

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF BRECKENRIDGE, TEXAS

Annual Financial Report

For the year ended September 30, 2022

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Annual Financial Report

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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, 2022, 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, 2022, 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 - 57 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 statements and schedule of expenditures of federal awards, as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

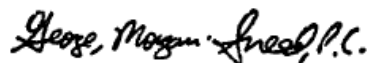
Other Information

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 March 2, 2023 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
March 2, 2023

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, 2022.

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 \$24,154,901 (*net position*) compared to net position of \$21,811,037 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was \$3,586,475 at year end.
- The City's total net position increased by \$2,343,864. The City's operations increased the governmental activities net position by \$701,889 and the business-type activities net position by \$1,641,975.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$4,118,055. This compares to an ending fund balance of \$3,374,121 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,077,816, or 28% of total general fund expenditures. This compares to an unassigned fund balance of \$582,155 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 and debt service 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 \$24,154,901 as of September 30, 2022.

The largest portion of the City's net position (73%) 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 (12%) 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 \$3,586,475 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

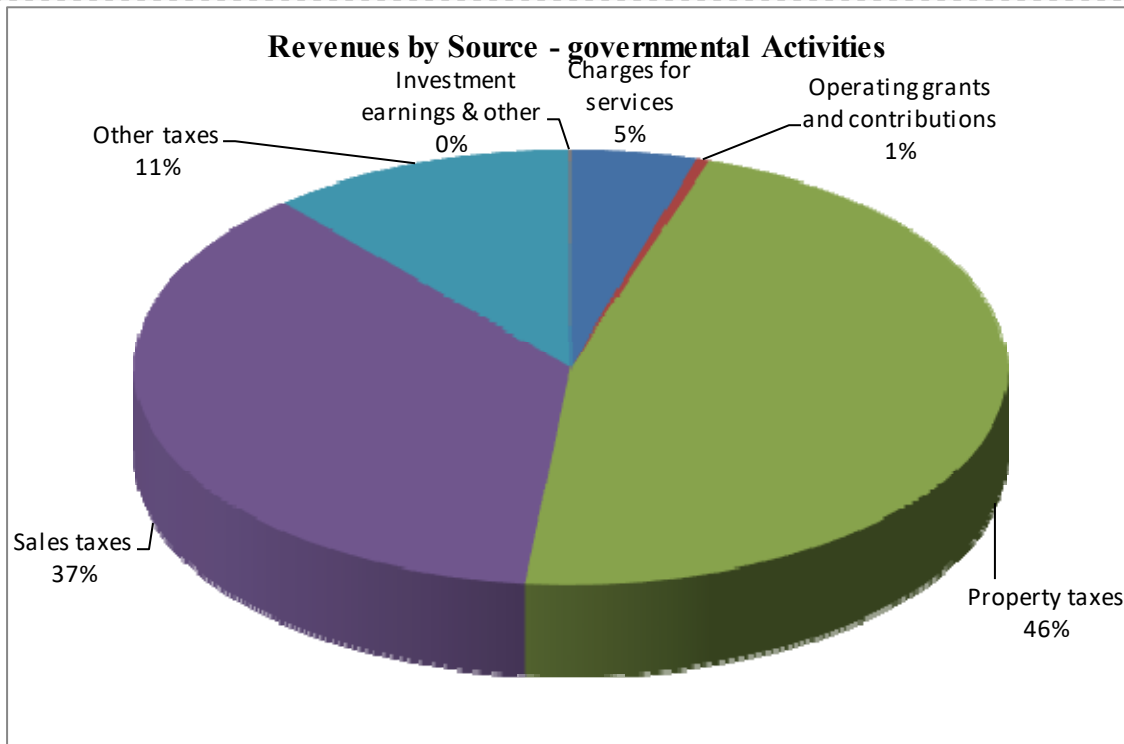
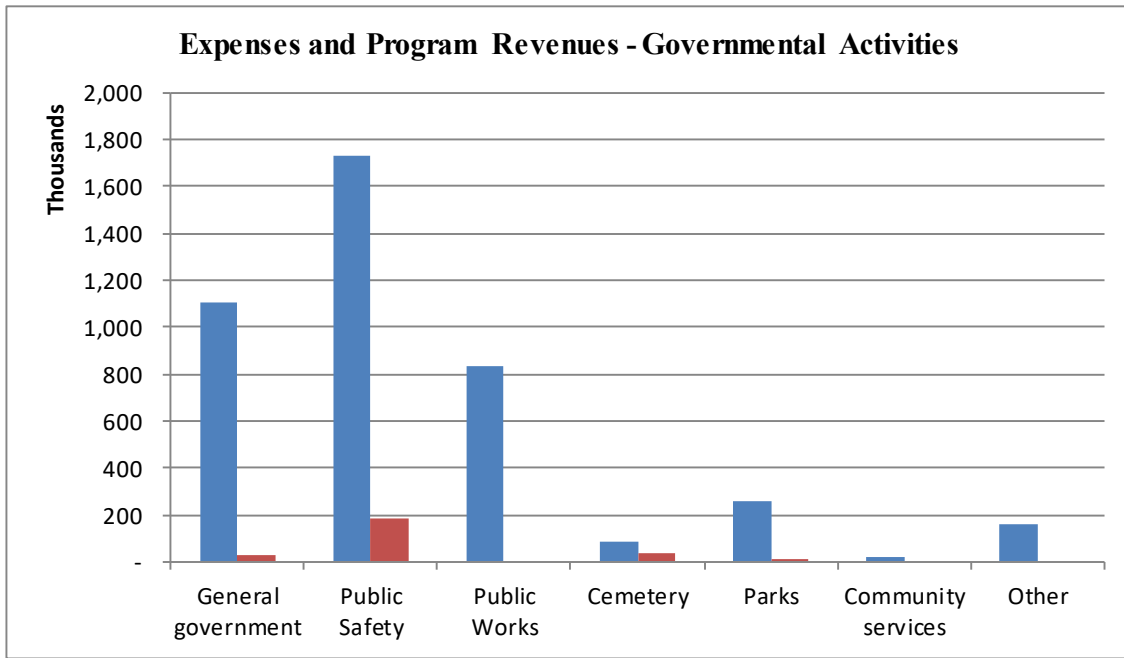
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,829,468	\$ 3,710,503	\$ 10,997,397	\$ 2,344,737	\$ 15,826,865	\$ 6,055,240
Capital assets	7,305,025	7,590,333	19,611,194	19,118,814	26,916,219	26,709,147
Total Assets	<u>12,134,493</u>	<u>11,300,836</u>	<u>30,608,591</u>	<u>21,463,551</u>	<u>42,743,084</u>	<u>32,764,387</u>
Deferred outflows of resources	<u>171,366</u>	<u>158,219</u>	<u>48,587</u>	<u>46,114</u>	<u>219,953</u>	<u>204,333</u>
Current liabilities	189,384	122,148	3,407,030	1,069,193	3,596,414	1,191,341
Long-term liabilities	4,436,451	4,533,834	10,120,507	5,011,076	14,556,958	9,544,910
Total liabilities	<u>4,625,835</u>	<u>4,655,982</u>	<u>13,527,537</u>	<u>6,080,269</u>	<u>18,153,372</u>	<u>10,736,251</u>
Deferred inflows of resources	<u>505,674</u>	<u>330,612</u>	<u>149,090</u>	<u>90,820</u>	<u>654,764</u>	<u>421,432</u>
Net Position:						
Net investment in capital assets	3,071,790	3,431,641	14,578,165	14,210,814	17,649,955	17,642,455
Restricted	2,918,471	2,745,768	-	-	2,918,471	2,745,768
Unrestricted	1,184,089	295,052	2,402,386	1,127,762	3,586,475	1,422,814
Total Net Position	<u>\$ 7,174,350</u>	<u>\$ 6,472,461</u>	<u>\$ 16,980,551</u>	<u>\$ 15,338,576</u>	<u>\$ 24,154,901</u>	<u>\$ 21,811,037</u>

