

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

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

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 56,546	\$ -	\$ -	\$ 56,546
Total non-depreciable assets	56,546	-	-	56,546
Depreciable Assets:				
Buildings and improvements	224,645	-	-	224,645
Office furniture and equipment	7,640	-	(3,532)	4,108
Total capital assets being depreciated	232,285	-	(3,532)	228,753
Accumulated Depreciation:				
Buildings and improvements	(38,237)	(6,156)	-	(44,393)
Office furniture and Equipment	(7,640)		3,532	(4,108)
Total accumulated depreciation	(45,877)	(6,156)	3,532	(48,501)
Governmental activities capital assets, net	\$ 242,954	\$ (6,156)	\$ -	\$ 236,798

Land Held for Economic Development

BEDC may purchase land in furtherance of its goals which is the promotion and development of industrial and manufacturing enterprises and to promote and encourage employment in the City of Breckenridge. At September 30, 2016, land held for economic development at cost was \$506,318.

**NOTE 7: CAPITAL LEASES**

The City has entered into various lease agreements as lessee to finance the acquisition of equipment for the general and proprietary funds. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. Interest rates range from 2.97% to 4.5%. Future minimum lease purchase commitments are as follows:

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

**NOTE 7: CAPITAL LEASES- (Continued)**

	Governmental Activities	Business-type Activities
2017	\$ 23,719	\$ 53,831
2018	23,719	-
2019	23,719	-
2020	23,719	-
2021	23,719	-
2022-2026	94,880	-
Total debt service requirements	213,475	53,831
Less: Interest Portion	30,814	1,257
Debt Principal	<u>\$ 182,661</u>	<u>\$ 52,574</u>

Assets under lease and related accumulated depreciation are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 313,025	\$ 217,311
Less: Accumulated depreciation	(29,901)	(108,750)
Net	<u>\$ 283,124</u>	<u>\$ 108,561</u>

**NOTE 8: LOANS PAYABLE**

The City has a \$350,000 line of credit at a local bank. July 15, 2016, the City borrowed \$100,000 to fund operating expenditures. Interest is due annually at 3.50%. The loan matures on July 15, 2017. The loan is secured by all of the deposit accounts of the City and property tax revenue collected over the next twelve month period.

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

**NOTE 9: LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2016.

Primary Government	9/30/2015	Additions	Retirements	9/30/2016	Due Within One Year
Governmental Activities.:					
Capital Leases Payable	\$ 9,388	\$ 199,876	\$ 26,603	\$ 182,661	\$ 17,802
Loans payable	-	100,000	-	100,000	100,000
Net pension liability	720,048	341,109	-	1,061,157	-
Total Governmental Activities	729,436	640,985	26,603	1,343,818	117,802
Business-type Activities:					
Capital leases payable	104,510	-	51,936	52,574	52,574
Certificates of Obligation	5,050,000	-	190,000	4,860,000	195,000
General Obligation Refunding Bonds	480,000	-	155,000	325,000	160,000
Premium on GO Refunding Bonds	23,240	-	12,521	10,719	-
Net pension liability	203,800	111,201	-	315,001	-
Total Business-type Activities	5,861,550	111,201	409,457	5,563,294	407,574
Total Long-Term Liabilities	\$ 6,590,986	\$ 752,186	\$ 436,060	\$ 6,907,112	\$ 525,376
Component Unit					Due Within One Year
Governmental Activities.:	9/30/2015	Additions	Retirements	9/30/2016	
Sales Tax Revenue Note	\$ 143,728	\$ -	\$ 143,728	\$ -	\$ -
Tax leveraged fund note	280,957	-	27,382	253,575	28,295
Total Component Unit	\$ 424,685	\$ -	\$ 171,110	\$ 253,575	\$ 28,295

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

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

At September 30, 2016, business-type activities bonds payable consisted of the following issues:

	<u>Business-Type Activities</u>
\$800,000 Combination Tax and Revenue Certificates of Obligation, Series 2003 dated July 1, 2003, due in annual installments through September 30, 2018, bearing interest at 5.50%.	\$ 150,000
\$2,945,000 General Obligation Refunding Bonds, Series 2010 dated December 18, 2009, due in annual installments through March 15, 2018, bearing interest at 3.00%.	325,000
\$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%.	1,590,000
\$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%.	790,000
\$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%	2,330,000
Premium on General Obligation Refunding Bonds, Series 2010	<u>10,719</u>
Total	<u><u>\$ 5,195,719</u></u>

