375      | 106,734      | 102,320      | 121,911      |
| (225,809)    | 1,094,327    | 606,416      | 1,078,262    | (660,505)    |
| (535,182)    | (488,813)    | (609,861)    | (565,226)    | (583,396)    |
| (4,367)      | (6,189)      | (3,929)      | (4,997)      | (5,730)      |
| (228)        | (187)        | (152)        | 36           | 6,836        |
| (457,833)    | 913,285      | 285,542      | 786,793      | (910,883)    |
| 7,543,086    | 7,085,253    | 7,998,537    | 8,284,079    | 9,070,872    |
| \$ 7,085,253 | \$ 7,998,538 | 8,284,079    | \$ 9,070,872 | \$ 8,159,989 |
| \$ 1,153,122 | \$ 545,021   | \$ 219,393   | \$ (367,099) | \$ 874,761   |
| 86.00%       | 93.62%       | 97.42%       | 104.22%      | 90.32%       |
| \$ 2,242,795 | \$ 2,287,492 | \$ 2,134,687 | \$ 2,046,397 | \$ 2,416,006 |
| 51.41%       | 23.83%       | 10.28%       | -17.94%      | 36.21%       |

The accompanying notes to the required supplementary information are an integral part of this schedule.

**EXHIBIT F-3**

CITY OF BRECKENRIDGE  
Schedule of Contributions  
Last 10 Fiscal Years

| Fiscal Year<br>Ending<br>September 30 | Actuarially<br>Determined<br>Contribution | Actual<br>Employer<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Pensionable<br>Covered<br>Payroll | Contribuion<br>as a % of<br>Covered Payroll |
|---------------------------------------|---|------------------------------------|--|-----------------------------------|---|
| 2014                                  | \$ 174,703                                | \$ 189,895                         | \$ (15,192)                            | \$ 2,112,810                      | 8.99%                                       |
| 2015                                  | 178,086                                   | 193,572                            | (15,486)                               | 2,193,754                         | 8.82%                                       |
| 2016                                  | 180,812                                   | 196,535                            | (15,723)                               | 2,224,633                         | 8.83%                                       |
| 2017                                  | 172,193                                   | 187,357                            | (15,164)                               | 2,174,270                         | 8.62%                                       |
| 2018                                  | 176,428                                   | 194,107                            | (17,679)                               | 2,222,130                         | 8.74%                                       |
| 2019                                  | 173,077                                   | 198,814                            | (25,737)                               | 2,285,528                         | 8.70%                                       |
| 2020                                  | 159,687                                   | 197,208                            | (37,521)                               | 2,260,850                         | 8.72%                                       |
| 2021                                  | 142,074                                   | 176,634                            | (34,560)                               | 2,043,408                         | 8.64%                                       |
| 2022                                  | 153,711                                   | 206,889                            | (53,178)                               | 2,400,092                         | 8.62%                                       |
| 2023                                  | 155,043                                   | 217,960                            | (62,917)                               | 2,545,260                         | 8.56%                                       |

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF BRECKENRIDGE  
Schedule of Changes in Total OPEB Liability and Related Ratios  
September 30, 2023

**Total OPEB liability**

| Plan Year   | 2017              | 2018              | 2019              | 2020              | 2021              | 2022              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Service Cost  | \$ 6,888          | \$ 8,298          | \$ 7,091          | \$ 10,033         | \$ 9,823          | \$ 11,355         |
| Interest (on the Total Pension Liability)                     | 6,417             | 6,520             | 6,933             | 6,120             | 5,230             | 4,884             |
| Changes of benefit terms                                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Differences between expected and actual experience            | -                 | (10,010)          | (11,819)          | (6,035)           | (13,794)          | 277               |
| Change of assumptions or other inputs                         | 14,955            | (12,381)          | 33,783            | 32,024            | 7,546             | (89,506)          |
| Benefit payments, including refunds of employee contributions | (1,507)           | (2,019)           | (1,830)           | (1,708)           | (4,502)           | (6,765)           |
| Net Change in Total Pension Liability                         | 26,753            | (9,592)           | 34,158            | 40,434            | 4,303             | (79,755)          |
| Total Pension Liability-Beginning                             | 167,073           | 193,826           | 184,234           | 218,392           | 258,826           | 263,129           |
| <b>Total Pension Liability-Ending (a)</b>                     | <b>\$ 193,826</b> | <b>\$ 184,234</b> | <b>\$ 218,392</b> | <b>\$ 258,826</b> | <b>\$ 263,129</b> | <b>\$ 183,374</b> |
| Covered Employee Payroll                                      | \$ 2,152,549      | \$ 2,242,795      | \$ 2,287,492      | \$ 2,134,687      | \$ 2,046,397      | \$ 2,416,006      |
| Employee Payroll  | 9.00%             | 8.21%             | 9.55%             | 12.12%            | 12.86%            | 7.59%             |

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF BRECKENRIDGE  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2023

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for all general fund, special revenue, capital projects and proprietary funds. All annual appropriations lapse at fiscal year end.