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

Statement of Activities

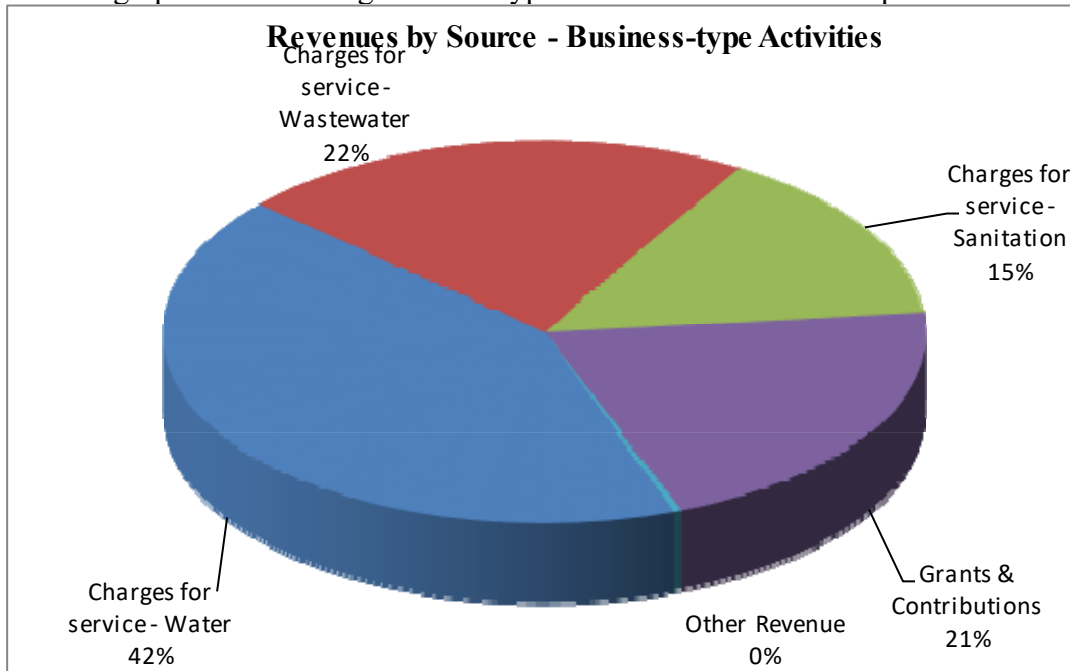
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 219,177	\$ 212,952	\$ 4,469,098	\$ 3,913,764	\$ 4,688,275	\$ 4,126,716
Operating grants and contributions	22,986	232,186	-	-	22,986	232,186
Capital grants and contributions	-	44,000	1,173,392	2,417,659	1,173,392	2,461,659
General revenues:					-	
Property taxes	2,161,734	2,066,948	-	-	2,161,734	2,066,948
Sales and use taxes	1,715,876	1,518,794	-	-	1,715,876	1,518,794
Franchise taxes	458,884	437,867	-	-	458,884	437,867
Hotel motel taxes	72,339	52,318	-	-	72,339	52,318
Investment earnings	(84,020)	58,739	19,462	1,688	(64,558)	60,427
Other Revenue	82,900	51,485	-	-	82,900	51,485
Total revenues	<u>4,649,876</u>	<u>4,675,289</u>	<u>5,661,952</u>	<u>6,333,111</u>	<u>10,311,828</u>	<u>11,008,400</u>
Expenses						
General government	1,104,012	995,531	-	-	1,104,012	995,531
Public Safety	1,734,148	1,786,489	-	-	1,734,148	1,786,489
Public Works	832,734	882,747	-	-	832,734	882,747
Health and sanitation	-	-	828,944	957,951	828,944	957,951
Cemetery	84,947	69,872	-	-	84,947	69,872
Parks	261,541	367,918	-	-	261,541	367,918
Community services	15,569	13,619	-	-	15,569	13,619
Tourism	43,962	46,692	-	-	43,962	46,692
Interest on long-term debt bond costs	118,242	121,645	-	-	118,242	121,645
Water and wastewater	-	-	2,935,739	2,552,908	2,935,739	2,552,908
Trade Days	-	-	8,126	5,026	8,126	5,026
Total expenses	<u>4,195,155</u>	<u>4,284,513</u>	<u>3,772,809</u>	<u>3,515,885</u>	<u>7,967,964</u>	<u>7,800,398</u>
Increase (decrease) in net position						
before transfers	454,721	390,776	1,889,143	2,817,226	2,343,864	3,208,002
Transfers	247,168	291,076	(247,168)	(291,076)	-	-
Increase (decrease) in net position	701,889	681,852	1,641,975	2,526,150	2,343,864	3,208,002
Net Position October 1 - Restated	6,472,461	5,790,609	15,338,576	12,812,426	21,811,037	18,603,035
Net Position September 30	<u>\$ 7,174,350</u>	<u>\$ 6,472,461</u>	<u>\$ 16,980,551</u>	<u>\$ 15,338,576</u>	<u>\$ 24,154,901</u>	<u>\$ 21,811,037</u>

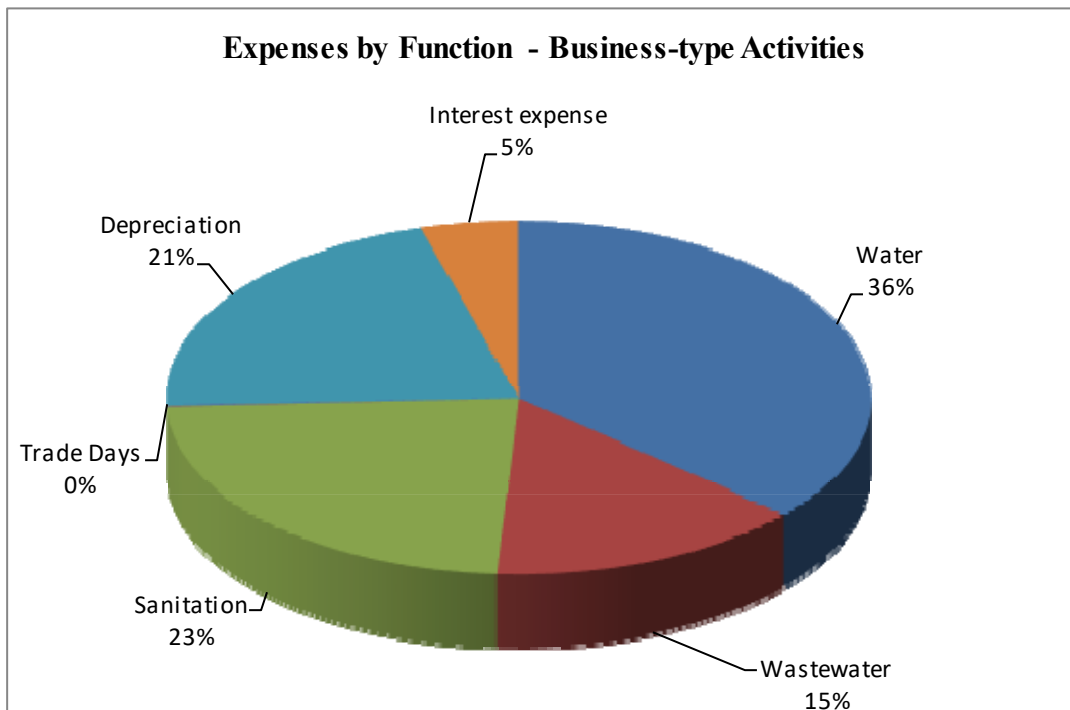
Governmental Activities. Governmental activities increased the City’s net position by \$701,889 in the current year. Total governmental activities revenues decreased \$25,413. Property and sales taxes increased \$94,786 and \$197,082 respectively due to a \$20.6 million increase in property values and more local taxable sales. Grants and contributions decreased \$253,200 primarily due to the City receiving COVID-19 relief funds in the prior year. Total governmental activities expenses decreased \$89,358 (2%). The largest decrease was \$106,377 in parks due to pool repairs in previous year. Below are two graphs summarizing governmental revenue and expense:



Business-type activities. Business-type activities increased the City’s net position by \$1,641,975. The business-type activities total revenues decreased \$671,159 and total expenses increased \$256,924. Charges for service increased \$555,334 primarily because more gallons of water were sold and rate changes. Capital grants and contributions decreased \$1,244,267. Most of the current year grants are for the AMI meter replacement project. The largest increase in expenses are \$221,051 bond issuance costs for new bonds.

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





Financial Analysis of the Government's Funds

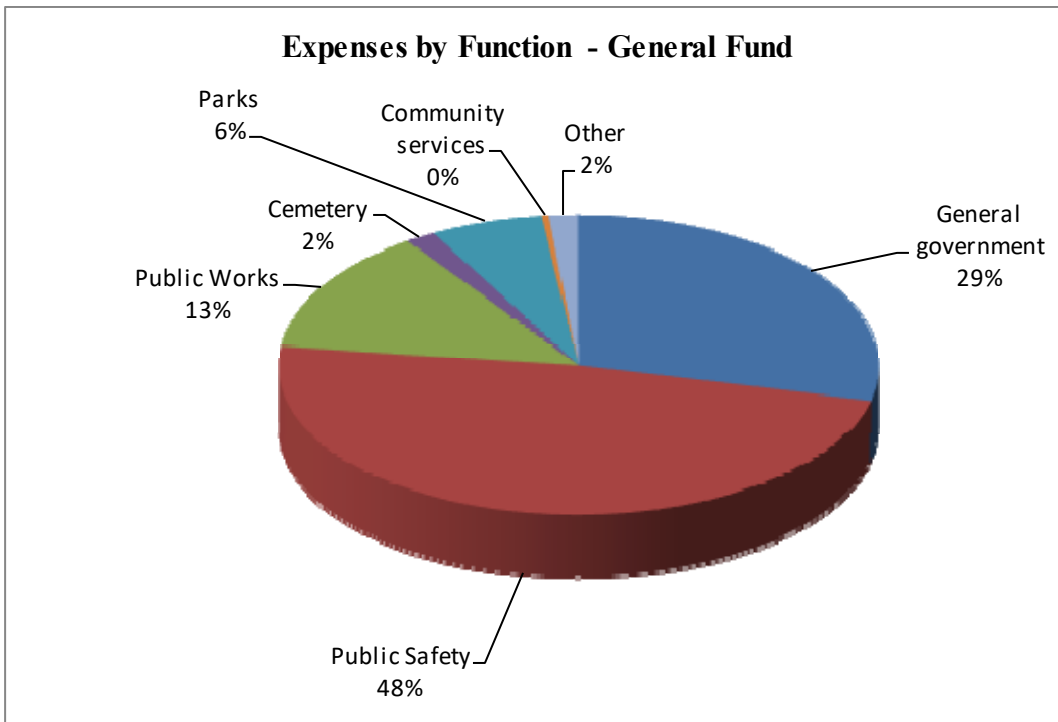
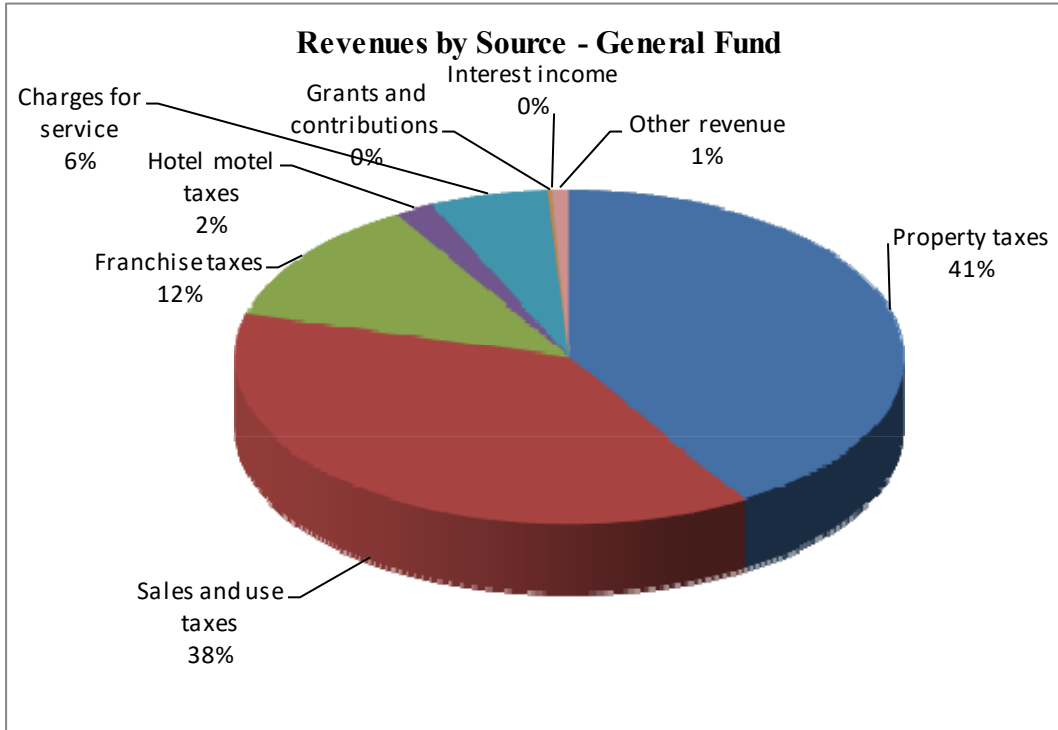
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$4,118,055. \$1,077,816 (26%) 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 \$1,077,817. Below is a comparison of the general fund's net change in fund balance for 2022 and 2021.