At September 30, 2016, component unit bonds payable consisted of the following issues:

	<u>Component Unit</u>
\$310,000 Tax leverages loan dated June 30, 2014, due in annual installments through August 1, 2024, bearing interest at 3.25%.	<u>253,575</u>
Total	<u><u>\$ 253,575</u></u>

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

**NOTE 9: LONG-TERM DEBT (Continued)**

The annual requirements to amortize business-type activities bonds outstanding as of September 30, 2016 are as follows:

Primary Government	Business-type Activities				
	Certificates of Obligation		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2017	\$ 195,000	\$ 134,159	\$ 160,000	\$ 8,987	\$ 498,146
2018	195,000	129,520	165,000	3,094	492,614
2019	120,000	126,558	-	-	246,558
2020	120,000	125,208	-	-	245,208
2021	130,000	123,356	-	-	253,356
2022-2026	665,000	577,484	-	-	1,242,484
2027-2031	740,000	491,243	-	-	1,231,243
2032-2036	860,000	376,608	-	-	1,236,608
2037-2041	1,015,000	229,704	-	-	1,244,704
2042-2045	820,000	55,507	-	-	875,507
Total debt service requirements	\$ 4,860,000	\$ 2,369,347	\$ 325,000	\$ 12,081	\$ 7,566,428

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 \$.32517 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 \$621,407 for the general debt service and \$174,147 for the revenue 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, 2016.

The annual requirements to amortize the component unit governmental activity bonds as of September 30, 2016 are as follows:

Component Unit	Governmental Activities		Total
	Principal	Interest	
2017	28,295	8,424	36,719
2018	29,301	7,418	36,719
2019	30,344	6,376	36,720
2020	31,422	5,296	36,718
2021	32,540	4,179	36,719
2022 - 2024	101,673	5,426	107,099
Total debt service requirements	\$ 253,575	\$ 37,119	\$ 290,694

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

**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: TEXAS WATER DEVELOPMENT BOARD PROJECTS**

In December 2012, the City received two loans and grants from the Texas Water Development Board's Economically Distressed Areas Program. The City received a \$1,680,000 loan and \$704,878 grant money for water improvements, of which \$1,876,151 has been expended to date for engineering and construction. The City also received a \$840,000 loan and \$353,461 for wastewater improvements, of which \$94,491 has been expended to date on engineering. A construction contract is expected to be awarded in the 2017 fiscal year for the wastewater improvements.

In 2014 the City received a \$2,380,000 loan from the Texas Water Development Board's Economically Distressed Areas Program. 100% of the funds have been spent for debt issuance, construction and engineering as of September 30, 2016

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

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

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

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:

	<u>Plan Year 2016</u>
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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	73
Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	47
	<u>166</u>

**Contributions**

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

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 8.76% and 8.77% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$196,535, and were equal to the required contributions.

**Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The Total Pension Liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

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

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

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with and adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of 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, 2016**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
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 employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/14	\$ 7,707,630	\$ 6,783,781	\$ 923,849
Changes for the year:			
Service cost	202,264		202,264
Interest	529,436		529,436
Changes in benefit terms	-		-
Difference between expected and actual experience	9,535		9,535
Changes of assumptions	20,408		20,408
Contributions-employer		194,097	(194,097)
Contributions-employee		111,625	(111,625)
Net investment income		10,008	(10,008)
Benefit payments, including refunds of employee contributions	(490,767)	(490,767)	-
Administrative expense		(6,097)	6,097
Other changes		(299)	299
Net changes	270,876	(181,433)	452,309
Balance at 12/31/15	\$ 7,978,506	\$ 6,602,348	\$ 1,376,158

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

**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	\$ 2,412,562	\$ 1,376,158	\$ 526,706

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$247,695.