The City Commission follows these procedures in establishing budgetary data reflected in the financial statements.

- a. The City Commission prior to October 1 formally adopts the City's budget at a duly advertised public meeting and before expenditure of funds for the budget year. The budget is legally enacted by the adoption of an ordinance.
- b. The budget may be amended with the approval of a voting majority of the members of the City Commission. The budget was amended once during the year.
- c. Budgetary control is maintained at the fund level, subject to adjustments permitted as described above.

Excess of Expenditures over Appropriations

Tourism and debt service expenditures exceeded budget in the general fund, however total expenditures were \$555,094 less than budgeted.





**COMBINING FINANCIAL STATEMENTS**  
**NONMAJOR GOVERNMENTAL FUNDS**

CITY OF BRECKENRIDGE, TEXAS  
Nonmajor Funds  
Combining Balance Sheet  
September 30, 2023

|                                     | Special Revenue Funds |                 |                      |                                   |
|-------------------------------------|-----------------------|-----------------|----------------------|-----------------------------------|
|                                     | Fire<br>Department    | Park            | Police<br>Department | Total<br>Special<br>Revenue Funds |
| Assets:                             |                       |                 |                      |                                   |
| Cash                                | \$ 9,392              | \$ 9,612        | \$ 13,614            | \$ 32,618                         |
| Investments                         | -                     | -               | -                    | -                                 |
| Receivables (Net of allowances)     |                       |                 |                      |                                   |
| Other taxes                         | -                     | -               | -                    | -                                 |
| Total assets                        | <u>\$ 9,392</u>       | <u>\$ 9,612</u> | <u>\$ 13,614</u>     | <u>\$ 32,618</u>                  |
| Liabilities and fund balance:       |                       |                 |                      |                                   |
| Liabilities:                        |                       |                 |                      |                                   |
| Accounts payable                    | \$ -                  | \$ -            | \$ -                 | \$ -                              |
| Total liabilities                   | -                     | -               | -                    | -                                 |
| Fund Balances:                      |                       |                 |                      |                                   |
| Restricted fund balance             | \$ 9,392              | \$ 9,612        | \$ 13,614            | \$ 32,618                         |
| Committed fund balance              | -                     | -               | -                    | -                                 |
| Total fund balance                  | <u>9,392</u>          | <u>9,612</u>    | <u>13,614</u>        | <u>32,618</u>                     |
| Total liabilities and fund balances | <u>\$ 9,392</u>       | <u>\$ 9,612</u> | <u>\$ 13,614</u>     | <u>\$ 32,618</u>                  |

**EXHIBIT G-1**

| Capital Project Funds |                         |                              | Permanent Fund    |                      |
|-----------------------|-------------------------|------------------------------|-------------------|----------------------|
| Equipment Replacement | Street Maintenance Fund | Total Capital Projects Funds | Cemetery Fund     | Total Nonmajor Funds |
| \$ 296,283            | \$ 50,447               | \$ 346,730                   | \$ -              | \$ 379,348           |
| -                     | -                       | -                            | 555,924           | 555,924              |
| -                     | 49,615                  | 49,615                       | -                 | 49,615               |
| <u>\$ 296,283</u>     | <u>\$ 100,062</u>       | <u>\$ 396,345</u>            | <u>\$ 555,924</u> | <u>\$ 984,887</u>    |
|                       |                         |                              |                   |                      |
| \$ 19,293             | \$ -                    | \$ 19,293                    | \$ -              | \$ 19,293            |
| 19,293                | -                       | 19,293                       | -                 | 19,293               |
|                       |                         |                              |                   |                      |
| \$ -                  | \$ 100,062              | \$ 100,062                   | \$ 555,924        | \$ 688,604           |
| 276,990               | -                       | 276,990                      | -                 | 276,990              |
| 276,990               | 100,062                 | 377,052                      | 555,924           | 965,594              |
| <u>\$ 296,283</u>     | <u>\$ 100,062</u>       | <u>\$ 396,345</u>            | <u>\$ 555,924</u> | <u>\$ 984,887</u>    |