	2022	2021	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 1,553,628	\$ 1,568,727	\$ (15,099)	-0.96%
Sales and use tax	1,430,749	1,266,029	164,720	13.01%
Franchise	459,682	431,330	28,352	6.57%
Hotel motel taxes	72,339	52,318	20,021	38.27%
Charges for service	215,040	218,560	(3,520)	-1.61%
Grants and contributions	8,113	209,261	(201,148)	-96.12%
Interest income	2,365	1,596	769	48.18%
Other revenue	28,763	43,274	(14,511)	-33.53%
Total revenues	<u>3,770,679</u>	<u>3,791,095</u>	<u>(20,416)</u>	<u>-0.54%</u>
Expenditures:				
Current				
General government	1,093,393	1,092,655	738	0.07%
Public Safety	1,833,842	1,828,855	4,987	0.27%
Public Works	508,466	570,843	(62,377)	-10.93%
Cemetery	61,339	61,575	(236)	-0.38%
Parks	231,698	334,770	(103,072)	-30.79%
Community services	14,677	15,406	(729)	-4.73%
Tourism	43,962	46,692	(2,730)	-5.85%
Debt service:				
Principal	12,850	-	12,850	100.00%
Interest and fiscal charges	1,787	-	1,787	100.00%
Total expenditures	<u>3,802,014</u>	<u>3,950,796</u>	<u>(148,782)</u>	<u>-3.77%</u>
Other financing sources (uses):				
Insurance recoveries	47,539	-	47,539	100.00%
Transfers in	479,500	545,000	(65,500)	-12.02%
Transfers out	<u>-</u>	<u>(27,710)</u>	<u>27,710</u>	<u>100.00%</u>
Net change in fund balances	<u>\$ 495,704</u>	<u>\$ 357,589</u>	<u>\$ 138,115</u>	<u>\$ 38.62%</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 \$2,402,386. The total change in net position was \$1,641,975. 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 were increased \$21,000. Actual revenues were \$47,979 more than budgeted. Budget amendments increased expenditures \$152,150. Actual expenditures of the general fund were \$401,921 less than budgeted.

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2022, amounts to \$26,916,220 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- \$61,540 for two vehicles for cemetery and parks

Business-type activities:

- \$77,816 for two vehicles for water meters and distribution
- \$1,103,832 for a meter replacement project
- \$56,295 for WWTP improvements and the prison lift station

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 194,785	\$ 194,785	\$ 193,297	\$ 193,297	\$ 388,082	\$ 388,082
Construction in progress	15,250	15,250	1,160,127	-	1,175,377	15,250
Land Improvements	-	-	30,581	31,504	30,581	31,504
Buildings and improvements	532,585	571,263	345,845	373,556	878,430	944,819
Water and sewer systems	-	-	17,624,579	18,305,167	17,624,579	18,305,167
Infrastructure	5,938,710	6,098,351	-	-	5,938,710	6,098,351
Vehicles and equipment	573,789	710,684	251,152	215,290	824,941	925,974
Lease equipment	49,906	-	5,614	-	55,520	-
Total	\$ 7,305,025	\$ 7,590,333	\$ 19,611,195	\$ 19,118,814	\$ 26,916,220	\$ 26,709,147

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	
	2022	2021	2022	2021	2022	2021
Financed Purchases	\$ 178,568	\$ 87,692	\$ 29,896	\$ -	\$ 208,464	\$ 87,692
Lease Financing Payable	50,667	-	5,698	-	56,365	-
Certificates of Obligation	4,004,000	4,071,000	10,025,000	4,908,000	14,029,000	8,979,000
Total	\$ 4,233,235	\$ 4,158,692	\$ 10,060,594	\$ 4,908,000	\$ 14,293,829	\$ 9,066,692

During 2022 the City issued \$5,260,000 in Combination Tax and Surplus Revenue Certificates of Obligation for water and wastewater system improvements.

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 2023 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 due to the ongoing Covid-19 pandemic. 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 2023 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 2023. The budgeted revenues for fiscal year 2023 total \$4,757,700 for the General Fund, which is a \$556,000 or 13.23% 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 decreased by 0.04 cents to \$1.02 per hundred dollars of assessed value for 2022. Certified taxable property value is \$257,613,426. This is a 22.47% increase over the last year's values, or \$47.3 million. With the decreased tax rate and the increased taxable value, the fiscal year 2023 budget will raise more revenue from property taxes than last year's budget by \$342,654, an increase of 18.81%.

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

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
September 30, 2022

	Primary Government			Component Unit
	Governmental	Business-type	Total	Breckenridge
	Activities	Activities		Economic Development
ASSETS:				
Cash and cash equivalents	\$ 3,394,625	\$ 1,689,481	\$ 5,084,106	\$ 1,039,572
Investments	542,961	-	542,961	
Receivables (Net of allowances for uncollectibles)				
Property taxes	165,353	-	165,353	-
Other taxes	415,311	-	415,311	102,817
Accounts	9,015	460,177	469,192	-
Miscellaneous	18,694	-	18,694	206,980
Supplies inventory	-	203,348	203,348	-
Restricted assets:				
Cash and cash equivalents	-	8,560,801	8,560,801	-
Notes receivable	-	-	-	300,243
Net Pension Asset	283,509	83,590	367,099	
Capital assets (net of accumulated depreciation):				
Non-depreciable assets	210,035	1,353,424	1,563,459	56,546
Depreciable assets	7,094,990	18,257,770	25,352,760	196,708
Land held for economic development, at cost				2,302,223
Total Assets	12,134,493	30,608,591	42,743,084	4,205,089
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow related to TMRS pension	135,261	37,941	173,202	-
Deferred outflow related to TMRS OPEB	36,105	10,646	46,751	-
Total Deferred Outflows of Resources	171,366	48,587	219,953	-
LIABILITIES:				
Accounts Payable	151,952	407,562	559,514	57,131
Accrued Payroll	25,244	6,702	31,946	-
Due to other governments	4,345	-	4,345	-
Unearned Revenue	-	2,713,236	2,713,236	
Current Liabilities Payable from Restricted Assets:				
Interest payable	7,843	21,567	29,410	-
Customer deposits	-	257,963	257,963	-
Noncurrent liabilities:				
Due within one year	130,202	155,129	285,331	35,463
Due in more than one year	4,306,249	9,965,378	14,271,627	33,534
Total Liabilities	4,625,835	13,527,537	18,153,372	126,128
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflow related to TMRS pension	485,919	143,265	629,184	
Deferred inflow related to TMRS OPEB	19,755	5,825	25,580	
Deferred inflows - leases	-	-	-	206,980
Total Deferred Inflows of Resources	505,674	149,090	654,764	206,980
NET POSITION:				
Net Investments in Capital Assets	3,071,790	14,578,165	17,649,955	253,254
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	474,093
Debt service	1,585,607	-	1,585,607	-
Property tax reduction	17,588	-	17,588	-
Public safety	27,600	-	27,600	-
Public works	735,491	-	735,491	-
Cemetery	542,961	-	542,961	-
Parks	9,224	-	9,224	-
Unrestricted Net Position	1,184,089	2,402,386	3,586,475	3,144,634
Total Net Position	\$ 7,174,350	\$ 16,980,551	\$ 24,154,901	\$ 3,871,981

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 1,104,012	\$ 25,412	\$ -	\$ -
Public Safety	1,734,148	166,603	16,429	-
Public Works	832,734	-	-	-
Cemetery	84,947	25,762	6,234	-
Parks	261,541	1,400	323	-
Community services	15,569	-	-	-
Tourism	43,962	-	-	-
Interest on long-term debt	118,242	-	-	-
Total governmental activities	<u>4,195,155</u>	<u>219,177</u>	<u>22,986</u>	<u>-</u>
Business-type activities:				
Water and wastewater	2,935,739	3,632,532	-	1,173,392
Sanitation	828,944	836,536	-	-
Trade Days	8,126	30	-	-
Total business-type activities	<u>3,772,809</u>	<u>4,469,098</u>	<u>-</u>	<u>1,173,392</u>
Total primary government	\$ <u>7,967,964</u>	\$ <u>4,688,275</u>	\$ <u>22,986</u>	\$ <u>1,173,392</u>
Component Unit				
Governmental activities:				
General administration	\$ 174,246	\$ -	\$ -	\$ -
Economic development	607,201	-	-	-
Community development	16,471	-	-	-
Interest on long-term debt	3,031	-	-	-
Total component unit	\$ <u>800,949</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, 2021

