

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED



INDEPENDENT AUDITOR'S REPORT

Members of the City Commission
City of Breckenridge, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 16, budgetary comparison – general fund, schedule of changes in net pension liability and related ratios, and schedule of contributions on pages 52 - 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

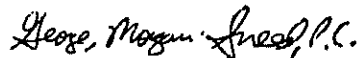
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the combining nonmajor 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.

The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 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 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 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
January 30, 2017

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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, 2016.

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 \$12,664,891 (*net position*) compared to \$12,034,269 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was negative \$78,656 at year end.
- The City's total net position increased by \$630,622. The City's operations increased the governmental activities and business-type activities net position by \$22,865 and \$607,757 respectively.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$1,855,490. This compares to an ending fund balance of \$1,813,549 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$191,111, or 5% of total general fund expenditures. This compares to an unassigned fund balance of \$199,356 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and street maintenance 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.

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

The basic fiduciary fund financial statements can be found on Exhibits E-1 and E-2 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. The notes to the financial statements can be found on pages 29-51 of this report.

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 \$12,664,891 as of September 30, 2016. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,312,935	\$ 2,175,854	\$ 3,050,581	\$ 6,130,020	\$ 5,363,516	\$ 8,305,874
Capital assets	3,103,531	2,816,738	11,796,021	8,665,447	14,899,552	11,482,185
Total Assets	<u>5,416,466</u>	<u>4,992,592</u>	<u>14,846,602</u>	<u>14,795,467</u>	<u>20,263,068</u>	<u>19,788,059</u>
Deferred outflows of resources	<u>451,027</u>	<u>161,932</u>	<u>149,166</u>	<u>79,957</u>	<u>600,193</u>	<u>241,889</u>
Current liabilities	244,697	150,733	1,014,297	1,198,633	1,258,994	1,349,366
Long-term liabilities	1,343,818	729,436	5,563,294	5,861,550	6,907,112	6,590,986
Total liabilities	<u>1,588,515</u>	<u>880,169</u>	<u>6,577,591</u>	<u>7,060,183</u>	<u>8,166,106</u>	<u>7,940,352</u>
Deferred inflows of resources	<u>24,879</u>	<u>43,121</u>	<u>7,385</u>	<u>12,206</u>	<u>32,264</u>	<u>55,327</u>
Net Position:						
Net investment in capital assets	2,920,870	2,807,350	8,195,913	7,158,281	11,116,783	9,965,631
Restricted	1,626,764	1,180,172	-	-	1,626,764	1,180,172
Unrestricted	(293,535)	243,712	214,879	644,754	(78,656)	888,466
Total Net Position	<u>\$ 4,254,099</u>	<u>\$ 4,231,234</u>	<u>\$ 8,410,792</u>	<u>\$ 7,803,035</u>	<u>\$ 12,664,891</u>	<u>\$ 12,034,269</u>

The largest portion of the City's net position (88%) 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 negative \$78,656 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 separate business-type activities and its component unit. Governmental activities unrestricted net position at year end was negative \$293,535 compared to positive \$243,712 in the prior year. This negative unrestricted net position is primarily the result of decreases in the general fund and capital projects fund and the governmental activities portion of the net pension liability.

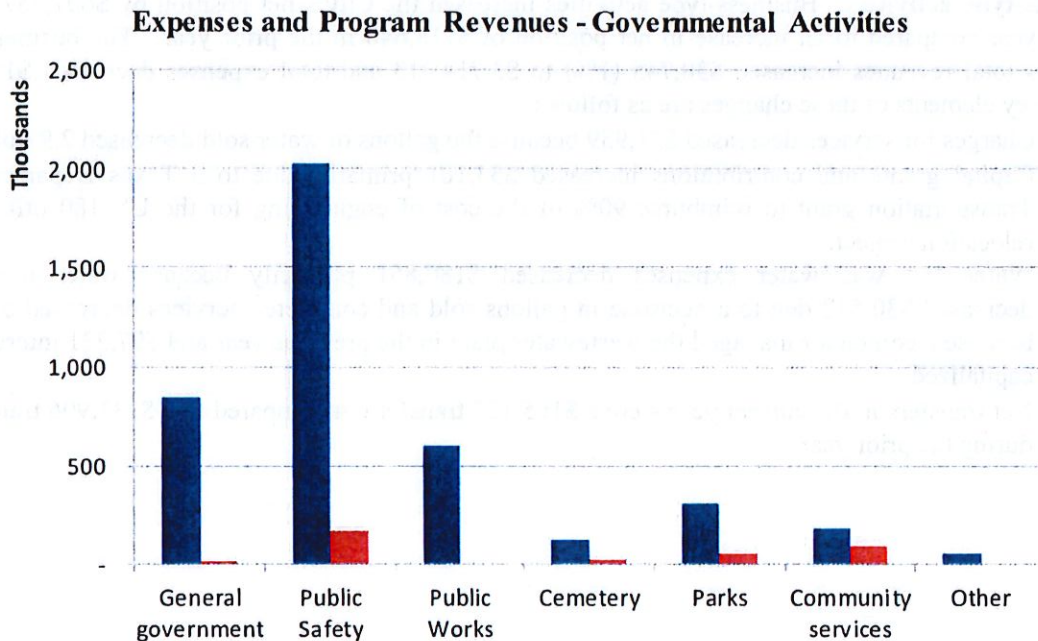
Below is a summary of the City's Statement of Activities.

