

**CITY OF BRECKENRIDGE, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**



**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED

**CITY OF BRECKENRIDGE, TEXAS**

## Annual Financial Report

For the year ended September 30, 2019

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**CITY OF BRECKENRIDGE, TEXAS**

Annual Financial Report

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## **FINANCIAL SECTION**

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## 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, 2019, 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, 2019, 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 - 15, budgetary comparison – general fund, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in total OPEB liability and related ratios on pages 54 - 59 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*

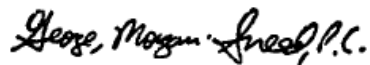
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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* 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 27, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "George, Morgan & Sneed, P.C." in a cursive, stylized font.

George, Morgan & Sneed, P.C.  
Weatherford, Texas  
January 27, 2020



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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, 2019.

### 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 \$16,080,007 (*net position*) compared to \$13,493,151 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was negative \$132,478 at year end.
- The City's total net position increased by \$2,586,856. The City's operations increased the governmental activities net position by \$285,149 and the business-type activities net position by \$2,301,707. \$2,206,413 of the increase in business-type activities are the cost of water and wastewater improvements provided by capital grants.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$2,128,659. This compares to an ending fund balance of \$1,914,518 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$130,213, or 3% of total general fund expenditures. This compares to an unassigned fund balance of \$117,595 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 general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

**Proprietary funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary funds. The City uses enterprise funds to account for its water, wastewater, sanitation services, and trade day events.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

**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.

**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 \$16,080,007 as of September 30, 2019. Below is a summary of the City's Statement of Net Position.

#### Condensed Statement of Net Position

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,843,041	\$ 2,517,219	\$ 1,149,035	\$ 2,006,496	\$ 3,992,076	\$ 4,523,715
Capital assets	7,630,506	4,588,705	16,211,591	12,885,352	23,842,097	17,474,057
Total Assets	<u>10,473,547</u>	<u>7,105,924</u>	<u>17,360,626</u>	<u>14,891,848</u>	<u>27,834,173</u>	<u>21,997,772</u>
Deferred outflows of resources	<u>442,347</u>	<u>128,472</u>	<u>111,440</u>	<u>32,475</u>	<u>553,787</u>	<u>160,947</u>
Current liabilities	487,545	358,355	564,153	678,155	1,051,698	1,036,510
Long-term liabilities	5,490,634	2,167,857	5,514,461	5,140,329	11,005,095	7,308,186
Total liabilities	<u>5,978,179</u>	<u>2,526,212</u>	<u>6,078,614</u>	<u>5,818,484</u>	<u>12,056,793</u>	<u>8,344,696</u>
Deferred inflows of resources	<u>201,304</u>	<u>256,922</u>	<u>49,856</u>	<u>63,950</u>	<u>251,160</u>	<u>320,872</u>
Net Position:						
Net investment in capital assets	3,346,767	3,294,225	10,962,591	8,717,410	14,309,358	12,011,635
Restricted	1,903,127	1,697,031	-	-	1,903,127	1,697,031
Unrestricted	(513,483)	(539,994)	381,005	324,479	(132,478)	(215,515)
Total Net Position	<u>\$ 4,736,411</u>	<u>\$ 4,451,262</u>	<u>\$ 11,343,596</u>	<u>\$ 9,041,889</u>	<u>\$ 16,080,007</u>	<u>\$ 13,493,151</u>

The largest portion of the City's net position (89%) 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 \$132,478 at the end of the year.