Net Position September 30, 2022

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 Activities	Business-type Activities	Total	Breckenridge Economic Development
\$ (1,078,600)	\$ -	\$ (1,078,600)	\$ -
(1,551,116)	-	(1,551,116)	-
(832,734)	-	(832,734)	-
(52,951)	-	(52,951)	-
(259,818)	-	(259,818)	-
(15,569)	-	(15,569)	-
(43,962)	-	(43,962)	-
(118,242)	-	(118,242)	-
<u>(3,952,992)</u>	<u>-</u>	<u>(3,952,992)</u>	<u>-</u>
-	1,870,185	1,870,185	-
-	7,592	7,592	-
-	(8,096)	(8,096)	-
<u>-</u>	<u>1,869,681</u>	<u>1,869,681</u>	<u>-</u>
<u>\$ (3,952,992)</u>	<u>\$ 1,869,681</u>	<u>\$ (2,083,311)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (174,246)
-	-	-	(607,201)
-	-	-	(16,471)
-	-	-	(3,031)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (800,949)</u>
\$ 1,569,646	\$ -	\$ 1,569,646	\$ -
592,088	-	592,088	-
1,715,876	-	1,715,876	570,254
458,884	-	458,884	-
72,339	-	72,339	-
(84,020)	19,462	(64,558)	33,290
82,900	-	82,900	70,359
247,168	(247,168)	-	-
<u>4,654,881</u>	<u>(227,706)</u>	<u>4,427,175</u>	<u>673,903</u>
701,889	1,641,975	2,343,864	(127,046)
6,472,461	15,338,576	21,811,037	3,999,027
<u>\$ 7,174,350</u>	<u>\$ 16,980,551</u>	<u>\$ 24,154,901</u>	<u>\$ 3,871,981</u>

CITY OF BRECKENRIDGE, TEXAS
 Balance Sheet
 Governmental Funds
 September 30, 2022

	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Assets:				
Cash and cash equivalents	\$ 921,799	\$ 1,546,338	\$ 926,488	\$ 3,394,625
Investments	-	-	542,961	542,961
Receivables (Net of allowances)				
Property taxes	118,241	47,112	-	165,353
Other taxes	363,902	-	51,409	415,311
Accounts	9,015	-	-	9,015
Miscellaneous	18,694	-	-	18,694
	<u>1,431,651</u>	<u>1,593,450</u>	<u>1,520,858</u>	<u>4,545,959</u>
Total assets	\$ <u>1,431,651</u>	\$ <u>1,593,450</u>	\$ <u>1,520,858</u>	\$ <u>4,545,959</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 107,406	\$ -	\$ 44,546	\$ 151,952
Accrued payroll	25,244	-	-	25,244
Due to other governments	4,345	-	-	4,345
	<u>136,995</u>	<u>-</u>	<u>44,546</u>	<u>181,541</u>
Total liabilities	<u>136,995</u>	<u>-</u>	<u>44,546</u>	<u>181,541</u>
Deferred inflows of resources:				
Deferred property tax	118,240	47,111	-	165,351
Other deferred revenue	81,012	-	-	81,012
	<u>199,252</u>	<u>47,111</u>	<u>-</u>	<u>246,363</u>
Total deferred inflows of resources	<u>199,252</u>	<u>47,111</u>	<u>-</u>	<u>246,363</u>
Fund Balances:				
Restricted fund balance	17,588	1,546,339	1,315,276	2,879,203
Committed fund balance	-	-	161,036	161,036
Unassigned Fund Balance	1,077,816	-	-	1,077,816
	<u>1,095,404</u>	<u>1,546,339</u>	<u>1,476,312</u>	<u>4,118,055</u>
Total fund balances	<u>1,095,404</u>	<u>1,546,339</u>	<u>1,476,312</u>	<u>4,118,055</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>1,431,651</u>	\$ <u>1,593,450</u>	\$ <u>1,520,858</u>	\$ <u>4,545,959</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, 2022

Total Fund Balances - Governmental Funds	4,118,055
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 \$12,435,284 and the accumulated depreciation was \$5,130,259.	7,305,025
Long-term liabilities, including \$178,568 financed purchases, \$50,667 lease financing payable and \$4,004,000 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.	(4,233,235)
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.	(7,843)
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.	246,363
Included in the items related to noncurrent liabilities is the recognition of the City's net pension asset required by GASB 68 in the amount of \$283,509 , a Deferred Resource Inflow related to pensions in the amount of \$485,919, and a Deferred Resource Outflow related to pensions in the amount of \$135,261. This results in a decrease in Net Position.	(67,149)
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 \$203,216, Deferred Resource Inflow related to OPEB in the amount of \$19,755, and a Deferred Resource Outflow related to OPEB in the amount of \$36,105. This results in a decrease in Net Position.	(186,866)
Net Position of Governmental Activities	<u><u>7,174,350</u></u>

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

EXHIBIT C-3

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2022

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,553,628	\$ 585,474	\$ -	\$ 2,139,102
Sales and use tax	1,430,749	-	285,127	1,715,876
Franchise	459,682	-	-	459,682
Hotel motel taxes	72,339	-	-	72,339
Charges for service	215,040	-	-	215,040
Grants and contributions	8,113	-	14,873	22,986
Investment earnings	2,365	4,060	(90,445)	(84,020)
Other revenue	28,763	-	6,598	35,361
Total revenues	3,770,679	589,534	216,153	4,576,366
Expenditures:				
Current				
General government	1,093,393	-	-	1,093,393
Public Safety	1,833,842	-	4,795	1,838,637
Public Works	508,466	-	145,511	653,977
Cemetery	61,339	-	22,264	83,603
Parks	231,698	-	-	231,698
Community services	14,677	-	-	14,677
Tourism	43,962	-	-	43,962
Capital Outlay	-	-	61,660	61,660
Debt service:				
Principal	12,850	67,000	20,879	100,729
Interest and fiscal charges	1,787	111,931	2,840	116,558
Total expenditures	3,802,014	178,931	257,949	4,238,894
Excess (deficiency) of revenue over (under) expenditures)	\$ (31,335)	\$ 410,603	\$ (41,796)	\$ 337,472
Other financing sources (uses):				
Financed purchases	-	-	111,755	111,755
Insurance recoveries	47,539	-	-	47,539
Transfers in	479,500	-	89,896	569,396
Transfers out	-	(286,117)	(36,111)	(322,228)
Net change in fund balances	495,704	124,486	123,744	743,934
Fund balance, October 1, 2021	599,700	1,421,853	1,352,568	3,374,121
Fund balance, September 30, 2022	\$ 1,095,404	\$ 1,546,339	\$ 1,476,312	\$ 4,118,055

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, 2022

Total Net Change in Fund Balances - Governmental Funds	743,934
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 \$61,540 of capital outlays and \$100,729 of debt principal payments is to increase net position.	162,269
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.	(410,366)
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.	(111,755)
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.	(1,684)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25,971
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.	299,819
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.	(6,299)
Change in Net Position of Governmental Activities	<u><u>701,889</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, 2022

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 982,319	\$ 623,033	\$ 44,929	\$ 39,200	\$ 1,689,481
Receivables (Net of allowances):					
Accounts	269,947	151,469	38,761	-	460,177
Supplies inventory	203,348	-	-	-	203,348
Restricted Assets:					
Cash and cash equivalents	<u>4,342,256</u>	<u>4,218,545</u>	<u>-</u>	<u>-</u>	<u>8,560,801</u>
Total current assets	<u>5,797,870</u>	<u>4,993,047</u>	<u>83,690</u>	<u>39,200</u>	<u>10,913,807</u>
Noncurrent Assets:					
Net pension asset	59,250	24,340	-	-	83,590
Capital assets, at cost:					
Land and land improvements	165,068	22,289	39,000	18,382	244,739
Construction in progress	1,103,832	56,295	-	-	1,160,127
Buildings and improvements	993,146	108,363	-	209,321	1,310,830
Water system	18,918,311	-	-	-	18,918,311
Wastewater system	-	9,778,755	-	-	9,778,755
Vehicles and equipment	503,142	491,093	78,107	-	1,072,342
Leased equipment	3,572	3,572	-	-	7,144
Less: accumulated depreciation and amortization	<u>(8,714,925)</u>	<u>(4,055,087)</u>	<u>(73,907)</u>	<u>(37,135)</u>	<u>(12,881,054)</u>
Capital assets, net	<u>12,972,146</u>	<u>6,405,280</u>	<u>43,200</u>	<u>190,568</u>	<u>19,611,194</u>
Total noncurrent assets	<u>13,031,396</u>	<u>6,429,620</u>	<u>43,200</u>	<u>190,568</u>	<u>19,694,784</u>
Total assets	<u>18,829,266</u>	<u>11,422,667</u>	<u>126,890</u>	<u>229,768</u>	<u>30,608,591</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS pension	27,956	9,985	-	-	37,941
Deferred outflow related to TMRS OPEB	<u>7,546</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>10,646</u>
Total Deferred Outflows of Resources	<u>35,502</u>	<u>13,085</u>	<u>-</u>	<u>-</u>	<u>48,587</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	301,248	64,362	41,952	-	407,562
Accrued payroll	4,529	1,864	309	-	6,702
Unearned revenues	1,506,626	1,206,610	-	-	2,713,236
Current portion of long-term debt	122,524	32,605	-	-	155,129
Interest payable	11,432	10,135	-	-	21,567
Current Liabilities Payable from Restricted Assets:					
Customer deposits payable	257,963	-	-	-	257,963
Total current liabilities	<u>2,204,322</u>	<u>1,315,576</u>	<u>42,261</u>	<u>-</u>	<u>3,562,159</u>
Noncurrent Liabilities:					
Long-term portion of bonds payable	5,948,310	3,932,690	-	-	9,881,000
Long-term portion of financed purchases payable	20,257	-	-	-	20,257
Long-term portion of lease financing payable	2,104	2,104	-	-	4,208
Total OPEB liability	<u>42,468</u>	<u>17,445</u>	<u>-</u>	<u>-</u>	<u>59,913</u>
Total noncurrent liabilities	<u>6,013,139</u>	<u>3,952,239</u>	<u>-</u>	<u>-</u>	<u>9,965,378</u>
Total liabilities	<u>8,217,461</u>	<u>5,267,815</u>	<u>42,261</u>	<u>-</u>	<u>13,527,537</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow related to TMRS	101,550	41,715	-	-	143,265
Deferred inflow related to OPEB	<u>4,129</u>	<u>1,696</u>	<u>-</u>	<u>-</u>	<u>5,825</u>
Total Deferred Inflows of Resources	<u>105,679</u>	<u>43,411</u>	<u>-</u>	<u>-</u>	<u>149,090</u>
NET POSITION:					
Net Investment in Capital Assets	9,102,850	5,241,547	43,200	190,568	14,578,165
Unrestricted	<u>1,438,778</u>	<u>882,979</u>	<u>41,429</u>	<u>39,200</u>	<u>2,402,386</u>
Total net position	<u>\$ 10,541,628</u>	<u>\$ 6,124,526</u>	<u>\$ 84,629</u>	<u>\$ 229,768</u>	<u>\$ 16,980,551</u>