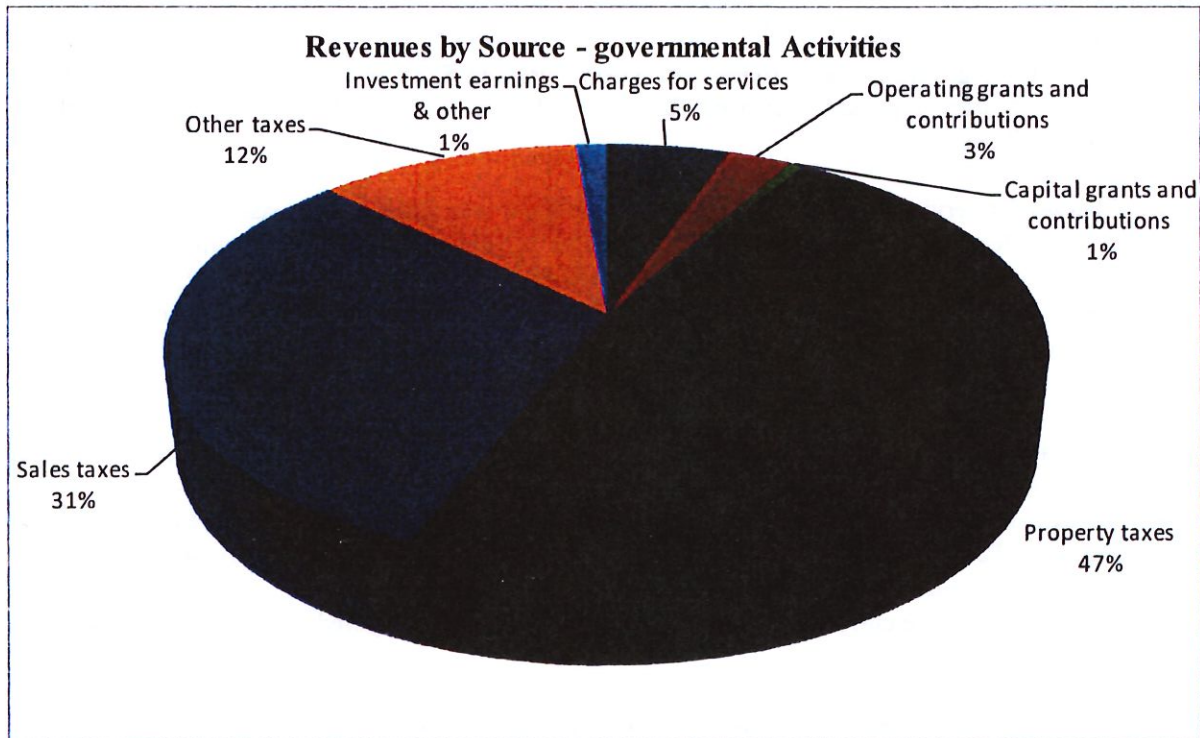
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 212,529	\$ 275,489	\$ 3,209,308	\$ 3,231,267	\$ 3,421,837	\$ 3,506,756
Operating grants and contributions	112,431	104,975	-	-	112,431	104,975
Capital grants and contributions	26,789	114,295	495,231	442,129	522,020	556,424
General revenues:					-	
Property taxes	1,886,345	1,765,502	-	-	1,886,345	1,765,502
Sales and use taxes	1,240,973	1,422,258	-	-	1,240,973	1,422,258
Franchise taxes	413,112	440,387	-	-	413,112	440,387
Hotel motel taxes	43,226	49,838	-	-	43,226	49,838
Investment earnings	4,778	4,686	9,774	10,172	14,552	14,858
Other Revenue	48,546	34,846	-	-	48,546	34,846
Total revenues	3,988,729	4,212,276	3,714,313	3,683,568	7,703,042	7,895,844
Expenses						
General government	839,816	749,299	-	-	839,816	749,299
Public Safety	2,026,844	1,886,395	-	-	2,026,844	1,886,395
Public Works	603,685	630,206	-	-	603,685	630,206
Health and sanitation	-	-	518,876	509,690	518,876	509,690
Cemetery	124,358	115,771	-	-	124,358	115,771
Parks	304,415	278,652	-	-	304,415	278,652
Community services	178,666	179,515	-	-	178,666	179,515
Tourism	42,000	42,000	-	-	42,000	42,000
Interest on long-term debt	11,237	5,424	-	-	11,237	5,424
Water and wastewater	-	-	2,341,799	2,522,650	2,341,799	2,522,650
Trade Days	-	-	80,724	64,494	80,724	64,494
Total expenses	4,131,021	3,887,262	2,941,399	3,096,834	7,072,420	6,984,096
Increase (decrease) in net position						
before transfers	(142,292)	325,014	772,914	586,734	630,622	911,748
Transfers	165,157	(131,906)	(165,157)	131,906	-	-
Increase (decrease) in net position	22,865	193,108	607,757	718,640	630,622	911,748
Net Position October 1	4,231,234	4,572,546	7,803,035	7,231,628	12,034,269	11,804,174
Prior period adjustment	-	(534,420)	-	(147,233)	-	(681,653)
Net Position September 30	\$ 4,254,099	\$ 4,231,234	\$ 8,410,792	\$ 7,803,035	\$ 12,664,891	\$ 12,034,269

Governmental Activities. Governmental activities increased the City's net position by \$22,865 in the current year. Total governmental activities revenues decreased \$223,547 (5%) to \$3,988,729. Total governmental activities expenses increased \$243,759 (6%) to \$4,131,021. Key elements of these changes are as follows.

- Charges for services decreased \$62,960 primarily due to a \$36,651 decrease in municipal court fines and fees and an \$11,629 decrease in building, plumbing and electrical permits.
- Capital grants and contributions decreased \$87,506 because grants and contributions for the walking trail decreased and the City received \$48,600 in the prior year for the new fire bay.
- Property tax revenue increased by \$120,843 due to an increase in the property tax rate of \$.07817 per \$100 valuation. The appraised value of property in the City decreased \$4.3 million (2%).
- Sales tax revenue decreased \$181,285 (13%)
- General government expenses increased \$90,517 due to training and installation of new software, and increases in insurance, contractual services and attorney fees.
- Public safety expenses increased \$140,449 due to increases in wages of \$46,627 (4%) and health insurance \$20,617 (11%), an increase in retirement expense of \$53,413 due to the adjustment of the net pension liability and a \$20,802 increase in depreciation expense.
- Net transfers in the current year were a \$161,157 transfer in compared to a \$131,906 transfer out in the prior year.

Below are two graphs summarizing governmental revenue and expense:



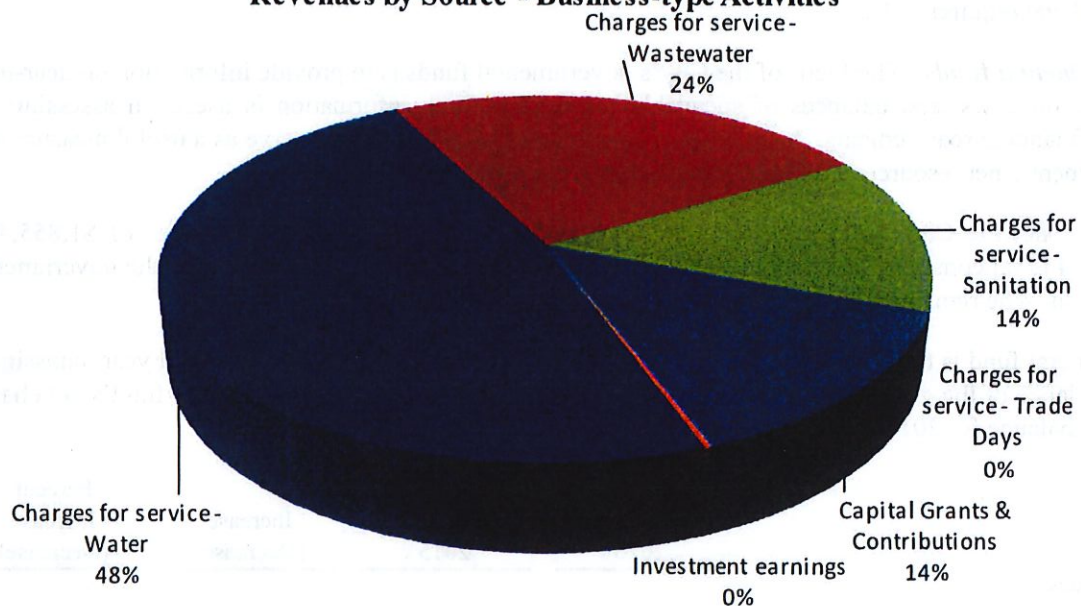


Business-type activities. Business-type activities increased the City's net position by \$607,757 in the current year compared to an increase in net position of \$718,640 in the prior year. The business-type activities total revenues increased \$30,745 (1%) to \$3,714,313 and total expenses decreased \$155,435 (5%). Key elements of these changes are as follows.