## CITY OF BRECKENRIDGE, TEXAS

## Nonmajor Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended September 30, 2023

|   | Special Revenue Funds |                 |                      |                                   |
|---|-----------------------|-----------------|----------------------|-----------------------------------|
|   | Fire<br>Department    | Park            | Police<br>Department | Total<br>Special<br>Revenue Funds |
| Revenues:   |                       |                 |                      |                                   |
| Sales and use tax   | \$ -                  | \$ -            | \$ -                 | \$ -                              |
| Grants and contributions                                    | 4,595                 | 365             | 2,500                | 7,460                             |
| Investment earnings   | 30                    | 23              | 34                   | 87                                |
| Other revenue   | -                     | -               | -                    | -                                 |
| Total revenue   | <u>4,625</u>          | <u>388</u>      | <u>2,534</u>         | <u>7,547</u>                      |
| Expenditures:   |                       |                 |                      |                                   |
| Current:  |                       |                 |                      |                                   |
| Public Safety   | 11,753                | -               | -                    | 11,753                            |
| Public Works  | -                     | -               | -                    | -                                 |
| Cemetery  | -                     | -               | -                    | -                                 |
| Capital Outlay  | -                     | -               | -                    | -                                 |
| Debt service:   |                       |                 |                      |                                   |
| Principal   | -                     | -               | -                    | -                                 |
| Interest and fiscal charges                                 | -                     | -               | -                    | -                                 |
| Total expenditures  | <u>11,753</u>         | <u>-</u>        | <u>-</u>             | <u>11,753</u>                     |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>(7,128)</u>        | <u>388</u>      | <u>2,534</u>         | <u>(4,206)</u>                    |
| Other financing sources (uses):                             |                       |                 |                      |                                   |
| Gain on Sale of Assets                                      | -                     | -               | -                    | -                                 |
| Lease Financing   | -                     | -               | -                    | -                                 |
| Transfers in  | -                     | -               | -                    | -                                 |
| Transfers out   | -                     | -               | -                    | -                                 |
| Net change in fund balances                                 | (7,128)               | 388             | 2,534                | (4,206)                           |
| Fund Balance, October 1, 2022                               | <u>16,520</u>         | <u>9,224</u>    | <u>11,080</u>        | <u>36,824</u>                     |
| Fund Balance, September 30, 2023                            | <u>\$ 9,392</u>       | <u>\$ 9,612</u> | <u>\$ 13,614</u>     | <u>\$ 32,618</u>                  |

**EXHIBIT G-2**

| Capital Project Funds |                         |                              | Permanent Fund |                      |
|-----------------------|-------------------------|------------------------------|----------------|----------------------|
| Equipment Replacement | Street Maintenance Fund | Total Capital Projects Funds | Cemetery Fund  | Total Nonmajor Funds |
| \$ -                  | \$ 287,725              | \$ 287,725                   | \$ -           | \$ 287,725           |
| -                     | -                       | -                            | -              | 7,460                |
| 639                   | 2,041                   | 2,680                        | 31,735         | 34,502               |
| -                     | -                       | -                            | 3,152          | 3,152                |
| 639                   | 289,766                 | 290,405                      | 34,887         | 332,839              |
| -                     | -                       | -                            | -              | 11,753               |
| -                     | 55,195                  | 55,195                       | -              | 55,195               |
| -                     | -                       | -                            | 21,924         | 21,924               |
| 117,408               | -                       | 117,408                      | -              | 117,408              |
| -                     | -                       | -                            | -              | -                    |
| 59,899                | -                       | 59,899                       | -              | 59,899               |
| 6,969                 | -                       | 6,969                        | -              | 6,969                |
| 184,276               | 55,195                  | 239,471                      | 21,924         | 273,148              |
| (183,637)             | 234,571                 | 50,934                       | 12,963         | 59,691               |
| 73,226                | -                       | 73,226                       | -              | 73,226               |
| 89,667                | -                       | 89,667                       | -              | 89,667               |
| 147,338               | -                       | 147,338                      | -              | 147,338              |
| (10,640)              | (870,000)               | (880,640)                    | -              | (880,640)            |
| 115,954               | (635,429)               | (519,475)                    | 12,963         | (510,718)            |
| 161,036               | 735,491                 | 896,527                      | 542,961        | 1,476,312            |
| \$ 276,990            | \$ 100,062              | \$ 377,052                   | \$ 555,924     | \$ 965,594           |