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, 2022

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Operating revenues:					
Charges for sales and services	\$ 2,322,804	\$ 1,239,596	\$ 836,136	\$ 30	\$ 4,398,566
Miscellaneous	63,825	6,307	400	-	70,532
Total operating revenue	<u>2,386,629</u>	<u>1,245,903</u>	<u>836,536</u>	<u>30</u>	<u>4,469,098</u>
Operating expenses:					
Water and sewer commercial	122,029	744	-	3,100	125,873
Water meters and readers	140,565	-	-	-	140,565
Lake Daniel	1,977	-	-	-	1,977
Water production	758,120	-	-	-	758,120
Water distribution	220,772	-	-	-	220,772
Sewer collection	-	211,001	-	-	211,001
Sewer treatment	-	306,171	-	-	306,171
Solid waste	-	-	827,144	-	827,144
Depreciation and amortization	515,657	230,222	1,800	5,026	752,705
Grant administration	48,750	-	-	-	48,750
Total operating expenses	<u>1,807,870</u>	<u>748,138</u>	<u>828,944</u>	<u>8,126</u>	<u>3,393,078</u>
Operating income (loss)	<u>578,759</u>	<u>497,765</u>	<u>7,592</u>	<u>(8,096)</u>	<u>1,076,020</u>
Nonoperating revenues (expenses):					
Interest revenue	10,772	8,454	137	99	19,462
Bond issuance costs	(105,254)	(115,797)	-	-	(221,051)
Interest expense and fiscal charges	<u>(126,087)</u>	<u>(32,593)</u>	<u>-</u>	<u>-</u>	<u>(158,680)</u>
Total nonoperating revenues (expenses)	<u>(220,569)</u>	<u>(139,936)</u>	<u>137</u>	<u>99</u>	<u>(360,269)</u>
Income (loss) before contributions and transfers	<u>358,190</u>	<u>357,829</u>	<u>7,729</u>	<u>(7,997)</u>	<u>715,751</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	1,152,582	20,810	-	-	1,173,392
Transfers in	267,489	54,739	-	-	322,228
Transfers out	<u>(429,896)</u>	<u>(125,000)</u>	<u>(14,500)</u>	<u>-</u>	<u>(569,396)</u>
Change in Net Position	1,348,365	308,378	(6,771)	(7,997)	1,641,975
Net Position, October 1, 2021	<u>9,193,263</u>	<u>5,816,148</u>	<u>91,400</u>	<u>237,765</u>	<u>15,338,576</u>
Net Position, September 30, 2022	<u>\$ 10,541,628</u>	<u>\$ 6,124,526</u>	<u>\$ 84,629</u>	<u>\$ 229,768</u>	<u>\$ 16,980,551</u>

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

CITY OF BRECKENRIDGE, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 2,349,709	\$ 1,208,324	\$ 862,873	\$ 30	\$ 4,420,936
Cash paid to suppliers	(788,061)	(354,628)	(846,412)	(3,099)	(1,992,200)
Cash paid to employees	(366,330)	(136,734)	(19,299)	-	(522,363)
Net cash provided (used) by operating activities	<u>1,195,318</u>	<u>716,962</u>	<u>(2,838)</u>	<u>(3,069)</u>	<u>1,906,373</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	25,856	-	-	-	25,856
Transfers in	267,489	54,739	-	-	322,228
Transfers out	(429,896)	(125,000)	(14,500)	-	(569,396)
Net cash provided (used) by noncapital financing activities	<u>(136,551)</u>	<u>(70,261)</u>	<u>(14,500)</u>	<u>-</u>	<u>(221,312)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(1,181,648)	(56,295)	-	-	(1,237,943)
Grants received	2,157,206	1,418,569	-	-	3,575,775
Proceeds from loans	29,896	-	-	-	29,896
Proceeds from issuance of bonds	2,325,000	2,935,000	-	-	5,260,000
Principal payments on long-term debt	(112,353)	(32,093)	-	-	(144,446)
Interest paid on bonds	(119,847)	(23,466)	-	-	(143,313)
Debt issuance costs	(105,254)	(115,797)	-	-	(221,051)
Net cash (used) by capital and related financing activities	<u>2,993,000</u>	<u>4,125,918</u>	<u>-</u>	<u>-</u>	<u>7,118,918</u>
Cash flow from investing activities:					
Interest received	10,772	8,454	137	99	19,462
Net cash provided by investing activities	<u>10,772</u>	<u>8,454</u>	<u>137</u>	<u>99</u>	<u>19,462</u>
Net increase (decrease) in cash and cash equivalents	4,062,539	4,781,073	(17,201)	(2,970)	8,823,441
Cash and cash equivalents, October 1, 2021	<u>1,262,036</u>	<u>60,505</u>	<u>62,130</u>	<u>42,170</u>	<u>1,426,841</u>
Cash and cash equivalents, September 30, 2022	<u>\$ 5,324,575</u>	<u>\$ 4,841,578</u>	<u>\$ 44,929</u>	<u>\$ 39,200</u>	<u>\$ 10,250,282</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 578,759	\$ 497,765	\$ 7,592	\$ (8,096)	\$ 1,076,020
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	515,657	230,222	1,800	5,026	752,705
(Increase) decrease in accounts receivable	(54,433)	(37,579)	26,337	-	(65,675)
(Increase) decrease in supplies inventory	(66,835)	-	-	-	(66,835)
Increase (decrease) in accounts payable	263,430	37,512	(38,711)	-	262,231
Increase (decrease) in accrued payroll	980	245	144	-	1,369
Increase (decrease) in customer meter deposits	17,513	-	-	-	17,513
Increase (decrease) in net pension balances	(61,272)	(15,152)	-	-	(76,424)
Increase (decrease) in total OPEB balances	1,519	3,949	-	-	5,468
Total adjustments	<u>616,559</u>	<u>219,197</u>	<u>(10,430)</u>	<u>5,026</u>	<u>830,352</u>
Net cash provided by operating activities	<u>\$ 1,195,318</u>	<u>\$ 716,962</u>	<u>\$ (2,838)</u>	<u>\$ (3,070)</u>	<u>\$ 1,906,372</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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, 2022

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 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, 2022

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 \$118,240 and the general debt service fund of \$47,111 is equal to 50% of outstanding delinquent property taxes at September 30, 2022. The court fines and fees receivable is reported net of an allowance of \$18,267 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$59,067 which is the accounts aged over 60 days. The Breckenridge Economic Development Corporation notes receivable are reported net of an allowance of \$33,622 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, 2022

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, 2022

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, the assigned, and finally unassigned as needed.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Debt service	\$ -	\$ 1,546,339	\$ -	\$ 1,546,339
Property tax reduction	17,588	-	-	17,588
Public Safety	-	-	27,600	27,600
Public Works	-	-	735,491	735,491
Cemetery	-	-	542,961	542,961
Parks	-	-	9,224	9,224
Committed:				
Equipment replacement	-	-	161,036	161,036
Unassigned	1,077,816	-	-	1,077,816
	<u>\$1,095,404</u>	<u>\$ 1,546,339</u>	<u>\$ 1,476,312</u>	<u>\$ 4,118,055</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, 2022

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, 2022, the City’s deposits were fully collateralized and insured however \$147,377 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	12,812	12,812	2.36%	12,812	-	-	-
Equity Mutual Funds	N/A	128,718	125,732	23.16%	125,732	-	-	-
Bond Mutual Funds	N/A	194,569	164,054	30.21%	164,054	-	-	-
Corporate Bonds	Aaa - Baa2	131,661	116,205	21.40%	5,925	69,273	29,503	11,504
U.S. Treasuries	N/A	61,679	50,299	9.26%	-	16,432	6,889	26,978
U.S. Government Agencies	N/A	82,510	73,859	13.60%	-	3,258	11,985	58,616
		<u>\$ 611,949</u>	<u>\$ 542,961</u>		<u>\$ 308,523</u>	<u>\$ 88,963</u>	<u>\$ 48,377</u>	<u>\$ 97,098</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, 2022, 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, 2022

NOTE 3: RESTRICTED ASSETS

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

	Cash
Business-type Activities	
Customer water deposits	\$ 257,963
Construction - water fund	4,084,293
Construction - wastewater fund	4,218,545
	\$ 8,560,801

\$12,935,265 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.