At September 30, 2016, 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	\$ 6,672	\$ 32,264
Changes in actuarial assumptions	14,279	-
Differences between projected and actual investment earnings	423,442	-
Contributions subsequent to the measurement date	140,949	-
Total	<u>\$ 585,342</u>	<u>\$ 32,264</u>

\$140,949 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, 2016. 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, 2016**

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

Year ended December 31:	Net Deferred outflows (inflows) of resources
2016	\$ 96,087
2017	109,946
2018	113,122
2019	92,974
2020	-
Thereafter	-
	<u>\$ 412,129</u>

**NOTE 13: OTHER POST EMPLOYMENT BENEFITS**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$5,179, \$5,265 and \$4,923, respectively, which equaled the required contributions each year.

**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.

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

**NOTE 14: CONTINGENT LIABILITIES – (Continued)**

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.

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

**NOTE 15: SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 30, 2017, which is the date the financial statements were available to be issued.

**NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Government Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures* will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial users. This Statement is effective for fiscal years beginning after December 15, 2015.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 1,223,000	\$ 1,252,000	\$ 1,251,023	(977)
Sales and use tax	1,343,000	1,065,000	1,035,173	(29,827)
Franchise	447,500	447,500	413,112	(34,388)
Hotel motel taxes	42,000	48,000	43,226	(4,774)
Charges for service	266,500	228,800	216,331	(12,469)
Grants and contributions	92,000	109,000	103,801	(5,199)
Interest income	1,500	1,500	799	(701)
Other revenue	23,000	48,000	41,108	(6,892)
<b>Total revenues</b>	<u>3,438,500</u>	<u>3,199,800</u>	<u>3,104,573</u>	<u>(95,227)</u>
<b>Expenditures:</b>				
<b>Current</b>				
General government	806,000	865,000	857,962	7,038
Public Safety	1,899,200	1,922,300	1,916,783	5,517
Public Works	625,100	631,100	526,613	104,487
Cemetery	127,100	127,100	118,148	8,952
Parks	282,200	292,700	251,886	40,814
Community services	195,500	196,500	175,518	20,982
Tourism	42,000	42,000	42,000	-
<b>Debt service:</b>				
Principal	26,700	26,700	26,603	97
Interest and fiscal charges	6,700	6,700	6,631	69
<b>Total expenditures</b>	<u>4,010,500</u>	<u>4,110,100</u>	<u>3,922,144</u>	<u>187,956</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>\$ (572,000)</u>	<u>\$ (910,300)</u>	<u>\$ (817,571)</u>	<u>92,729</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	-	100,000	100,000
Transfers in	300,000	392,000	515,000	123,000
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(97,615)</u>	<u>(77,615)</u>
<b>Net change in fund balances</b>	<u>(292,000)</u>	<u>(538,300)</u>	<u>(300,186)</u>	<u>238,114</u>
<b>Fund balance, October 1, 2015</b>	<u>508,445</u>	<u>508,445</u>	<u>508,445</u>	<u>-</u>
<b>Fund balance, September 30, 2016</b>	<u>\$ 216,445</u>	<u>\$ (29,855)</u>	<u>\$ 208,259</u>	<u>238,114</u>

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



**EXHIBIT F-2**

CITY OF BRECKENRIDGE  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2016

**Total pension liability**

Plan Year	2014	2015
Service Cost	\$ 180,948	\$ 202,264
Interest (on the Total Pension Liability)	523,394	529,436
Changes of benefit terms	-	-
Differences between expected and actual experience	(78,389)	9,535
Change of assumptions	-	20,408
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)
Net Change in Total Pension Liability	16,149	270,876
Total Pension Liability-Beginning	\$ 7,691,481	\$ 7,707,630
<b>Total Pension Liability-Ending (a)</b>	<b>\$ 7,707,630</b>	<b>\$ 7,978,506</b>

**Plan Fiduciary Net Position**

Contributions-Employer	\$ 192,605	194,097
Contributions-Employee	110,082	111,625
Net Investment Income	383,868	10,008
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)
Administrative Expense	(4,008)	(6,097)
Other	(330)	(299)
Net Change in Plan Fiduciary Net Position	72,413	(181,433)
Plan Fiduciary Net Position-Beginning	6,711,368	6,783,781
<b>Plan Fiduciary Net Position-Ending (b)</b>	<b>\$ 6,783,781</b>	<b>\$ 6,602,348</b>

<b>Net Pension Liability-Ending (a) - (b)</b>	<b>\$ 923,849</b>	<b>\$ 1,376,158</b>
---	-------------------	---------------------

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

Covered Employee Payroll	\$ 2,201,639	\$ 2,232,491
--------------------------	--------------	--------------