**OTHER SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**CITY OF BRECKENRIDGE, TEXAS**

## Schedule of Delinquent Property Taxes Receivable

For the fiscal year ended September 30, 2023

| Last Ten Years<br>Ended Sept 30 | Tax Rate    |              | Assessed<br>Value | Beginning<br>Balance<br>October 1 |
|---------------------------------|-------------|--------------|-------------------|-----------------------------------|
|                                 | Maintenance | Debt Service |                   |                                   |
| 2014 and prior                  | 0.6282      | 0.2618       | 192,875,823       | 36,112                            |
| 2015                            | 0.5652      | 0.2966       | 201,105,727       | 7,137                             |
| 2016                            | 0.6148      | 0.3252       | 196,762,440       | 9,454                             |
| 2017                            | 0.6588      | 0.3812       | 184,686,029       | 13,171                            |
| 2018                            | 0.6846      | 0.3519       | 185,111,143       | 17,836                            |
| 2019                            | 0.7330      | 0.2870       | 186,178,825       | 27,183                            |
| 2020                            | 0.7850      | 0.2850       | 186,070,474       | 36,085                            |
| 2021                            | 0.8384      | 0.2839       | 180,018,850       | 51,065                            |
| 2022                            | 0.7605      | 0.2995       | 200,655,886       | 132,660                           |
| 2023( Year under audit)         | 0.7648      | 0.2552       | 257,613,426       |                                   |
| TOTALS                          |             |              |                   | <u>\$ 330,703</u>                 |

**EXHIBIT G-3**

| Current<br>Year's<br>Total Levy | Maintenance<br>Collections | Debt<br>Service<br>Collections | Entire<br>Year's<br>Adjustments | Ending<br>Balance<br>September 30 |
|---------------------------------|----------------------------|--------------------------------|---------------------------------|-----------------------------------|
|                                 | (1,795)                    | (748)                          | -                               | 33,569                            |
|                                 | (607)                      | (318)                          | -                               | 6,212                             |
|                                 | (1,182)                    | (625)                          | -                               | 7,647                             |
|                                 | (2,527)                    | (1,462)                        | (93)                            | 9,089                             |
|                                 | (2,531)                    | (1,301)                        | (60)                            | 13,944                            |
|                                 | (5,046)                    | (1,976)                        | (59)                            | 20,102                            |
| -                               | (9,307)                    | (3,379)                        | (61)                            | 23,338                            |
| -                               | (14,930)                   | (5,056)                        | (89)                            | 30,990                            |
|                                 | (40,870)                   | (16,096)                       | (660)                           | 75,034                            |
| 2,503,005                       | (1,775,380)                | (592,288)                      | (8,604)                         | 126,733                           |
| <u>\$ 2,503,005</u>             | <u>\$ (1,854,175)</u>      | <u>\$ (623,249)</u>            | <u>\$ (9,626)</u>               | <u>\$ 346,658</u>                 |



# EXHIBIT G-4

City of Breckenridge, Texas  
Statistics - Water and Wastewater Fund  
For the year ended September 30, 2023  
(Unaudited)

|   |             |
|---|-------------|
| Number of water connections at end of year                        | 2,318       |
| Number of wastewater connections at end of year                   | 2,008       |
| Gallons of water billed through the system during the fiscal year | 207,293,242 |

|  | 2023                | 2022                 |
|--|---------------------|----------------------|
| <u>Outstanding Bonds and Certificates:</u>                           |                     |                      |
| Combination Tax and Revenue Certificates of Obligation, Series 2012  | \$ 535,000          | \$ 1,310,000         |
| Combination Tax and Revenue Certificates of Obligation, Series 2013  | 615,000             | 640,000              |
| Combination Tax and Revenue Certificates of Obligation, Series 2014  | 1,965,000           | 2,020,000            |
| Combination Tax and Revenue Certificates of Obligation, Series 2017A | 712,000             | 795,000              |
| Combination Tax and Revenue Certificates of Obligation, Series 2022A | 2,935,000           | 2,935,000            |
| Combination Tax and Revenue Certificates of Obligation, Series 2022B | 2,325,000           | 2,325,000            |
|  | <u>\$ 9,087,000</u> | <u>\$ 10,025,000</u> |

|   |                     |                     |
|---|---------------------|---------------------|
| <u>Water and Wastewater Operating Income Available for Debt Retirement:</u> |                     |                     |
| Net Operating Income  | \$ 1,294,285        | \$ 1,076,524        |
| Net Nonoperating Interest Income  | 299,263             | 19,226              |
| Add Depreciation and Amortization Expense                                   | 812,617             | 745,879             |
|   | <u>\$ 2,406,165</u> | <u>\$ 1,841,629</u> |
| Water and Sewer Operating Income Available for Debt Retirement              |                     |                     |