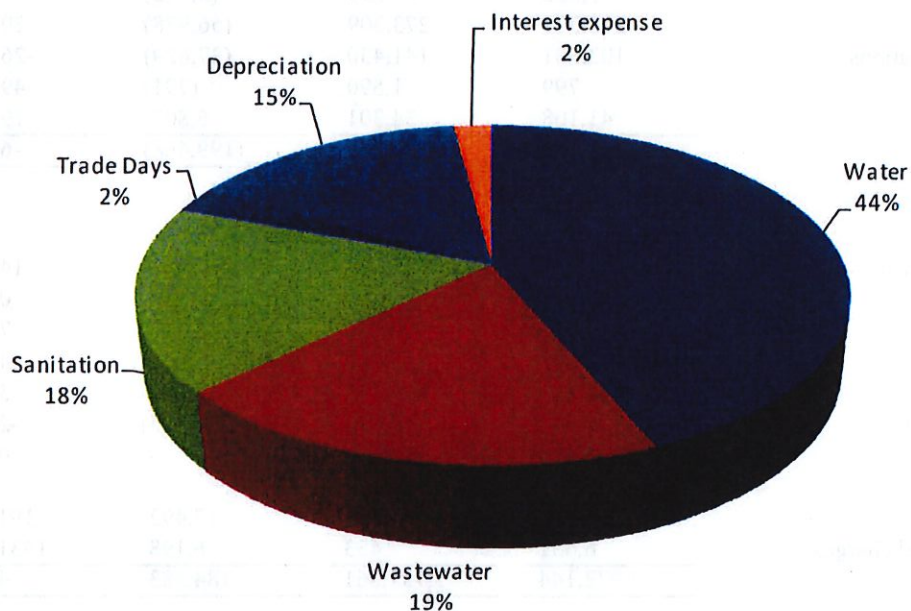
- Charges for services decreased \$21,959 because the gallons of water sold decreased 2.9 million.
- Capital grants and contributions increased \$53,101 primarily due to a Texas Department of Transportation grant to reimburse 90% of the cost of engineering for the US 180 utility line relocation project.
- Water and wastewater expenses decreased \$180,851 primarily because water purchases decreased \$30,532 due to a decrease in gallons sold and contracted services decreased \$54,989 because a contractor managed the wastewater plant in the previous year and \$97,231 interest was capitalized.
- Net transfers in the current year were a \$165,157 transfer out compared to a \$131,906 transfer in during the prior year.

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

Revenues by Source - Business-type Activities



Expenses by Function - Business-type Activities



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.

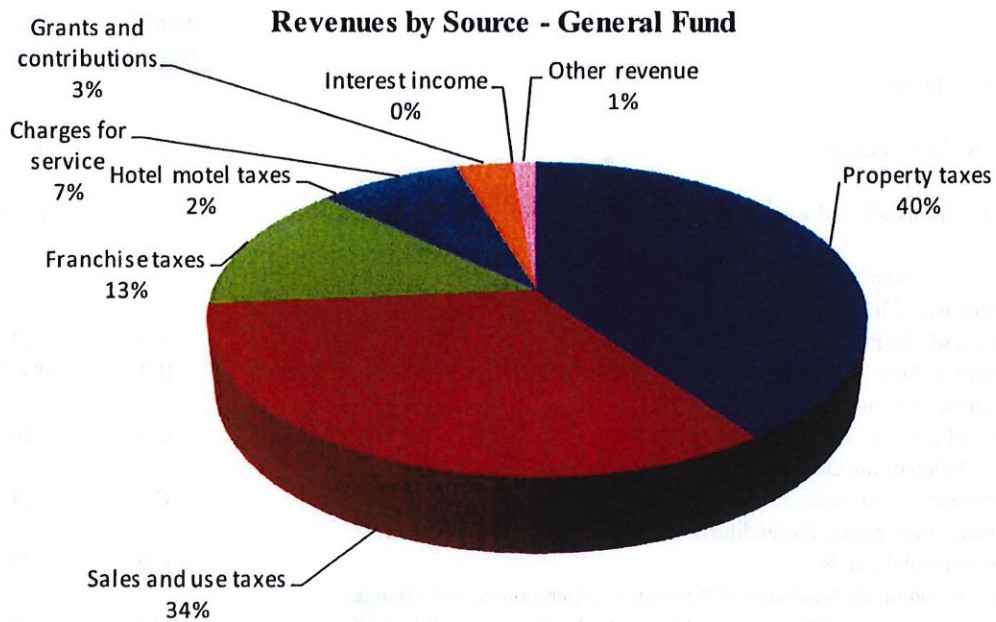
Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure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

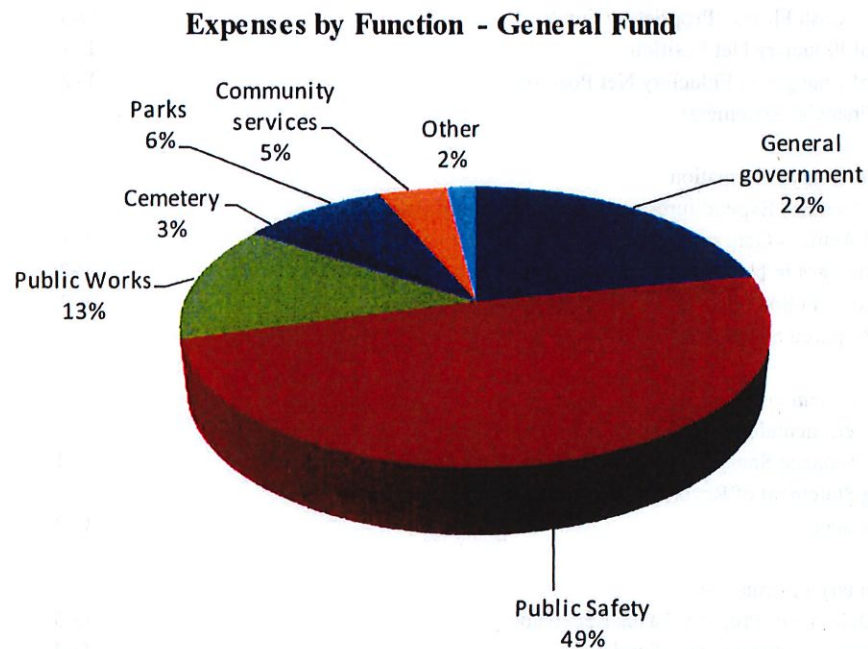
At year end, the City's governmental funds reported combined ending fund balances of \$1,855,490. \$130,174 (7%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned.

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 \$191,111. Below is a comparison of the general fund's net change in fund balance for 2016 and 2015.