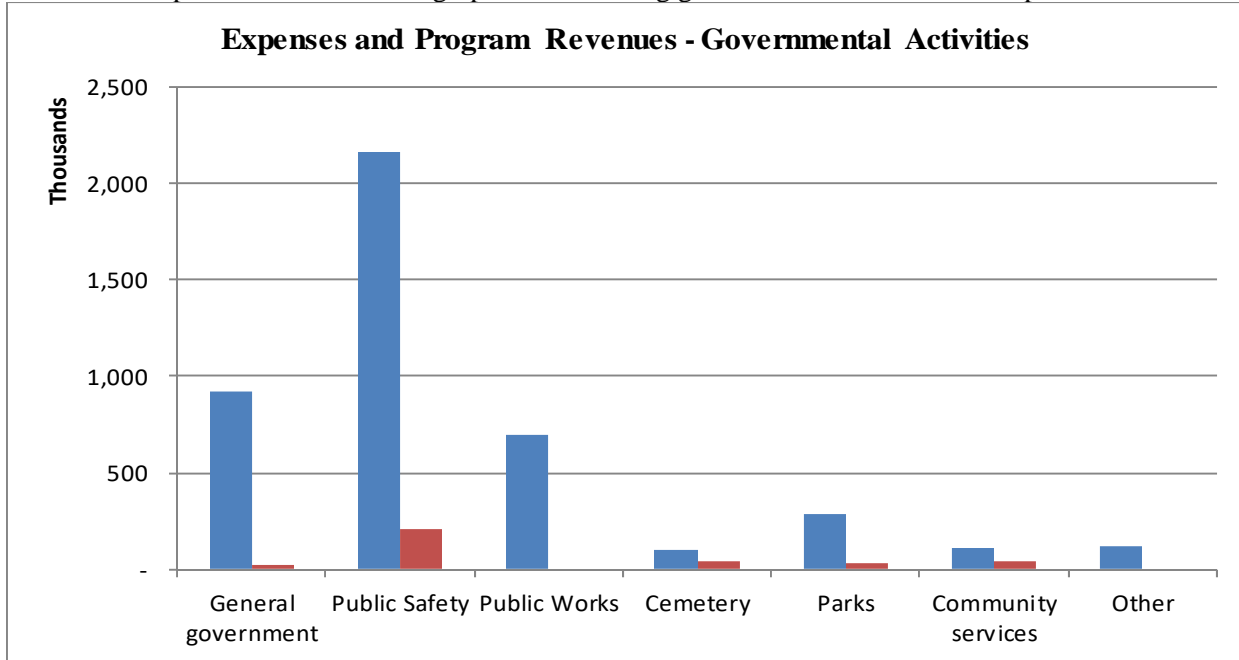
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its separate business-type activities and its component unit. Governmental activities unrestricted net position at year end was negative \$513,483 compared to negative \$539,994 in the prior year. This negative unrestricted net position is primarily the result of the governmental activities portion of the net pension liability and total OPEB liability.