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 position or fund balance 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 position or fund balance 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:

Deferred inflows of resources - governmental funds	
Deferred property taxes receivable (general fund)	\$ 118,240
Deferred property taxes receivable (general debt service fund)	47,111
Deferred franchise taxes receivable (general fund)	62,745
Deferred court fines (general fund)	18,267
Total deferred inflows for governmental funds	\$ 246,363

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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, 2022, is as follows:

Transfer In	Transfer Out	Amount
General Fund	Water Fund	\$ 400,000
General Fund	Wastewater Fund	75,000
General Fund	Other governmental funds	4,500
Other governmental funds	Water Fund	29,896
Other governmental funds	Sanitation Fund	10,000
Other governmental funds	Wastewater Fund	50,000
Total Governmental Funds Transfers In		\$ 569,396
Water Fund	General Debt Service Fund	\$ 267,488
Wastewater Fund	General Debt Service Fund	54,740
Total Enterprise Funds Transfers In		\$ 322,228

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 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, 2022

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

Governmental activities:	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Non - Depreciable Assets:					
Land	\$ 194,785	\$ -	\$ -	\$ -	\$ 194,785
Construction in Progress	15,250	-	-	-	15,250
Total non-depreciable assets	<u>210,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,035</u>
Depreciable Assets:					
Buildings and improvements	1,561,651	-	-	-	1,561,651
Infrastructure	7,881,190	-	-	-	7,881,190
Vehicles and Equipment	2,657,351	61,540	-	-	2,718,891
Leased equipment	63,517	-	-	-	63,517
Total capital assets being depreciated	<u>12,163,709</u>	<u>61,540</u>	<u>-</u>	<u>-</u>	<u>12,225,249</u>
Accumulated Depreciation and Amortization:					
Buildings and improvements	(990,389)	(38,677)	-	-	(1,029,066)
Infrastructure	(1,782,840)	(159,640)	-	-	(1,942,480)
Vehicles and Equipment	(1,946,664)	(198,438)	-	-	(2,145,102)
Leased equipment	-	(13,611)	-	-	(13,611)
Total accumulated depreciation and amortization	<u>(4,719,893)</u>	<u>(410,366)</u>	<u>-</u>	<u>-</u>	<u>(5,130,259)</u>
Governmental activities capital assets, net	<u>\$ 7,653,851</u>	<u>\$ (348,826)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,305,025</u>

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

Governmental activities:	
General government	30,032
Public Safety	111,235
Public Works	217,459
Cemetery	5,529
Parks	45,219
Community services	892
Total - governmental activities	<u>\$ 410,366</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	-	1,160,127	-	-	1,160,127
Total non-depreciable assets	193,297	1,160,127	-	-	1,353,424
Depreciable Assets:					
Land improvements	51,442	-	-	-	51,442
Buildings and improvements	1,310,830	-	-	-	1,310,830
Water and sewer systems	28,697,067	-	-	-	28,697,067
Vehicles and equipment	1,000,773	77,816	(6,247)	-	1,072,342
Leased equipment	7,144	-	-	-	7,144
Total capital assets being depreciated	31,067,256	77,816	(6,247)	-	31,138,825
Accumulated Depreciation and Amortization:					
Land improvements	(19,938)	(923)	-	-	(20,861)
Buildings and improvements	(937,274)	(27,711)	-	-	(964,985)
Water and sewer systems	(10,391,900)	(680,588)	-	-	(11,072,488)
Vehicles and equipment	(785,483)	(41,954)	6,247	-	(821,190)
Leased equipment	-	(1,530)	-	-	(1,530)
Total accumulated depreciation and amortization	(12,134,595)	(752,706)	6,247	-	(12,881,054)
Business-type activities capital assets, net	\$ 19,125,958	\$ 485,237	\$ -	\$ -	\$ 19,611,195

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

Business-type activities:	
Water	\$ 515,657
Wastewater	230,222
Sanitation	1,800
Trade Days	5,026
Total - business-type activities	<u>\$ 752,705</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 6: CAPITAL ASSETS - (Continued)

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 56,546	\$ -	\$ -	\$ 56,546
Total non-depreciable assets	<u>56,546</u>	<u>-</u>	<u>-</u>	<u>56,546</u>
Depreciable Assets:				
Buildings and improvements	280,030	-	-	280,030
Office furniture and equipment	9,508	-	-	9,508
Total capital assets being depreciated	<u>289,538</u>	<u>-</u>	<u>-</u>	<u>289,538</u>
Accumulated Depreciation:				
Buildings and improvements	(77,245)	(9,527)	-	(86,772)
Office furniture and Equipment	(4,258)	(1,800)	-	(6,058)
Total accumulated depreciation	<u>(81,503)</u>	<u>(11,327)</u>	<u>-</u>	<u>(92,830)</u>
Governmental activities capital assets, net	<u>\$ 264,581</u>	<u>\$ (11,327)</u>	<u>\$ -</u>	<u>\$ 253,254</u>

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, 2022, 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, 2022

NOTE 7: FINANCED PURCHASES- (Continued)

Future minimum commitments are as follows:

	Governmental Activities	Business-type Activities
2023	\$ 63,493	\$ 10,640
2024	63,493	10,640
2025	63,493	10,640
Total debt service requirements	190,479	31,920
Less: Interest Portion	11,911	2,024
Debt Principal	\$ 178,568	\$ 29,896

Assets and related accumulated depreciation are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 330,838	\$ 36,111
Less: Accumulated depreciation	(124,700)	(1,806)
Net	\$ 206,138	\$ 34,305

NOTE 8: LEASE FINANCING

The City, as a lessee, has entered into lease agreements involving copiers and printers. The total of the City's leased assets are recorded at a cost of \$70,661, less accumulated amortization of \$15,141. 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 Terms	Interest Rate	Total Lease Liability	Balance 9/30/2022
Copiers/Printers	5/28/2021	60 months	3.10%	\$ 70,661	\$ 56,367
Total				\$ 70,661	\$ 56,367

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 8: LEASE FINANCING – (Continued)

The future lease payments under lease agreements are as follows:

	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 13,253	\$ 1,383	\$ 14,636	\$ 1,490	\$ 156	\$ 1,646
2024	13,670	967	14,637	1,537	109	1,646
2025	14,100	537	14,637	1,586	60	1,646
2026	9,644	112	9,756	1,085	13	1,098
Total	\$ 50,667	\$ 2,999	\$ 53,666	\$ 5,698	\$ 338	\$ 6,036

NOTE 9: LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2022.

Primary Government	09/30/2021	Additions	Retirements	09/30/2022	Due Within One Year
Governmental Activities.:					
Direct Placement					
Certificates of Obligation	\$ 4,071,000	\$ -	\$ 67,000	\$ 4,004,000	\$ 69,000
Financed Purchases	87,692	111,755	20,879	178,568	47,949
Lease Financing Payable	63,517	-	12,850	50,667	13,253
Net pension liability	172,115	-	172,115	-	-
Total OPEB liability	203,028	188	-	203,216	-
Total Governmental Activities	4,597,352	111,943	272,844	4,436,451	130,202
Business-type Activities:					
Direct Placement					
Certificates of Obligation	4,908,000	5,260,000	143,000	10,025,000	144,000
Financed Purchases	-	29,896	-	29,896	9,639
Lease Financing Payable	7,144	-	1,446	5,698	1,490
Net pension liability	47,279	-	47,279	-	-
Total OPEB liability	55,798	4,115	-	59,913	-
Total Business-type Activities	5,018,221	5,294,011	191,725	10,120,507	155,129
Total Long-Term Liabilities	\$ 9,615,573	\$ 5,405,954	\$ 464,569	\$ 14,556,958	\$ 285,331
Component Unit					
Governmental Activities.:					
Tax leveraged fund note	103,327	-	34,330	68,997	35,463
Total Component Unit	\$ 103,327	\$ -	\$ 34,330	\$ 68,997	\$ 35,463

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 9: LONG-TERM DEBT – (continued)

At September 30, 2022, governmental activities and business-type activities bonds payable consisted of the following issues:

	Primary Government
<u>Governmental Activities</u>	
\$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	\$ 4,004,000
<u>Business-Type Activities</u>	
\$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	1,310,000
\$840,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2013, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	640,000
\$2,380,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2014, due in annual installments through September 15, 2045, bearing interest at 0% - 4.30%	2,020,000
\$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	795,000
\$2,935,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022A, 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, due in annual installments through March 15, 2053, bearing interest at 0.74%-1.89%	2,325,000
Total business-type activities	\$ 10,025,000

The 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.

At September 30, 2022, component unit bonds payable consisted of the following issues:

	Component Unit
\$310,000 Tax leverages loan dated June 30, 2014, due in annual installments through August 1, 2024, bearing interest at 3.25%.	68,997
Total component unit	\$ 68,997

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 9: LONG-TERM DEBT (Continued)

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2022 are as follows:

Primary Government	Certificates of Obligation					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 69,000	\$ 109,161	\$ 178,161	\$ 144,000	227,603	\$ 371,603
2024	71,000	107,236	178,236	294,000	210,962	504,962
2025	73,000	105,256	178,256	299,000	206,283	505,283
2026	75,000	103,221	178,221	305,000	201,375	506,375
2027	77,000	101,131	178,131	310,000	196,189	506,189
2028-2032	418,000	472,258	890,258	1,629,000	893,826	2,522,826
2033-2037	480,000	410,603	890,603	1,816,000	718,375	2,534,375
2038-2042	550,000	339,900	889,900	2,034,000	492,479	2,526,479
2043-2047	633,000	258,706	891,706	1,670,000	238,413	1,908,413
2048-2052	725,000	165,481	890,481	1,139,000	102,242	1,241,242
2053-2057	833,000	58,506	891,506	385,000	13,700	398,700
Total debt service requirements	\$ <u>4,004,000</u>	\$ <u>2,231,459</u>	\$ <u>6,235,459</u>	\$ <u>10,025,000</u>	\$ <u>3,501,447</u>	\$ <u>13,526,447</u>

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 \$.29948 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 \$1,546,338 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, 2022.

The annual requirements to amortize the component unit governmental activity bonds as of September 30, 2022 are as follows:

Component Unit	Governmental Activities		
	Principal	Interest	Total
2023	\$ 35,463	\$ 1,717	\$ 37,180
2024	33,534	547	34,081
Total debt service requirements	\$ <u>68,997</u>	\$ <u>2,264</u>	\$ <u>71,261</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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, 2022.

Type of Business	Purpose	Tax Abated	Percent Abated	Abated		
					City	BEDC
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	\$16,785		

NOTE 12: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 901 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.tmrs.com.