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 1,251,023	\$ 1,176,394	\$ 74,629	6.34%
Sales and use tax	1,035,173	1,186,792	(151,619)	-12.78%
Franchise	413,112	440,387	(27,275)	-6.19%
Hotel motel taxes	43,226	49,838	(6,612)	-13.27%
Charges for service	216,331	273,309	(56,978)	-20.85%
Grants and contributions	103,801	141,430	(37,629)	-26.61%
Interest income	799	1,590	(791)	-49.75%
Other revenue	41,108	34,301	6,807	19.84%
Total revenues	<u>3,104,573</u>	<u>3,304,041</u>	<u>(199,468)</u>	<u>-6.04%</u>
Expenditures:				
Current				
General government	857,962	746,901	111,061	14.87%
Public Safety	1,916,783	1,915,743	1,040	0.05%
Public Works	526,613	490,717	35,896	7.32%
Cemetery	118,148	113,008	5,140	4.55%
Parks	251,886	239,735	12,151	5.07%
Community services	175,518	180,013	(4,495)	-2.50%
Tourism	42,000	42,000	-	0.00%
Debt service:				
Principal	26,603	9,111	17,492	191.99%
Interest and fiscal charges	6,631	433	6,198	1431.41%
Total expenditures	<u>3,922,144</u>	<u>3,737,661</u>	<u>184,483</u>	<u>4.94%</u>
Other financing sources (uses):				
Loan Proceeds	100,000	-	100,000	100.00%
Transfers in	515,000	314,003	200,997	64.01%
Transfers out	(97,615)	(180,000)	82,385	-45.77%
Net change in fund balances	<u>\$ (300,186)</u>	<u>\$ (299,617)</u>	<u>\$ (569)</u>	<u>0.19%</u>

Below are two graphs summarizing general fund revenue and expenditures.





CITY OF BRECKENRIDGE, TEXAS
Annual Financial Report
For the year ended September 30, 2016

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FINANCIAL SECTION

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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 \$214,879. The total change in net position was \$607,757. 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 twice. General fund budgeted revenues were decreased \$238,700 primarily for a decrease in sales and use tax. Actual revenues were \$95,227 less than budgeted. Budget amendments increased expenditures \$99,600. Actual expenditures of the general fund were \$187,956 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to \$14,899,552 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- Purchased a 2016 International Pumper Fire Truck for \$269,298.
- \$49,743 improvements to the Hullum St Bridge.
- \$129,920 engineering for Park St Paving and drainage improvements.
- Additional costs of \$37,268 for a walking trail that was completed at a total cost of \$97,637.

Business-type activities:

- New waste water treatment plant building was constructed for \$48,000.
- Sewer line and main projects costing \$36,080.
- The water system improvements funded with the emergency DWSRF funding was completed for \$2,248,421. Current year engineering and construction costs were \$1,544,190.
- Current year engineering and construction costs for water system improvements funded with DWSRF funds were \$1,624,934. This project was not complete at year end.
- \$173,992 for engineering and City's portion of the costs to relocate the utility lines on US 180.

The City of Breckenridge's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 187,285	\$ 187,285	\$ 193,297	\$ 193,297	\$ 380,582	\$ 380,582
Construction in progress	147,200	73,650	2,071,569	964,557	2,218,769	1,038,207
Land Improvements	-	-	16,307	17,231	16,307	17,231
Buildings and improvements	716,195	757,003	513,272	478,293	1,229,467	1,235,296
Water and sewer systems	-	-	8,718,234	6,690,389	8,718,234	6,690,389
Infrastructure	1,229,055	1,134,495	-	-	1,229,055	1,134,495
Vehicles and equipment	823,796	664,305	283,342	321,680	1,107,138	985,985
Total	<u>\$ 3,103,531</u>	<u>\$ 2,816,738</u>	<u>\$ 11,796,021</u>	<u>\$ 8,665,447</u>	<u>\$ 14,899,552</u>	<u>\$ 11,482,185</u>

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

Long-Term Debt

City of Breckenridge's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases payable	\$ 182,661	\$ 9,388	\$ 52,574	\$ 104,510	\$ 235,235	\$ 113,898
Loans Payable	100,000	-	-	-	100,000	-
Certificates of Obligation	-	-	4,860,000	5,050,000	4,860,000	5,050,000
Tax & Revenue Ref. Bonds	-	-	325,000	480,000	325,000	480,000
Total	<u>\$ 282,661</u>	<u>\$ 9,388</u>	<u>\$ 5,237,574</u>	<u>\$ 5,634,510</u>	<u>\$ 5,520,235</u>	<u>\$ 5,643,898</u>

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

- Net Assessed Property values used for the 2016-17 Budget decreased by \$10,585,720 or 5.2%. New improvements added for 2017 are up \$1,505,410. Mineral property decreased by \$4,961,019, and Personal Property decreased by \$9,351,800. The Debt Rate increased to \$0.38120. The total tax rate increased to \$1.04/\$100 valuation.
- In 2015-16, Sales tax revenue is projected to come in \$200,000 less than budgeted, and remain at the same level for 2016-17. Sales tax reductions are believed to be due to decline in the oil and gas industries. Economic development has been stagnant in 2015-16.
- General Fund disbursements are budgeted to decrease \$130,754 from the 2015-16 Budget but decrease another \$127,726 or 3.3% over projected year end 2015-16. Items increasing the budget in 2016-17 are costs of the reduction-in-force and a new \$30,000 computer server in Police Department. Health insurance rates increased by 12%. Additional transfers from Water and Wastewater Funds supplement the General Fund in 2016-17. Fund Balance is budgeted to decline by \$68,846 mainly due to sales tax decline.
- Due to rains that started last July, water revenues dropped \$200,000 in 2015-16. Water revenues for 2016-17 are budgeted for a \$100,000 increase over 2015-16 projected year-end. No water rate increases are projected for the Water Fund in 2016-17.
- Water Fund expenditures were projected under budget by \$58,500 in 2015-16. The 2016-17 expenditures are projected to be down \$226,100, mainly due to the elimination of the engineering fees for the Parks Street project. Additional transfers will be made to the General Fund in 2016-17. Seed funds for the Breck Trade Days Fund have decreased in 2016-17 to \$20,000.
- Wastewater Fund revenue for 2016-17 remains at the 2015-16 level. No wastewater rate increases are projected for 2016-17.
- Wastewater Fund year-end expenditures for 2016-17 are projected at \$100,000 less than EOY 2015-16. A new office/lab facility was constructed in 2015-16. Additional transfers will be made to the General Fund in 2016-17. Seed funds for the Breck Trade Days Fund have decreased in 2016-17 to \$20,000.
- The Sanitation Fund remains stable, projecting a cash balance of \$85,219 for 2016-17. The City clean-up effort continues to be funded through the Sanitation Fund and has had forty sub-standard houses deposited in the Monofill through 2015-16. The goal for 2016-17 is to demolish fifty more.

- The Breck Trade Days Fund began the effort to build a vendor and customer base and add facilities in 2014-15. A new Trade Barn, Breck Trade Days Office, restroom facilities, and parking facilities were added in 2014-15. New restroom/shower facilities, utilities for outdoor vendors, and roll-up doors on the Trade Barn were added in 2015-16. The fund is not yet self-sustaining and will require seed funds in 2016-17 from the Water and Wastewater Funds. Two more events were added in 2015-16 for a total of six per year.
- The Capital Improvements Project Fund totals \$8,971,236. The \$1.2 million Wastewater Treatment Plant project will be re-bid in November 2016. The \$2.4 million Water Treatment Plant project began construction in March 2016. The \$2.38 million Lake Daniels/Water Line Replacement project has been completed. The \$5.4 million Park Street project has secured funding from USDA Rural Development and is in the engineering design stage with construction expected to begin in the last quarter of 2016.
- No transfers will be made into the Equipment Replacement Fund in 2016-17. Any emergency purchases from the existing \$135,000 reserves in that fund.
- A reduction-in-force of six full-time and one part-time position occurred in 2015-16. No new positions are to be added in 2016-17. No salary increases except for a 3% raise for Fire Department personnel, adjustments to address the federal overtime requirements, and increases for additional responsibilities due to the RIF. Health insurance is planned for a 12% increase.
- Debt service requirements increased due to the additional debt for the Park Street project. Portions of the debt service requirements will be paid by General, Water, and Wastewater Funds in 2016-17. Reserve balances are projected to increase in General Debt Service Fund to \$604,905 and in Revenue Debt Service Fund to \$292,480.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
September 30, 2016