|  |                       |                       |
|--|-----------------------|-----------------------|
| <u>Annual Debt Service Requirements and Coverage:</u>                |                       |                       |
| Combination Tax and Revenue Certificates of Obligation, Series 2012  | \$ 75,544             | \$ 76,169             |
| Combination Tax and Revenue Certificates of Obligation, Series 2013  | 37,288                | 37,569                |
| Combination Tax and Revenue Certificates of Obligation, Series 2014  | 135,707               | 137,337               |
| Combination Tax and Revenue Certificates of Obligation, Series 2017A | 35,431                | 35,041                |
| Combination Tax and Revenue Certificates of Obligation, Series 2022A | 51,170                | -                     |
| Combination Tax and Revenue Certificates of Obligation, Series 2022B | 36,225                | -                     |
|  | <u>371,365</u>        | <u>286,116</u>        |
| Total Debt Service Requirements                                      |                       |                       |
| Less Paid by Property Taxes  | (371,365)             | (286,116)             |
| Net System Fund Requirements   | <u>\$ -</u>           | <u>\$ -</u>           |
| Coverage of Total System Fund Debt Service                           | <u>not applicable</u> | <u>not applicable</u> |

## Cash Available in Bond Sinking Funds

|                      |                   |                     |
|----------------------|-------------------|---------------------|
| General Debt Service | \$ 151,300        | \$ 1,546,338        |
| Revenue Debt Service | -                 | -                   |
|                      | <u>\$ 151,300</u> | <u>\$ 1,546,338</u> |

**EXHIBIT G-5**
**CITY OF BRECKENRIDGE, TEXAS**

Insurance in Force

September 30, 2023

(Unaudited)

|                                     | Coverage      | Premium   |
|-------------------------------------|---------------|-----------|
| Flood, Fire and Extended Coverage   |               |           |
| Buildings and Contents              | \$ 17,872,187 | \$ 43,561 |
| Errors & Omission Liability         |               |           |
| Each Wrongful Act                   | 1,000,000     | 6,596     |
| Aggregate                           | 2,000,000     |           |
| Commercial General Liability        |               |           |
| Per Occurrence                      | 1,000,000     | 3,514     |
| Aggregate                           | 2,000,000     |           |
| Law Enforcement Personal Liability  |               |           |
| Each Wrongful Act                   | 1,000,000     | 8,035     |
| Annual Aggregate                    | 2,000,000     |           |
| Fidelity Bonds                      |               |           |
| City Secretary                      | 10,000        | 740       |
| Assistant City Secretary            | 10,000        |           |
| Other Public Employees not Excluded | 10,000        |           |
| City Manager                        | 15,000        |           |
| City Vehicles                       |               |           |
| Liability/Uninsured Motorist        | 1,000,000     | 20,996    |
| Combined Single Limit               | 25,000        |           |
| Heavy Equipment                     |               |           |
| Physical Damage                     | 1,053,484     | 4,463     |
| Crime                               |               |           |
| Public Employee Dishonesty          | 5,000         | 235       |
| Theft Disappearance & Destruction   | 5,000         | 100       |
| Cyber Insurance                     |               | 53        |

This statement is prepared from the insurance policies. It is intended as a descriptive summary only and no expression of opinion as to the adequacy of the coverage is given. As the actual coverage per policy varies depending on the nature of the event and other factors, these dollar limitations reflect the approximate upper limitation of losses recoverable under the policies.

## List of Insurance Carriers

| Company                | Insurance Type                           | Expiration |
|------------------------|--|------------|
| Texas Municipal League | Fire - Buildings and Contents            | 10/1/2023  |
| Texas Municipal League | Commercial Auto                          | 10/1/2023  |
| Texas Municipal League | Flood                                    | 10/1/2023  |
| Texas Municipal League | Public Officials Liability               | 10/1/2023  |
| Texas Municipal League | Law Enforcement Liability                | 10/1/2023  |
| CNA Surety Corporation | Fidelity Bond - City Secretary           | 4/25/2024  |
| CNA Surety Corporation | Fidelity Bond - Assistant City Secretary | 1/20/2024  |
| CNA Surety Corporation | City Manager & Other Public Employees    | 1/20/2024  |
| Texas Municipal League | Heavy Equipment                          | 10/1/2023  |

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**

**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***

Members of the City Commission  
City of Breckenridge, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Breckenridge, Texas (the "City") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 1, 2024.

**Report on Internal Control over Financial Reporting**

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

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

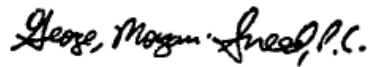
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Weatherford, Texas  
February 1, 2024