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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 2021
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	60
Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	<u>53</u>
	167

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 8.62% and 8.64% in calendar years 2021 and 2022, respectively. The city’s contributions to TMRS for the year ended September 30, 2022, were \$206,889, and were more than the required contributions.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021, 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, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/20	\$ 8,503,472	\$ 8,284,079	\$ 219,393
Changes for the year:			
Service cost	198,705	-	198,705
Interest	561,614	-	561,614
Difference between expected and actual experience	5,208	-	5,208
Changes of assumptions	-	-	-
Contributions-employer	-	176,398	(176,398)
Contributions-employee	-	102,320	(102,320)
Net investment income	-	1,078,262	(1,078,262)
Benefit payments, including refunds of employee contributions	(565,226)	(565,226)	-
Administrative expense	-	(4,997)	4,997
Other changes	-	36	(36)
Net changes	200,301	786,793	(586,492)
Balance at 12/31/21	\$ 8,703,773	\$ 9,070,872	\$ (367,099)

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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 Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 719,795	\$ (367,099)	\$ (1,263,518)

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.

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

For the year ended September 30, 2022, the City recognized pension income of \$169,352.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,990	\$ 74,571
Differences between projected and actual investment earnings		554,613
Contributions subsequent to the measurement date	164,212	-
Total	\$ 173,202	\$ 629,184

\$164,212 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, 2023. 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, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Year ended December 31:	<u>Net Deferred outflows (inflows of resources</u>
2021	\$ (153,030)
2022	(246,346)
2023	(117,004)
2024	(103,814)
2025	-
Thereafter	-
	<u>\$ (620,194)</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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>60</u>
	100

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 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 1.84%. The discount rate was based on Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2022

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

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balances as of December 31, 2020	\$ 258,826
Changes for the year:	
Service cost	9,823
Interest on total OPEB liability	5,230
Effect of plan changes	-
Effect of economic/demographic gains or losses	(13,794)
Effect of assumptions changes or inputs	7,546
Benefit payments	(4,502)
Net changes	4,303
Balances as of December 31, 2021	\$ 263,129

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 discount rate 0.84%	Current Discount Rate 1.84%	1% increase discount rate 2.84%
Net Pension Liability	\$ 318,018	\$ 263,129	\$ 220,503

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$21,603

At September 30, 2022, 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, 2022

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 950	\$ 22,475
Changes in assumptions	40,467	3,105
Contributions made subsequent to measurement date	5,334	-
Total	\$ 46,751	\$ 25,580

\$5,334 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, 2023. 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:	
2022	\$ 4,699
2023	6,522
2024	5,415
2025	(726)
2026	(73)
Thereafter	-
Total	\$ 15,837

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, 2022

NOTE 15: COMMITMENTS

The City has a contract for an Advanced Meter Infrastructure (AMI) System Replacement Project. The remaining balance on the contract at September 30, 2022 was \$238,169. The project will be completed in fiscal year 2023 and funded with grant funds on hand.

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated into the City’s 2022 financial statements and did not have an effect on the beginning net position. On October 1, 2021, the City recognized \$70,661 net book value for the intangible right to use equipment and a lease liability of \$70,661.

The implementation of GASB Statement No. 87 had the following effect on the net position as reported September 30, 2021.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position and Fund Balance Septmeber 30, 2021	\$ 6,472,461	\$ 15,338,576
Adjustments:		
Net Book Value Leased Asset	63,517	7,144
Lease Liability	<u>(63,517)</u>	<u>(7,144)</u>
Restated Net Position Septeber 30, 2021	<u>\$ 6,472,461</u>	<u>\$ 15,338,576</u>

NOTE 17: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 28, 2023, 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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 1,820,000	\$ 1,549,000	\$ 1,553,628	4,628
Sales and use tax	1,148,500	1,408,500	1,430,749	22,249
Franchise	448,000	467,000	459,682	(7,318)
Hotel motel taxes	42,000	55,000	72,339	17,339
Charges for service	205,800	205,800	215,040	9,240
Grants and contributions	12,400	12,400	8,113	(4,287)
Interest income	1,500	1,500	2,365	865
Other revenue	23,500	23,500	28,763	5,263
Total revenues	<u>3,701,700</u>	<u>3,722,700</u>	<u>3,770,679</u>	<u>47,979</u>
Expenditures:				
Current				
General government	1,141,935	1,228,485	1,093,393	135,092
Public Safety	1,957,000	2,022,600	1,833,842	188,758
Public Works	517,850	517,850	508,466	9,384
Cemetery	59,000	59,000	61,339	(2,339)
Parks	316,200	316,200	231,698	84,502
Community services	15,800	15,800	14,677	1,123
Tourism	42,000	42,000	43,962	(1,962)
Debt service:				
Principal	2,000	2,000	12,850	(10,850)
Interest and fiscal charges	-	-	1,787	(1,787)
Total expenditures	<u>4,051,785</u>	<u>4,203,935</u>	<u>3,802,014</u>	<u>401,921</u>
Excess (deficiency) of revenue over (under) expenditures)	\$ <u>(350,085)</u>	\$ <u>(481,235)</u>	\$ <u>(31,335)</u>	<u>449,900</u>
Other financing sources (uses):				
Insurance recoveries	-	47,000	47,539	539
Transfers in	<u>500,000</u>	<u>485,000</u>	<u>479,500</u>	<u>(5,500)</u>
Net change in fund balances	149,915	50,765	495,704	444,939
Fund balance, October 1, 2021	<u>599,700</u>	<u>599,700</u>	<u>599,700</u>	<u>-</u>
Fund balance, September 30, 2022	\$ <u><u>749,615</u></u>	\$ <u><u>650,465</u></u>	\$ <u><u>1,095,404</u></u>	<u><u>444,939</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, 2022

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
Total Pension Liability-Ending (a)	\$ 7,707,630	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966

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
Plan Fiduciary Net Position-Ending (b)	\$ 6,783,781	\$ 6,602,345	\$ 6,828,986	\$ 7,543,086
Net Pension Liability/(Asset) -Ending (a) - (b)	\$ 923,849	\$ 1,376,161	\$ 1,381,367	\$ 680,880

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.01%	82.75%	83.18%	91.72%
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Covered Employee Payroll	\$ 2,201,639	\$ 2,232,491	\$ 2,174,270	\$ 2,152,549
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Net Pension Liability as a Percentage of Covered Employee Payroll	41.96%	61.64%	63.53%	31.63%
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The accompanying notes to the required supplementary information are an integral part of this schedule.

EXHIBIT F-2

2018	2019	2020	2021
\$ 216,654	\$ 221,658	\$ 207,065	\$ 198,705
544,367	547,074	563,096	561,614
(211,430)	(23,452)	(200,387)	5,208
-	48,717	-	-
(535,182)	(488,813)	(609,861)	(565,226)
14,409	305,184	(40,087)	200,301
\$ 8,223,966	\$ 8,238,375	8,543,559	\$ 8,503,472
\$ 8,238,375	\$ 8,543,559	8,503,472	\$ 8,703,773

195,613	199,772	186,334	176,398
112,140	114,375	106,734	102,320
(225,809)	1,094,327	606,416	1,078,262
(535,182)	(488,813)	(609,861)	(565,226)
(4,367)	(6,189)	(3,929)	(4,997)
(228)	(187)	(152)	36
(457,833)	913,285	285,542	786,793
7,543,086	7,085,253	7,998,537	8,284,079
\$ 7,085,253	\$ 7,998,538	8,284,079	\$ 9,070,872
\$ 1,153,122	\$ 545,021	\$ 219,393	\$ (367,099)

86.00%	93.62%	97.42%	104%
\$ 2,242,795	\$ 2,287,492	\$ 2,134,687	\$ 2,046,397

51.41%	23.83%	10.28%	-17.94%
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The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF BRECKENRIDGE
Schedule of Contributions
Last 8 Fiscal Years

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribution as a % of 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%

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, 2022

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

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, 2022

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

Cemetery, tourism and debt service expenditures exceeded budget in the general fund however total expenditures were \$401,921 less than budgeted.

CITY OF BRECKENRIDGE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2022

Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Poste retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes Adopted restricted prior service credit.

Schedule of Changes in Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF BRECKENRIDGE, TEXAS
 Nonmajor Funds
 Combining Balance Sheet
 September 30, 2022

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Assets:				
Cash	\$ 16,791	\$ 9,224	\$ 11,080	\$ 37,095
Investments	-	-	-	-
Receivables (Net of allowances)				
Other taxes	-	-	-	-
Total assets	<u>\$ 16,791</u>	<u>\$ 9,224</u>	<u>\$ 11,080</u>	<u>\$ 37,095</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 271	\$ -	\$ -	\$ 271
Total liabilities	<u>271</u>	<u>-</u>	<u>-</u>	<u>271</u>
Fund Balances:				
Restricted fund balance	\$ 16,520	\$ 9,224	\$ 11,080	\$ 36,824
Committed fund balance	-	-	-	-
Total fund balance	<u>16,520</u>	<u>9,224</u>	<u>11,080</u>	<u>36,824</u>
Total liabilities and fund balances	<u>\$ 16,791</u>	<u>\$ 9,224</u>	<u>\$ 11,080</u>	<u>\$ 37,095</u>

EXHIBIT G-1

Capital Project Funds			Permanent Fund	
Equipment Replacement	Street Maintenance Fund	Total Capital Projects Funds	Cemetery Fund	Total Nonmajor Funds
\$ 161,036	\$ 728,357	\$ 889,393	\$ -	\$ 926,488
-	-	-	542,961	542,961
-	51,409	51,409	-	51,409
<u>\$ 161,036</u>	<u>\$ 779,766</u>	<u>\$ 940,802</u>	<u>\$ 542,961</u>	<u>\$ 1,520,858</u>
\$ -	\$ 44,275	\$ 44,275	\$ -	\$ 44,546
-	44,275	44,275	-	44,546
\$ -	\$ 735,491	\$ 735,491	\$ 542,961	\$ 1,315,276
161,036	-	161,036	-	161,036
<u>161,036</u>	<u>735,491</u>	<u>896,527</u>	<u>542,961</u>	<u>1,476,312</u>
<u>\$ 161,036</u>	<u>\$ 779,766</u>	<u>\$ 940,802</u>	<u>\$ 542,961</u>	<u>\$ 1,520,858</u>