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental	Business-type	Total	Breckenridge Economic Development
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 1,752,157	\$ 417,202	\$ 2,169,359	\$ 918,043
Receivables (Net of allowances for uncollectibles)				
Property taxes	123,038	-	123,038	-
Other taxes	321,447	-	321,447	74,923
Accounts	309	277,951	278,260	-
Miscellaneous	34,386	23,121	57,507	-
Due from Other Governments	458	-	458	-
Internal Balances	81,140	(81,140)	-	-
Supplies inventory	-	154,876	154,876	-
Restricted assets:				
Cash and cash equivalents	-	2,258,571	2,258,571	-
Notes receivable	-	-	-	2,134,681
Capital assets (net of accumulated depreciation):				
Land	187,285	193,297	380,582	56,546
Construction in progress	147,200	2,071,569	2,218,769	-
Land Improvements	-	16,307	16,307	-
Buildings and improvements	716,195	513,272	1,229,467	180,252
Water and wastewater systems	-	8,718,234	8,718,234	-
Infrastructure	1,229,055	-	1,229,055	-
Vehicles and equipment	823,796	283,342	1,107,138	-
Land held for economic development, at cost				506,318
Total Assets	5,416,466	14,846,602	20,263,068	3,870,763
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amount on refunding	-	14,851	14,851	-
Deferred Outflow Related to TMRS	451,027	134,315	585,342	-
Total Deferred Outflows of Resources	451,027	149,166	600,193	-
LIABILITIES:				
Accounts Payable	168,703	529,591	698,294	1,828
Accrued Payroll	60,263	13,120	73,383	-
Due to other governments	15,731	-	15,731	-
Unearned Revenue	-	258,970	258,970	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	-	6,174	6,174	-
Customer deposits	-	206,442	206,442	-
Noncurrent liabilities:				
Due within one year	117,802	407,574	525,376	28,295
Due in more than one year	164,859	4,840,719	5,005,578	225,280
Net Pension Liability	1,061,157	315,001	1,376,158	-
Total Liabilities	1,588,515	6,577,591	8,166,106	255,403
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to TMRS	24,879	7,385	32,264	-
Total Deferred Inflows of Resources	24,879	7,385	32,264	-
NET POSITION:				
Net Investments in Capital Assets	2,920,870	8,195,913	11,116,783	236,798
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	426,821
Debt service	658,395	-	658,395	-
Property tax reduction	17,148	-	17,148	-
Street maintenance	926,662	-	926,662	-
Public safety	11,833	-	11,833	-
Parks	12,726	-	12,726	-
Unrestricted Net Position	(293,535)	214,879	(78,656)	2,951,741
Total Net Position	\$ 4,254,099	\$ 8,410,792	\$ 12,664,891	\$ 3,615,360

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, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 839,816	\$ 17,594	\$ -	\$ -
Public Safety	2,026,844	152,551	12,296	-
Public Works	603,685	-	-	-
Cemetery	124,358	15,106	10,683	-
Parks	304,415	27,278	313	26,789
Community services	178,666	-	89,139	-
Tourism	42,000	-	-	-
Interest on long-term debt	11,237	-	-	-
Total governmental activities	<u>4,131,021</u>	<u>212,529</u>	<u>112,431</u>	<u>26,789</u>
Business-type activities:				
Water and wastewater	2,341,799	2,678,415	-	495,231
Sanitation	518,876	524,299	-	-
Trade Days	80,724	6,594	-	-
Total business-type activities	<u>2,941,399</u>	<u>3,209,308</u>	<u>-</u>	<u>495,231</u>
Total primary government	<u>\$ 7,072,420</u>	<u>\$ 3,421,837</u>	<u>\$ 112,431</u>	<u>\$ 522,020</u>
Component Unit				
Governmental activities:				
General administration	\$ 132,702	\$ -	\$ -	\$ -
Economic development	63,167	-	28,000	6,620
Community development	17,478	-	-	-
Interest on long-term debt	11,208	-	-	-
Total component unit	<u>\$ 224,555</u>	<u>\$ -</u>	<u>\$ 28,000</u>	<u>\$ 6,620</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, 2015

Net Position September 30, 2016

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	
\$ (822,222)	\$ -	\$ (822,222)	\$ -	
(1,861,997)	-	(1,861,997)	-	
(603,685)	-	(603,685)	-	
(98,569)	-	(98,569)	-	
(250,035)	-	(250,035)	-	
(89,527)	-	(89,527)	-	
(42,000)	-	(42,000)	-	
(11,237)	-	(11,237)	-	
<u>(3,779,272)</u>	<u>-</u>	<u>(3,779,272)</u>	<u>-</u>	
-	831,847	831,847	-	
-	5,423	5,423	-	
-	(74,130)	(74,130)	-	
<u>-</u>	<u>763,140</u>	<u>763,140</u>	<u>-</u>	
\$ <u>(3,779,272)</u>	\$ <u>763,140</u>	\$ <u>(3,016,132)</u>	\$ <u>-</u>	
\$ -	\$ -	\$ -	\$ (132,702)	
-	-	-	(28,547)	
-	-	-	(17,478)	
-	-	-	(11,208)	
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(189,935)</u>	
\$ 1,251,993	\$ -	\$ 1,251,993	\$ -	
634,352	-	634,352	-	
1,240,973	-	1,240,973	411,380	
413,112	-	413,112	-	
43,226	-	43,226	-	
4,778	9,774	14,552	89,344	
48,546	-	48,546	-	
165,157	(165,157)	-	-	
<u>3,802,137</u>	<u>(155,383)</u>	<u>3,646,754</u>	<u>500,724</u>	
22,865	607,757	630,622	310,789	
4,231,234	7,803,035	12,034,269	3,304,571	
\$ <u>4,254,099</u>	\$ <u>8,410,792</u>	\$ <u>12,664,891</u>	\$ <u>3,615,360</u>	

CITY OF BRECKENRIDGE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	General Debt Service Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Assets:					
Cash and cash equivalents	\$ 81,535	\$ 621,407	\$ 883,546	\$ 165,669	\$ 1,752,157
Receivables (Net of allowances)					
Property taxes	86,050	36,988	-	-	123,038
Other taxes	278,331	-	43,116	-	321,447
Accounts	309	-	-	-	309
Miscellaneous	34,386	-	-	-	34,386
Due from other funds	198,505	-	-	-	198,505
Due from other governments	-	-	-	458	458
Total assets	<u>\$ 679,116</u>	<u>\$ 658,395</u>	<u>\$ 926,662</u>	<u>\$ 166,127</u>	<u>\$ 2,430,300</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 143,103	\$ -	\$ -	\$ 25,600	\$ 168,703
Accrued payroll	60,263	-	-	-	60,263
Due to other funds	76,000	-	-	41,365	117,365
Due to other governments	15,731	-	-	-	15,731
Total liabilities	<u>295,097</u>	<u>-</u>	<u>-</u>	<u>66,965</u>	<u>362,062</u>
Deferred inflows of resources:					
Deferred property tax	84,410	36,988	-	-	121,398
Other deferred revenue	91,350	-	-	-	91,350
Total deferred inflows of resources	<u>175,760</u>	<u>36,988</u>	<u>-</u>	<u>-</u>	<u>212,748</u>
Fund Balances:					
Restricted fund balance	17,148	621,407	926,662	24,559	1,589,776
Committed fund balance	-	-	-	135,540	135,540
Unassigned Fund Balance	191,111	-	-	(60,937)	130,174
Total fund balances	<u>208,259</u>	<u>621,407</u>	<u>926,662</u>	<u>99,162</u>	<u>1,855,490</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 679,116</u>	<u>\$ 658,395</u>	<u>\$ 926,662</u>	<u>\$ 166,127</u>	<u>\$ 2,430,300</u>