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

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

**EXHIBIT F-3****CITY OF BRECKENRIDGE  
Schedule of Contributions  
Last 3 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 189,895	\$ 193,572	\$ 196,535
Contributions in relation to the actuarially determined contribution	<u>\$ 189,895</u>	<u>\$ 193,572</u>	<u>\$ 196,535</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,112,810	\$ 2,193,754	\$ 2,224,633
Contributions as a percentage of covered employee payroll	8.99%	8.82%	8.83%

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, 2016

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

None

**CITY OF BRECKENRIDGE**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

**Schedule of Contributions**

**Notes to Schedule of**

**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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

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

CITY OF BRECKENRIDGE, TEXAS  
Nonmajor Funds  
Combining Balance Sheet  
September 30, 2016

	Special Revenue Funds				
	Fire Department	Hotel/ Motel	Park	Police Department	Total Special Revenue Funds
<b>Assets:</b>					
Cash	\$ 10,992	\$ -	\$ 12,726	\$ 841	\$ 24,559
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 10,992</b>	<b>\$ -</b>	<b>\$ 12,726</b>	<b>\$ 841</b>	<b>\$ 24,559</b>
<b>Liabilities and fund balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted fund balance	\$ 10,992	\$ -	\$ 12,726	\$ 841	\$ 24,559
Committed fund balance	-	-	-	-	-
Unassigned fund balance	-	-	-	-	-
<b>Total fund balance</b>	<b>10,992</b>	<b>-</b>	<b>12,726</b>	<b>841</b>	<b>24,559</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,992</b>	<b>\$ -</b>	<b>\$ 12,726</b>	<b>\$ 841</b>	<b>\$ 24,559</b>

**EXHIBIT G-1**

Capital Project Funds			
Equipment Replacement	General Capital Projects	Total Capital Projects Funds	Total Nonmajor Funds
\$ 135,540	\$ 5,570	\$ 141,110	\$ 165,669
-	458	458	458
<u>\$ 135,540</u>	<u>\$ 6,028</u>	<u>\$ 141,568</u>	<u>\$ 166,127</u>
\$ -	\$ 25,600	\$ 25,600	\$ 25,600
-	41,365	41,365	41,365
-	66,965	66,965	66,965
\$ -	\$ -	\$ -	\$ 24,559
135,540	-	135,540	135,540
-	(60,937)	(60,937)	(60,937)
135,540	(60,937)	74,603	99,162
<u>\$ 135,540</u>	<u>\$ 6,028</u>	<u>\$ 141,568</u>	<u>\$ 166,127</u>



## CITY OF BRECKENRIDGE, TEXAS

## Nonmajor Funds

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

For the year ended September 30, 2016

	Special Revenue Funds				
	Fire Department	Hotel/ Motel	Park	Police Department	Total Special Revenue Funds
Revenues:					
Other revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contributions	8,317	-	313	-	8,630
Interest	19	2	41	2	64
Total revenue	8,336	2	354	2	8,694
Expenditures:					
Current:					
Public Safety	1,778	-	-	-	1,778
Parks	-	-	10,176	-	10,176
Capital Outlay					
Total expenditures	1,778	-	10,176	-	11,954
Excess (deficiency) of revenue over (under) expenditures	6,558	2	(9,822)	2	(3,260)
Other financing sources (uses):					
Capital lease	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(4)	-	-	(4)
Net change in fund balances	6,558	(2)	(9,822)	2	(3,264)
Fund Balance, October 1, 2015	4,434	2	22,548	839	27,823
Fund Balance, September 30, 2016	\$ 10,992	\$ -	\$ 12,726	\$ 841	\$ 24,559