CITY OF BRECKENRIDGE, TEXAS
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended September 30, 2022

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Revenues:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Grants and contributions	13,604	323	946	14,873
Investment earnings	29	22	25	76
Other revenue	-	-	-	-
Total revenue	<u>13,633</u>	<u>345</u>	<u>971</u>	<u>14,949</u>
Expenditures:				
Current:				
Public Safety	4,795	-	-	4,795
Public Works	-	-	-	-
Cemetery	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>4,795</u>	<u>-</u>	<u>-</u>	<u>4,795</u>
Excess (deficiency) of revenue over (under) expenditures	<u>8,838</u>	<u>345</u>	<u>971</u>	<u>10,154</u>
Other financing sources (uses):				
Financed Purchases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	8,838	345	971	10,154
Fund Balance, October 1, 2021	<u>7,682</u>	<u>8,879</u>	<u>10,109</u>	<u>26,670</u>
Fund Balance, September 30, 2022	<u>\$ 16,520</u>	<u>\$ 9,224</u>	<u>\$ 11,080</u>	<u>\$ 36,824</u>

EXHIBIT G-2

Capital Project Funds			Permanent Fund	Total Nonmajor Funds
Equipment Replacement	Street Maintenance Fund	Total Capital Projects Funds	Cemetery Fund	
\$ -	\$ 285,127	\$ 285,127	\$ -	\$ 285,127
-	-	-	-	14,873
338	1,621	1,959	(92,480)	(90,445)
-	-	-	6,598	6,598
<u>338</u>	<u>286,748</u>	<u>287,086</u>	<u>(85,882)</u>	<u>216,153</u>
-	-	-	-	4,795
-	145,511	145,511	-	145,511
-	-	-	22,264	22,264
61,660	-	61,660	-	61,660
-	-	-	-	-
20,879	-	20,879	-	20,879
<u>2,840</u>	<u>-</u>	<u>2,840</u>	<u>-</u>	<u>2,840</u>
<u>85,379</u>	<u>145,511</u>	<u>230,890</u>	<u>22,264</u>	<u>257,949</u>
<u>(85,041)</u>	<u>141,237</u>	<u>56,196</u>	<u>(108,146)</u>	<u>(41,796)</u>
111,755	-	111,755	-	111,755
89,896	-	89,896	-	89,896
<u>(36,111)</u>	<u>-</u>	<u>(36,111)</u>	<u>-</u>	<u>(36,111)</u>
80,499	141,237	221,736	(108,146)	123,744
<u>80,537</u>	<u>594,254</u>	<u>674,791</u>	<u>651,107</u>	<u>1,352,568</u>
<u>\$ 161,036</u>	<u>\$ 735,491</u>	<u>\$ 896,527</u>	<u>\$ 542,961</u>	<u>\$ 1,476,312</u>

OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF BRECKENRIDGE, TEXAS

Schedule of Delinquent Property Taxes Receivable

For the fiscal year ended September 30, 2022

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2013 and prior	0.7557	0.2543	204,984,229	33,496
2014	0.6282	0.2618	192,875,823	7,199
2015	0.5652	0.2966	201,105,727	9,036
2016	0.6148	0.3252	196,762,440	12,099
2017	0.6588	0.3812	184,686,029	17,201
2018	0.6846	0.3519	185,111,143	23,519
2019	0.7330	0.2870	186,178,825	37,636
2020	0.7850	0.2850	186,070,474	52,920
2021	0.8384	0.2839	180,018,850	92,333
2022(Year under audit)	0.7605	0.2995	200,655,886	
TOTALS				<u>\$ 285,439</u>

EXHIBIT G-3

Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30
	(967)	(326)	(1,815)	30,388
	(761)	(317)	(397)	5,724
	(885)	(464)	(550)	7,137
	(1,470)	(777)	(398)	9,454
	(2,130)	(1,233)	(667)	13,171
	(3,353)	(1,724)	(606)	17,836
-	(7,134)	(2,793)	(526)	27,183
-	(11,806)	(4,287)	(742)	36,085
	(29,548)	(10,007)	(1,713)	51,065
2,143,136	(1,430,810)	(563,482)	(16,184)	132,660
<u>\$ 2,143,136</u>	<u>\$ (1,488,864)</u>	<u>\$ (585,410)</u>	<u>\$ (23,598)</u>	<u>\$ 330,703</u>

EXHIBIT G-4

City of Breckenridge, Texas
 Statistics - Water and Wastewater Fund
 For the year ended September 30, 2022
 (Unaudited)

Number of water connections at end of year	2,326
Number of wastewater connections at end of year	2,019
Gallons of water billed through the system during the fiscal year	185,503,624

	2022	2021
<u>Outstanding Bonds and Certificates:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2012	\$ 1,310,000	\$ 1,360,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	640,000	665,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,020,000	2,075,000
Combination Tax and Revenue Certificates of Obligation, Series 2017A	795,000	808,000
Combination Tax and Revenue Certificates of Obligation, Series 2022A	2,935,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2022B	2,325,000	-
	\$ 10,025,000	\$ 4,908,000

<u>Water and Wastewater Operating Income Available for Debt Retirement:</u>		
Net Operating Income	\$ 1,076,524	\$ 514,876
Net Nonoperating Interest Income	19,226	1,392
Add Depreciation and Amortization Expense	745,879	695,343
	\$ 1,841,629	\$ 1,211,611

<u>Annual Debt Service Requirements and Coverage:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2012	\$ 76,169	\$ 76,712
Combination Tax and Revenue Certificates of Obligation, Series 2013	37,569	37,798
Combination Tax and Revenue Certificates of Obligation, Series 2014	137,337	138,847
Combination Tax and Revenue Certificates of Obligation, Series 2017A	35,041	35,399
Combination Tax and Revenue Certificates of Obligation, Series 2022A	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2022B	-	-
	286,116	288,756
Total Debt Service Requirements	286,116	288,756
Less Paid by Property Taxes	(286,116)	(288,756)
Net System Fund Requirements	\$ -	\$ -
Coverage of Total System Fund Debt Service	not applicable	not applicable

<u>Cash Available in Bond Sinking Funds</u>		
General Debt Service	\$ 1,546,338	\$ 1,421,851
Revenue Debt Service	-	-
	\$ 1,546,338	\$ 1,421,851

CITY OF BRECKENRIDGE, TEXAS
 Insurance in Force
 September 30, 2022
 (Unaudited)

	Coverage	Premium
Flood, Fire and Extended Coverage Buildings and Contents	\$ 15,615,158	\$ 37,933
Errors & Omission Liability		
Each Wrongful Act	1,000,000	7,468
Aggregate	2,000,000	
Commercial General Liability		
Per Occurrence	1,000,000	3,979
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	990
Assistant City Secretary	10,000	
Other Public Employees not Excluded	10,000	
City Manager	15,000	
City Vehicles		
Liability/Uninsured Motorist	1,000,000	26,012
Combined Single Limit	25,000	
Heavy Equipment		
Physical Damage	1,013,825	4,090
Crime		
Public Employee Dishonesty	5,000	235
Theft Disappearance & Destruction	5,000	100

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	10/1/2022
Texas Municipal League	Commercial Auto	10/1/2022
Texas Municipal League	Flood	10/1/2022
Texas Municipal League	Public Officials Liability	10/1/2022
Texas Municipal League	Law Enforcement Liability	10/1/2022
CNA Surety Corporation	Fidelity Bond - City Secretary	4/25/2023
CNA Surety Corporation	Fidelity Bond - Assistant City Secretary	1/20/2023
CNA Surety Corporation	City Manager & Other Public Employees	1/20/2023
Texas Municipal League	Heavy Equipment	10/1/2022

**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, 2022, 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 28, 2023.

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.

George Morgan Sneed, P.C.

Weatherford, Texas
February 28, 2023



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Members of the City Commission
City of Breckenridge, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Breckenridge, Texas’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Breckenridge, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

George Morgan Friesel, P.C.

Weatherford, Texas
February 28, 2023

CITY OF BRECKENRIDGE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF BRECKENRIDGE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

CITY OF BRECKENRIDGE, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2022

Contact for Corrective Action Plan:

Cynthia Northrop
City Manager

Financial Statement Findings

None.

Federal Award Findings

None.

CITY OF BRECKENRIDGE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Environmental Protection Agency</u>			
Pass-through from Texas Water Development Board			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L1001494	\$ 105,254
Capitalization Grants for Clean Water State Revolving Funds	66.458	L1001491	115,797
Capitalization Grants for Clean Water State Revolving Funds	66.458	LF1001492	20,810
Total Capitalization Grants for Clean Water State Revolving Funds			<u>136,607</u>
Total U.S. Environmental Protection Agency			<u>241,861</u>
<u>Department of the Treasury</u>			
Passed Through Texas Division of Emergency Management			
Coronavirus State and Local Fiscal Recovery Funds	21.027	TX0206-A	<u>1,099,557</u>
Total Department of the Treasury			<u>1,099,557</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,341,418</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF BRECKENRIDGE, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of the City of Breckenridge, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Indirect Cost Rate

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Pass-through to subrecipients

The City did not pass funds through to subrecipients.

Texas Water Development Board Loans

The City issued bonds that were purchased by the Texas Water Development Board with Clean Water State Revolving Funds and Drinking Water State Revolving Funds. The amounts of expenditures reporting in the Schedule of Expenditures of Federal Awards are the amount of bond funds spent during the period.

The City has the following Texas Water Development Board Bonds outstanding at September 30, 2022:

Combination Tax and Surplus Revenue Certificates of Obligation Series 2012	DWSRF	\$ 1,310,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2013	CWSRF	640,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2014	DWSRF	2,020,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2022A	CWSRF	2,935,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2022B	DWSRF	2,325,000
		<u>\$ 9,230,000</u>