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

EXHIBIT C-2

CITY OF BRECKENRIDGE, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2016

Total Fund Balances - Governmental Funds	1,855,490
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 \$6,818,641 and the accumulated depreciation was \$3,715,110.	3,103,531
Long-term liabilities, including \$182,661 capital leases payable and \$100,000 loans payable, are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(282,661)
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.	212,748
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$1,061,157, a Deferred Resource Inflow related to TMRS in the amount of \$24,879, and a Deferred Resource Outflow related to TMRS in the amount of \$451,027. This results in a decrease in Net Position.	(635,009)
Net Position of Governmental Activities	<u><u>4,254,099</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, 2016

	General Fund	General Debt Service Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	\$ 1,251,023	\$ 630,343	\$ -	\$ -	1,881,366
Sales and use tax	1,035,173	-	205,800	-	1,240,973
Franchise	413,112	-	-	-	413,112
Hotel motel taxes	43,226	-	-	-	43,226
Charges for service	216,331	-	-	-	216,331
Grants and contributions	103,801	-	-	35,419	139,220
Interest income	799	1,553	2,006	420	4,778
Other revenue	41,108	-	-	7,438	48,546
Total revenues	<u>3,104,573</u>	<u>631,896</u>	<u>207,806</u>	<u>43,277</u>	<u>3,987,552</u>
Expenditures:					
Current					
General government	857,962	-	-	-	857,962
Public Safety	1,916,783	-	-	271,076	2,187,859
Public Works	526,613	-	35,454	-	562,067
Cemetery	118,148	-	-	-	118,148
Parks	251,886	-	-	10,176	262,062
Community services	175,518	-	-	-	175,518
Tourism	42,000	-	-	-	42,000
Capital Outlay	-	-	-	167,188	167,188
Debt service:					
Principal	26,603	-	-	-	26,603
Interest and fiscal charges	6,631	4,606	-	-	11,237
Total expenditures	<u>3,922,144</u>	<u>4,606</u>	<u>35,454</u>	<u>448,440</u>	<u>4,410,644</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>(817,571)</u>	\$ <u>627,290</u>	\$ <u>172,352</u>	\$ <u>(405,163)</u>	<u>(423,092)</u>
Other financing sources (uses):					
Loan Proceeds	100,000	-	-	-	100,000
Capital Lease	-	-	-	199,876	199,876
Transfers in	515,000	-	-	134,609	649,609
Transfers out	<u>(97,615)</u>	<u>(386,833)</u>	<u>-</u>	<u>(4)</u>	<u>(484,452)</u>
Net change in fund balances	(300,186)	240,457	172,352	(70,682)	41,941
Fund balance, October 1, 2015	<u>508,445</u>	<u>380,950</u>	<u>754,310</u>	<u>169,844</u>	<u>1,813,549</u>
Fund balance, September 30, 2016	\$ <u><u>208,259</u></u>	\$ <u><u>621,407</u></u>	\$ <u><u>926,662</u></u>	\$ <u><u>99,162</u></u>	<u><u>1,855,490</u></u>

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

EXHIBIT C-4

**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, 2016**

Total Net Change in Fund Balances - Governmental Funds	41,941
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 \$518,774 of capital outlays and \$26,603 of debt principal payments is to increase net position.	545,377
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(231,981)
Current year loans and capital leases are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(299,876)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,177
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to TMRS, and deferred resource outflow related to TMRS. The changes in these balances decreased net pension.	(33,773)
Change in Net Position of Governmental Activities	<u><u>22,865</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, 2016

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 293,254	\$ 92,031	\$ 27,691	\$ 4,226	\$ 417,202
Receivables (Net of allowances):					
Accounts	166,821	84,348	26,782	-	277,951
Miscellaneous	23,121	-	-	-	23,121
Due from other funds	76,000	5,338	-	-	81,338
Supplies inventory	154,876	-	-	-	154,876
Restricted Assets:					
Cash and cash equivalents	1,176,260	1,054,987	-	27,324	2,258,571
Total current assets	1,890,332	1,236,704	54,473	31,550	3,213,059
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,069	2,474	39,000	18,382	224,925
Construction in progress	1,977,078	94,491	-	-	2,071,569
Buildings and improvements	993,146	108,362	-	209,321	1,310,829
Water system	11,258,854	-	-	-	11,258,854
Wastewater system	-	5,253,950	-	-	5,253,950
Vehicles and equipment	343,707	458,706	78,107	6,247	886,767
Less: accumulated depreciation	(6,198,998)	(2,941,791)	(63,107)	(6,977)	(9,210,873)
Capital assets, net	8,538,856	2,976,192	54,000	226,973	11,796,021
Total noncurrent assets	8,538,856	2,976,192	54,000	226,973	11,796,021
Total assets	10,429,188	4,212,896	108,473	258,523	15,009,080
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS	85,906	42,669	5,740	-	134,315
Deferred amount on refunding	9,653	5,198	-	-	14,851
Total Deferred Outflows of Resources	95,559	47,867	5,740	-	149,166
LIABILITIES:					
Current Liabilities:					
Accounts payable	498,607	26,372	1,306	3,306	529,591
Accrued payroll	9,413	2,827	880	-	13,120
Due to other funds	95,338	-	-	67,140	162,478
Unearned revenues	-	258,970	-	-	258,970
Current Liabilities Payable from Restricted Assets:					
Current portion of long-term debt	265,397	142,177	-	-	407,574
Interest payable	5,336	838	-	-	6,174
Customer deposits payable	206,442	-	-	-	206,442
Total current liabilities	1,080,533	431,184	2,186	70,446	1,584,349
Noncurrent Liabilities:					
Long-term portion of bonds payable	3,987,967	852,752	-	-	4,840,719
Net pension Liability	201,607	99,908	13,486	-	315,001
Total noncurrent liabilities	4,189,574	952,660	13,486	-	5,155,720
Total liabilities	5,270,107	1,383,844	15,672	70,446	6,740,069
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows					
Deferred inflow related to TMRS	4,727	2,342	316	-	7,385
Total Deferred Inflows of Resources	4,727	2,342	316	-	7,385
NET POSITION:					
Net Investment in Capital Assets	5,139,588	2,775,352	54,000	226,973	8,195,913
Unrestricted	110,325	99,225	44,225	(38,896)	214,879
Total net position	\$ 5,249,913	\$ 2,874,577	\$ 98,225	\$ 188,077	\$ 8,410,792