# EXHIBIT G-2

Capital Project Funds			
Equipment Replacement	General Capital Projects	Total Capital Projects Funds	Total Nonmajor Funds
\$ 7,438	\$ -	\$ 7,438	\$ 7,438
-	26,789	26,789	35,419
324	32	356	420
<u>7,762</u>	<u>26,821</u>	<u>34,583</u>	<u>43,277</u>
269,298	-	269,298	271,076
-	-	-	10,176
<u>269,298</u>	<u>167,188</u>	<u>167,188</u>	<u>167,188</u>
<u>269,298</u>	<u>167,188</u>	<u>436,486</u>	<u>448,440</u>
<u>(261,536)</u>	<u>(140,367)</u>	<u>(401,903)</u>	<u>(405,163)</u>
199,876	-	199,876	199,876
41,225	93,384	134,609	134,609
<u>199,876</u>	<u>93,384</u>	<u>293,260</u>	<u>(4)</u>
(20,435)	(46,983)	(67,418)	(70,682)
<u>155,975</u>	<u>(13,954)</u>	<u>142,021</u>	<u>169,844</u>
<u>\$ 135,540</u>	<u>\$ (60,937)</u>	<u>\$ 74,603</u>	<u>\$ 99,162</u>

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

**CITY OF BRECKENRIDGE, TEXAS****Schedule of Delinquent Property Taxes Receivable****For the fiscal year ended September 30, 2016**

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2007 and prior	0.7769	0.2331	135,736,170	17,300
2008	0.7598	0.2202	142,206,990	5,510
2009	0.7570	0.2029	154,800,440	6,540
2010	0.7663	0.1898	164,281,038	9,793
2011	0.7556	0.1744	176,676,216	10,286
2012	0.8367	0.2106	188,634,444	14,453
2013	0.7557	0.2543	204,984,229	23,874
2014	0.6282	0.2618	192,875,823	39,938
2015	0.5652	0.2966	201,105,727	105,146
2016 (Year under audit)	0.6148	0.3252	196,762,440	-
TOTALS				<u>\$ 232,839</u>

# EXHIBIT G-3

Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30
	(1,635)	(491)	(959)	14,215
	(209)	(60)	(150)	5,091
	(235)	(63)	(76)	6,166
	(1,858)	(460)	(273)	7,202
	(2,127)	(491)	(462)	7,206
	(3,070)	(773)	(851)	9,759
	(3,751)	(1,262)	(1,198)	17,663
	(7,763)	(3,235)	(1,487)	27,453
	(29,420)	(15,438)	(391)	59,897
1,872,642	(1,149,956)	(608,187)	(23,075)	91,424
<u>\$ 1,872,642</u>	<u>\$ (1,200,024)</u>	<u>\$ (630,460)</u>	<u>\$ (28,922)</u>	<u>\$ 246,075</u>

**EXHIBIT G-4**

City of Breckenridge, Texas  
 Statistics - Water and Wastewater Fund  
 For the year ended September 30, 2016  
 (Unaudited)

Number of water connections at end of year	2,635
Number of wastewater connections at end of year	2,026
Gallons of water billed through the system during the fiscal year	182,972,392

	2016	2015
<u>Outstanding Bonds and Certificates:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2003	\$ 150,000	\$ 220,000
General Obligation Refunding Bonds, Series 2010	325,000	480,000
Combination Tax and Revenue Certificates of Obligation, Series 2012	1,590,000	4,635,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	790,000	815,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,330,000	2,380,000
Premium on bond	10,719	23,240
	<u>\$ 5,195,719</u>	<u>\$ 8,553,240</u>

<u>Water and Wastewater Operating Income Available for Debt Retirement:</u>		
Net Operating Income	\$ 396,976	\$ 312,892
Net Nonoperating Interest Income	9,467	9,973
Add Depreciation Expense	427,631	381,351
	<u>\$ 834,074</u>	<u>\$ 704,216</u>
Water and Sewer Operating Income Available for Debt Retirement		

<u>Annual Debt Service Requirements and Coverage:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2003	\$ 80,175	\$ 78,888
General Obligation Refunding Bonds, Series 2010	169,113	194,063
Combination Tax and Revenue Certificates of Obligation, Series 2012	72,589	72,589
Combination Tax and Revenue Certificates of Obligation, Series 2013	38,104	38,104
Combination Tax and Revenue Certificates of Obligation, Series 2014	137,545	87,633
	<u>497,526</u>	<u>471,277</u>
Total Debt Service Requirements		
Less Current Year Property Taxes	(630,343)	(580,886)
Net System Fund Requirements	<u>\$ (132,817)</u>	<u>\$ (109,609)</u>
Coverage of Total System Fund Debt Service	<u>not applicable</u>	<u>not applicable</u>