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, 2016

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
Operating revenues:					
Charges for sales and services	\$ 1,757,877	\$ 900,141	\$ 522,865	6,594	\$ 3,187,477
Miscellaneous	20,397	-	1,434	-	21,831
Total operating revenue	<u>1,778,274</u>	<u>900,141</u>	<u>524,299</u>	<u>6,594</u>	<u>3,209,308</u>
Operating expenses:					
Water and sewer commercial	99,085	-	-	-	99,085
Water meters and readers	97,150	-	-	-	97,150
Lake Daniel	6,826	-	-	-	6,826
Water production	782,204	-	-	-	782,204
Water distribution	297,505	-	-	-	297,505
Sewer collection	-	228,103	-	-	228,103
Sewer treatment	-	342,935	-	-	342,935
Solid waste	-	-	517,076	-	517,076
Trade Days	-	-	-	75,605	75,605
Depreciation	251,992	175,639	1,800	5,119	434,550
Total operating expenses	<u>1,534,762</u>	<u>746,677</u>	<u>518,876</u>	<u>80,724</u>	<u>2,881,039</u>
Operating income (loss)	<u>243,512</u>	<u>153,464</u>	<u>5,423</u>	<u>(74,130)</u>	<u>328,269</u>
Nonoperating revenues (expenses):					
Interest revenue	6,658	2,809	202	105	9,774
Interest expense and fiscal charges	(37,190)	(23,170)	-	-	(60,360)
Total nonoperating revenues (expenses)	<u>(30,532)</u>	<u>(20,361)</u>	<u>202</u>	<u>105</u>	<u>(50,586)</u>
Income (loss) before contributions and transfers	<u>212,980</u>	<u>133,103</u>	<u>5,625</u>	<u>(74,025)</u>	<u>277,683</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	492,666	2,565	-	-	495,231
Transfers in	360,092	103,130	-	63,230	526,452
Transfers out	(434,409)	(190,000)	(67,200)	-	(691,609)
Change in Net Position	631,329	48,798	(61,575)	(10,795)	607,757
Net Position, October 1, 2015	<u>4,618,584</u>	<u>2,825,779</u>	<u>159,800</u>	<u>198,872</u>	<u>7,803,035</u>
Net Position, September 30, 2016	<u>\$ 5,249,913</u>	<u>\$ 2,874,577</u>	<u>\$ 98,225</u>	<u>188,077</u>	<u>\$ 8,410,792</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, 2016

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,800,851	\$ 899,561	\$ 525,052	\$ 6,594	\$ 3,232,058
Cash paid to suppliers	(927,187)	(409,217)	(492,478)	(75,364)	(1,904,246)
Cash paid to employees	(304,698)	(157,844)	(23,104)	(60)	(485,706)
Net cash provided by operating activities	<u>568,966</u>	<u>332,500</u>	<u>9,470</u>	<u>(68,830)</u>	<u>842,106</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	(75,192)	-	-	65	(75,127)
Transfers in	360,092	103,130	-	63,230	526,452
Transfers out	(434,409)	(190,000)	(67,200)	-	(691,609)
Net cash provided (used) by noncapital financing activities	<u>(149,509)</u>	<u>(86,870)</u>	<u>(67,200)</u>	<u>63,295</u>	<u>(240,284)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(3,157,659)	(102,718)	-	(20,748)	(3,281,125)
Capital grants received	124,197	-	-	-	124,197
Principal payments on long-term debt	(259,729)	(137,207)	-	-	(396,936)
Interest paid on bonds	(131,524)	(21,600)	-	-	(153,124)
Net cash (used) by capital and related financing activities	<u>(3,424,715)</u>	<u>(261,525)</u>	<u>-</u>	<u>(20,748)</u>	<u>(3,706,988)</u>
Cash flow from investing activities:					
Interest received	<u>6,658</u>	<u>2,809</u>	<u>202</u>	<u>105</u>	<u>9,774</u>
Net cash provided by investing activities	<u>6,658</u>	<u>2,809</u>	<u>202</u>	<u>105</u>	<u>9,774</u>
Net increase (decrease) in cash and cash equivalents	(2,998,600)	(13,086)	(57,528)	(26,178)	(3,095,392)
Cash and cash equivalents, October 1, 2015	<u>4,468,114</u>	<u>1,160,104</u>	<u>85,219</u>	<u>57,728</u>	<u>5,771,165</u>
Cash and cash equivalents, September 30, 2016	<u>\$ 1,469,514</u>	<u>\$ 1,147,018</u>	<u>\$ 27,691</u>	<u>\$ 31,550</u>	<u>\$ 2,675,773</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 243,512	\$ 153,464	\$ 5,423	\$ (74,130)	\$ 328,269
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	251,992	175,639	1,800	5,119	434,550
Loss on disposal of capital asset	6,811	-	-	-	6,811
(Increase) decrease in accounts receivable	18,216	(580)	753	-	18,389
(Increase) decrease in supplies inventory	8,625	-	-	-	8,625
Increase (decrease) in accounts payable	17,870	2,372	807	181	21,230
Increase (decrease) in accrued payroll	1,077	(1,283)	253	-	47
Increase (decrease) in customer meter deposits	4,361	-	-	-	4,361
Increase (decrease) in net pension balances	16,502	2,888	434	-	19,824
Total adjustments	<u>325,454</u>	<u>179,036</u>	<u>4,047</u>	<u>5,300</u>	<u>513,837</u>
Net cash provided by operating activities	<u>\$ 568,966</u>	<u>\$ 332,500</u>	<u>\$ 9,470</u>	<u>\$ (68,830)</u>	<u>\$ 842,106</u>
Noncash Investing, Capital and Financial Activities					
Interfund transfer of capital assets	\$ (3,261)	\$ (4,246)	\$ -	\$ -	\$ (7,507)
Property received in trade	<u>3,261</u>	<u>(4,246)</u>	<u>-</u>	<u>59,711</u>	<u>59,711</u>
	<u>\$ (3,261)</u>	<u>\$ (4,246)</u>	<u>\$ -</u>	<u>\$ 59,711</u>	<u>\$ 52,204</u>

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

EXHIBIT E-1

CITY OF BRECKENRIDGE, TEXAS
Statement of Fiduciary Net Position
Cemetery Trust Fund
September 30, 2016

ASSETS:

Investments	\$ <u>560,578</u>
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Total assets	<u>560,578</u>
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NET POSITION:

Held in trust for cemetery care	<u>560,578</u>
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Total net position	\$ <u><u>560,578</u></u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT E-2

CITY OF BRECKENRIDGE, TEXAS
Statement of Changes in Fiduciary Net Position
Cemetery Trust Fund
Year Ended September 30, 2016

Additions:	
Contributions	
Sale of lots	\$ 2,881
Investment Income	<u>36,786</u>
Total additions	<u>39,667</u>
Deductions:	
Benefits to Breckenridge Cemetery	13,459
Trust Fees	<u>7,024</u>
Total deductions	<u>20,482</u>
Change in Net Position	19,185
Net Position, October 1, 2015	<u>541,394</u>
Net Position, September 30, 2016	<u><u>\$ 560,578</u></u>

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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 street maintenance fund accounts for 1/8% sales tax restricted for street maintenance.

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.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following fund types:

The *Cemetery Trust Fund* is a private-purpose trust fund used to account for resources legally held in trust. A portion of the purchase price of cemetery lots is invested in perpetuity. The earnings on the invested resources are used by the City for the perpetual care of the cemetery properties.

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 \$86,050 and the general debt service fund of \$36,988 is equal to 50% of outstanding delinquent property taxes at September 30, 2016. The court fines and fees receivable is reported net of an allowance of \$18,658 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$8,818 which is the accounts aged over 60 days.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Major outlays allowance for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and wastewater funds during the current fiscal year was \$157,591. Of this amount \$97,231 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

It is the City's policy not to allow the accumulation of vacation time to be paid upon the employee's separation from service. All vacations are required to be taken during the year offered; therefore, no long-term liability has been accrued. 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.

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 the use of management's 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.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	General Fund	General Debt Service Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Restricted:					
Debt service	\$ -	\$ 621,407	\$ -	\$ -	\$ 621,407
Property tax reduction	17,148	-	-	-	17,148
Street maintenance	-	-	926,662	-	926,662
Public Safety	-	-	-	11,833	11,833
Parks	-	-	-	12,726	12,726
Committed:					
Equipment replacement	-	-	-	135,540	135,540
Unassigned	191,111	-	-	(60,937)	130,174
	<u>\$ 208,259</u>	<u>\$ 621,407</u>	<u>\$ 926,662</u>	<u>\$ 99,162</u>	<u>\$ 1,855,490</u>

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.

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, 2016

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 the City's pledge of securities and FDIC Insurance. At September 30, 2016, the City's deposits and BEDC's deposits were fully collateralized and insured.

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	49,371	49,371	8.81%	49,371	-	-	-
Equity Mutual Funds	N/A	126,422	127,887	22.81%	127,887	-	-	-
Bond Mutual Funds	N/A	164,500	158,934	28.35%	158,934	-	-	-
Corporate Bonds	Aaa - Baa2	112,984	115,727	20.64%	17,129	64,992	18,647	14,959
U.S. Treasuries	N/A	41,448	42,594	7.60%	-	20,147	14,653	7,794
U.S. Government Agencies	N/A	65,181	66,065	11.79%	-	-	3,509	62,556
		<u>\$ 559,906</u>	<u>\$ 560,578</u>		<u>\$353,321</u>	<u>\$ 85,139</u>	<u>\$ 36,809</u>	<u>\$ 85,309</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, 2016, 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, 2016

NOTE 3: RESTRICTED ASSETS

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

	<u>Cash</u>
Business-type Activities	
Customer water deposits	\$ 206,488
Construction - water fund	969,772
Construction - wastewater fund	1,054,987
Hotel/Motel Tax Funds for Advertising	<u>27,324</u>
	<u>\$ 2,258,571</u>

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 charges on refunding bonds and deferred outflows related to pensions reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 two types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources. 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)	\$ 84,410
Deferred property taxes receivable (general debt service fund)	36,988
Deferred franchise taxes receivable (general fund)	72,692
Deferred court costs (general fund)	<u>18,658</u>
Total deferred inflows for governmental funds	<u>\$ 212,748</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 41,365
	Water Fund	90,000
	Trade Days Fund	67,140
Total governmental funds		\$ <u>198,505</u>
Water fund	General Fund	\$ 76,000
Wastewater fund	Water fund	5,338
Total proprietary funds		\$ <u>81,338</u>

The receivables in the general fund are from funding the walking trail and scada projects before grants were received and providing start-up funds for the Breck Trade Days. The water fund receivable are for amounts loaned to the general fund for operations. The wastewater fund receivable is the difference between transfers for debt service and actual debt service payments.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2016, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 303,000
General Fund	Wastewater Fund	150,000
General Fund	Sanitation Fund	62,000
Other governmental funds	General Fund	20,000
Other governmental funds	Water Fund	104,409
Other governmental funds	Wastewater Fund	5,000
Other governmental funds	Sanitation Fund	5,200
Total Governmental Funds Transfers In		\$ <u>649,609</u>
Water Fund	General Fund	\$ 76,389
Water Fund	General Debt Service Fund	283,703
Wastewater Fund	General Debt Service Fund	103,130
Trade Days Fund	General Fund	1,226
Trade Days Fund	Other governmental funds	4
Trade Days Fund	Water Fund	27,000
Trade Days Fund	Wastewater Fund	35,000
Total Enterprise Funds Transfers In		\$ <u>526,452</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (Continued)

Each year the water fund transfers unrestricted revenues collected in the water fund to finance various programs accounted for in the general fund in accordance with budgetary authorizations. Amounts were transferred to fund the equipment replacement fund and Breck Trade Days. The general debt service fund was created to pay part of the water and wastewater debt and the amounts paid were treated as transfers.

NOTE 6: CAPITAL ASSETS

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

Governmental activities:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 187,285	\$ -	\$ -	\$ -	\$ 187,285
Construction in Progress	73,650	167,187		(93,637)	147,200
Total non-depreciable assets	260,935	167,187	-	(93,637)	334,485
Depreciable Assets:					
Buildings and improvements	1,530,327	-	-		1,530,327
Infrastructure	2,433,938	49,743	-	93,637	2,577,318
Vehicles and Equipment	2,074,667	301,844			2,376,511
Total capital assets being depreciated	6,038,932	351,587	-	93,637	6,484,156
Accumulated Depreciation:					
Buildings and improvements	(773,321)	(40,811)	-	-	(814,132)
Infrastructure	(1,299,443)	(48,820)	-	-	(1,348,263)
Vehicles and Equipment	(1,410,365)	(142,350)			(1,552,715)
Total accumulated depreciation	(3,483,129)	(231,981)	-	-	(3,715,110)
Governmental activities capital assets, net	\$ 2,816,738	\$ 286,793	\$ -	\$ -	\$ 3,103,531

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Non - Depreciable Assets:					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	964,557	3,442,912	-	(2,335,900)	2,071,569
Total non-depreciable assets	1,157,854	3,442,912	-	(2,335,900)	2,264,866
Depreciable Assets:					
Land improvements	31,628				31,628
Buildings and improvements	1,248,329	62,500			1,310,829
Water and sewer systems	14,124,751	52,153		2,335,900	16,512,804
Vehicles and equipment	887,722	14,369	(15,324)		886,767
Total capital assets being depreciated	16,292,430	129,022	(15,324)	2,335,900	18,742,028
Accumulated Depreciation:					
Land improvements	(14,397)	(924)			(15,321)
Buildings and improvements	(770,036)	(27,521)			(797,557)
Water and sewer systems	(7,434,361)	(360,209)			(7,794,570)
Vehicles and equipment	(566,042)	(45,896)	8,513		(603,425)
Total accumulated depreciation	(8,784,836)	(434,550)	8,513	-	(9,210,873)
Business-type activities capital assets, net	\$ 8,665,448	\$ 3,137,384	\$ (6,811)	\$ -	\$ 11,796,021

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	9,784
Public Safety	86,912
Public Works	88,019
Cemetery	4,832
Parks	40,684
Community services	1,750
Total depreciation expense - governmental activities	<u>\$ 231,981</u>
Business-type activities:	
Water	\$ 251,992
Wastewater	175,639
Sanitation	1,800
Trade Days	5,119
Total depreciation expense - business-type activities	<u>\$ 434,550</u>