<u>Cash Available in Bond Sinking Funds</u>		
General Debt Service	\$ 621,407	\$ 380,950
Revenue Debt Service	174,147	294,643
	<u>\$ 795,554</u>	<u>\$ 675,593</u>

EXHIBIT G-5

CITY OF BRECKENRIDGE, TEXAS

Insurance in Force  
September 30, 2016  
(Unaudited)

	Coverage	Premium
Flood, Fire and Extended Coverage		
Buildings and Contents	\$ 12,286,673	\$ 27,844
Errors & Omission Liability		
Each Wrongful Act	500,000	7,998
Aggregate	1,000,000	
Commercial General Liability		
Per Occurrence	1,000,000	4,444
Aggregate	2,000,000	
Law Enforcement Personal Liability		
Each Wrongful Act	500,000	7,708
Annual Aggregate	1,000,000	
Fidelity Bonds		
City Secretary	10,000	590
Assistant City Secretary	10,000	
Other Public Employees not Excluded	10,000	
City Manager	15,000	
City Vehicles		
Liability/Uninsured Motorist	1,000,000	24,503
Combined Single Limit	25,000	
Heavy Equipment		
Physical Damage	1,008,366	4,147
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	10/1/2016
Texas Municipal League	Commercial Auto	10/1/2016
Texas Municipal League	Flood	10/1/2016
Texas Municipal League	Public Officials Liability	10/1/2016
Texas Municipal League	Law Enforcement Liability	10/1/2016
CNA Surety Corporation	Fidelity Bond - City Secretary	9/6/2017
CNA Surety Corporation	Fidelity Bond - Assistant City Secretary	10/1/2017
CNA Surety Corporation	City Manager & Other Public Employees	1/23/2017
Texas Municipal League	Heavy Equipment	10/1/2016



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## **OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

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**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2017.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 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 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 may exist that have not been identified.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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, P.C.*

Weatherford, Texas  
January 30, 2017





**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED

**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**

We have audited the City of Breckenridge, Texas (the "City") compliance with the types of compliance requirements described 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, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

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, 2016.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 a 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 compliance requirement 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, Jr., P.C.*

Weatherford, Texas  
January 30, 2017

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        Yes   X   No

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

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: Unqualified

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>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee?        Yes   X   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, 2016**

None.

**CITY OF BRECKENRIDGE, TEXAS  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016**

**Federal Award Findings**

None.

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
Pass-through from Texas Department of Agriculture:				
Community Development Block Grant	14.228	7214049	\$ -	\$ 3,800
Total U.S. Department of Housing and Urban Development			-	3,800
<u>U.S. Department of Transportation</u>				
Texas Parks & Wildlife				
Recreational Trails Program*	20.219	RT 14001	-	26,789
Texas Department of Transportation				
DOT Highway Planning and Construction*	20.205	0011-08-026 & 0011-09-065	-	88,236
Total U.S. Department of Transportation			-	115,025
<u>U.S. General Services Administration</u>				
Pass-through from Texas Facilities Commission/Federal Surplus Program				
Donation of Federal Surplus Personal Property	39.003	20590	-	22,590
Total U.S. General Services Administration			-	22,590
<u>U.S. Environmental Protection Agency</u>				
Pass-through from Texas Water Development Board				
Capitalization Grants for Clean Water State Revolving Funds	66.458	73647	-	2,565
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62519	-	1,624,934
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62603	-	1,544,271
Total CFDA Number 66.468			-	3,169,205
Total U.S. Environmental Protection Agency			-	3,171,770
<u>U.S. Department of Health and Human Services</u>				
Pass-through from West Central Texas Council of Governments				
Special Programs for the Aging - Title III, Part C, Nutrition Services	93.045	Breck	-	40,404
Total U.S. Department of Health and Human Services			-	40,404
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 3,353,589</b>

\* Clustered Programs as required by June 2016 Compliance Supplement

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, 2016**

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.

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 federal awards reported in the Schedule of Expenditures of Federal Awards are the amount of grant and bond funds spend during the period. The following is a summary of the bonds outstanding that were purchased with Clean Water State Revolving Funds and Drinking Water State Revolving Funds.

Combinaiton Tax and Surplus Revenue Certificates of Obligation Series 2012	DWSRF	\$ 1,590,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2013	CWSRF	790,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2014	DWSRF	2,330,000
		<u>\$ 4,710,000</u>