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

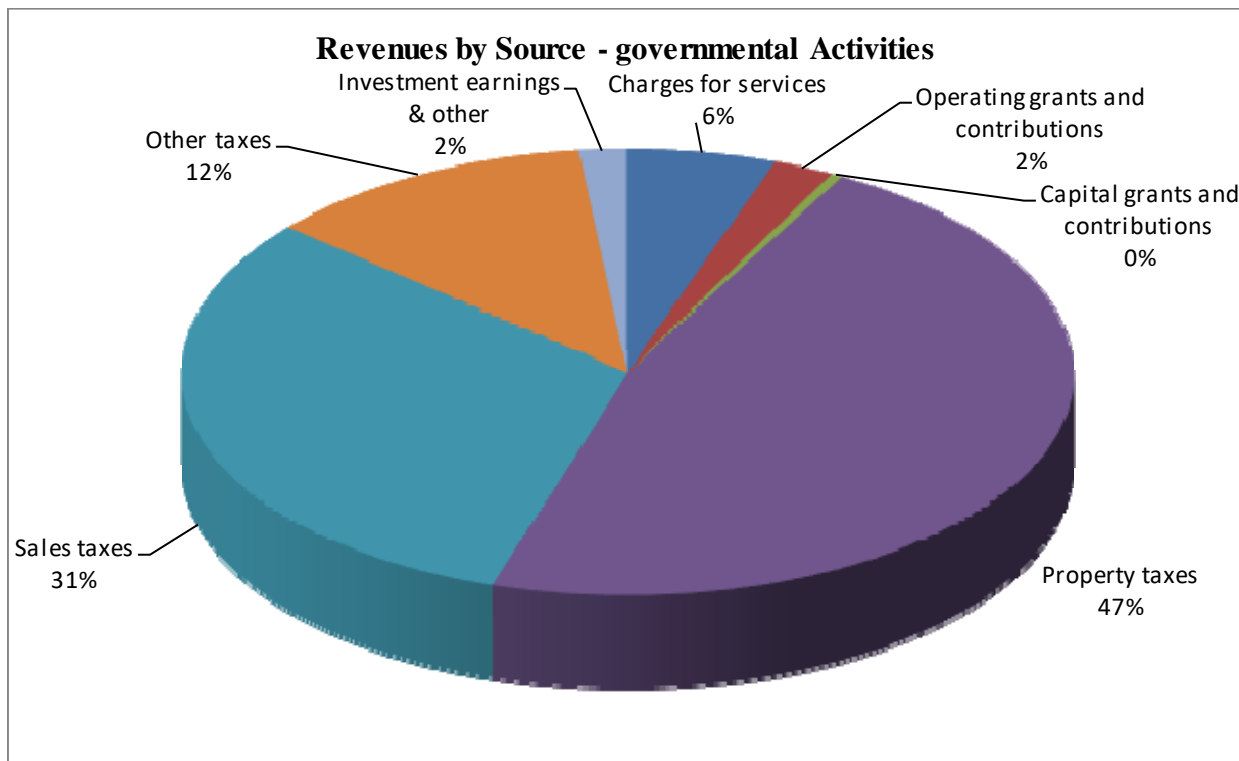
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 223,702	\$ 182,527	\$ 3,634,603	\$ 3,478,342	\$ 3,858,305	\$ 3,660,869
Operating grants and contributions	90,154	109,294	-	-	90,154	109,294
Capital grants and contributions	17,500	-	2,620,483	294,058	2,637,983	294,058
General revenues:					-	
Property taxes	1,931,837	1,960,940	-	-	1,931,837	1,960,940
Sales and use taxes	1,291,883	1,345,200	-	-	1,291,883	1,345,200
Franchise taxes	444,975	473,890	-	-	444,975	473,890
Hotel motel taxes	52,251	52,739	-	-	52,251	52,739
Investment earnings	19,079	4,658	6,685	3,772	25,764	8,430
Other Revenue	52,319	54,002	43,863	-	96,182	54,002
Total revenues	<u>4,123,700</u>	<u>4,183,250</u>	<u>6,305,634</u>	<u>3,776,172</u>	<u>10,429,334</u>	<u>7,959,422</u>
Expenses						
General government	922,022	905,275	-	-	922,022	905,275
Public Safety	2,161,716	2,108,022	-	-	2,161,716	2,108,022
Public Works	697,765	627,412	-	-	697,765	627,412
Health and sanitation	-	-	835,286	876,213	835,286	876,213
Cemetery	105,508	92,890	-	-	105,508	92,890
Parks	290,643	293,433	-	-	290,643	293,433
Community services	113,378	120,233	-	-	113,378	120,233
Tourism	42,000	42,000	-	-	42,000	42,000
Interest on long-term debt bond costs	77,523	16,651	-	-	77,523	16,651
Water and wastewater	-	-	2,586,019	2,375,811	2,586,019	2,375,811
Trade Days	-	-	10,618	20,044	10,618	20,044
Total expenses	<u>4,410,555</u>	<u>4,205,916</u>	<u>3,431,923</u>	<u>3,272,068</u>	<u>7,842,478</u>	<u>7,477,984</u>
Increase (decrease) in net position						
before transfers	(286,855)	(22,666)	2,873,711	504,104	2,586,856	481,438
Transfers	<u>572,004</u>	<u>(72,785)</u>	<u>(572,004)</u>	<u>72,785</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	285,149	(95,451)	2,301,707	576,889	2,586,856	481,438
Net Position October 1	<u>4,451,262</u>	<u>4,546,713</u>	<u>9,041,889</u>	<u>8,465,000</u>	<u>13,493,151</u>	<u>13,011,713</u>
Net Position September 30	<u>\$ 4,736,411</u>	<u>\$ 4,451,262</u>	<u>\$ 11,343,596</u>	<u>\$ 9,041,889</u>	<u>\$ 16,080,007</u>	<u>\$ 13,493,151</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$285,149 in the current year. Total governmental activities revenues decreased \$59,550. Property, sales and franchise taxes decreased \$29,103, \$53,317 and \$28,915 respectively due to a decrease in property tax rates and changes in the local economy. Charges for services increased \$41,175 due to fines and fees and cemetery sales. Total governmental activities expenses increased \$204,639 (5%). The largest increases were in public safety for depreciation of new vehicles and pension expense, public works for street maintenance and interest expense. Below are two graphs summarizing governmental revenue and expense:

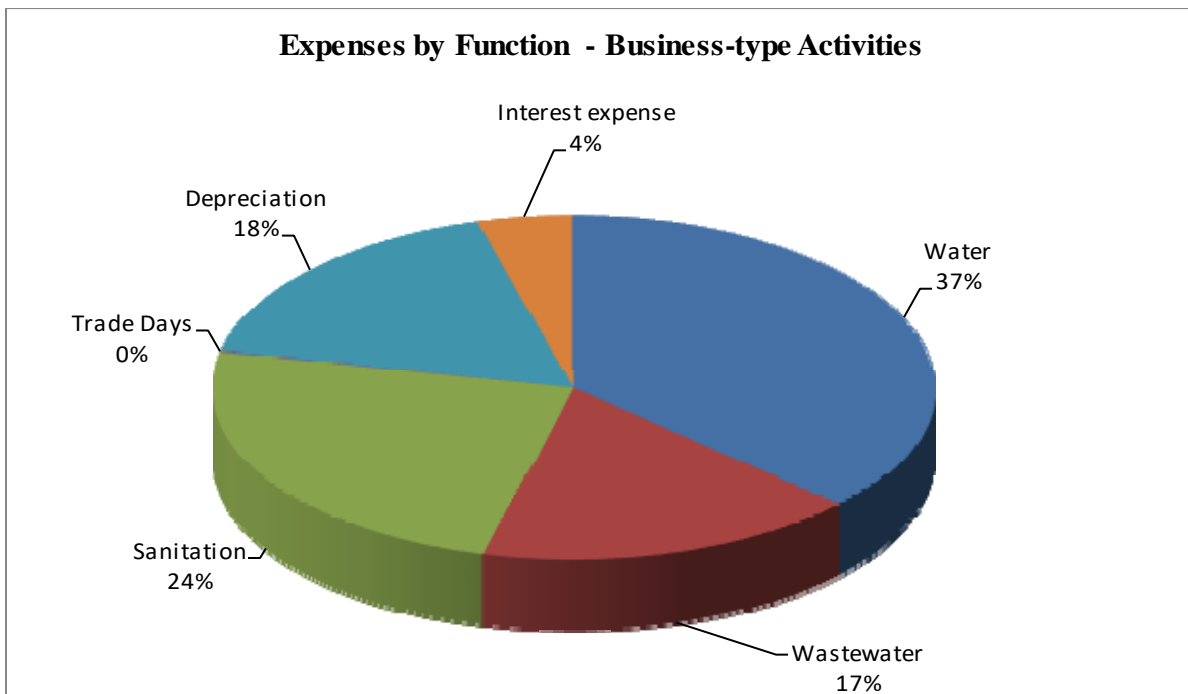
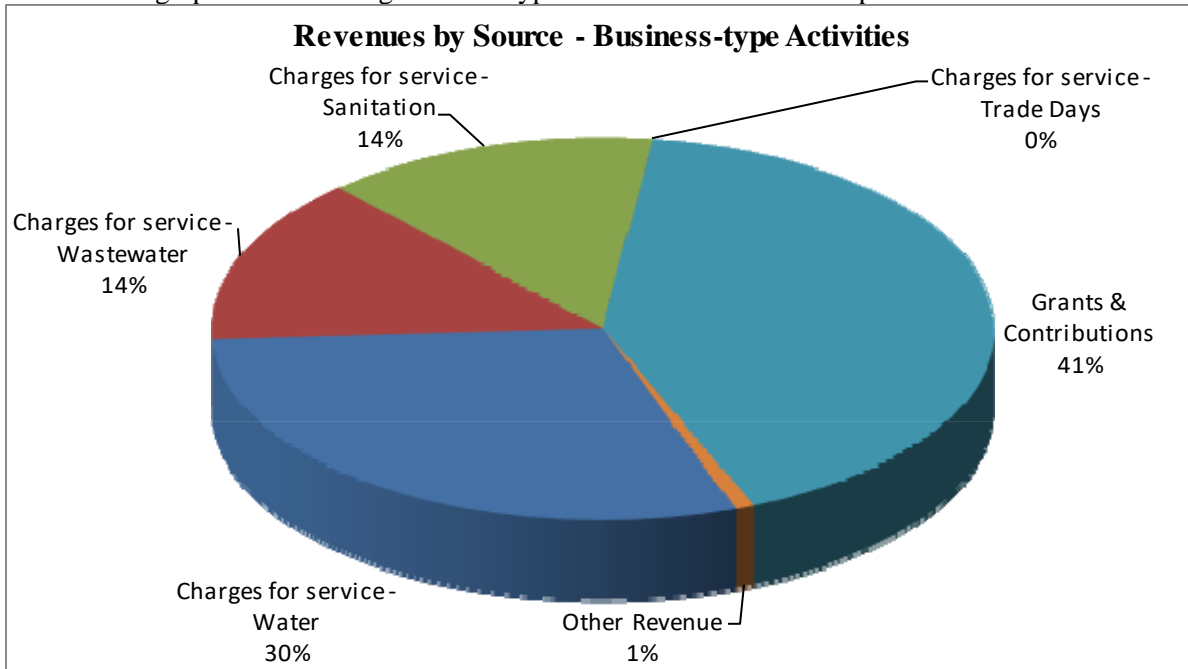


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**Business-type activities.** Business-type activities increased the City's net position by \$2,301,707. The business-type activities total revenues increased \$2,529,462 and total expenses increased \$159,855 (5%). Charges for service increased \$156,261 primarily because the City added at \$7.50 per person deficit surcharge to utility bills in fiscal year 2019. Capital grants and contributions increased \$2,326,425 because the US 180 E and US 183 S water and wastewater line relocation projects were complete and \$2,206,413 was recognized as a capital grant. The City also received grants of \$124,472 and \$71,920 for utility line projects on Park St and Roberts/Dunnigan Streets respectively.

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





## Financial Analysis of the Government's Funds

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

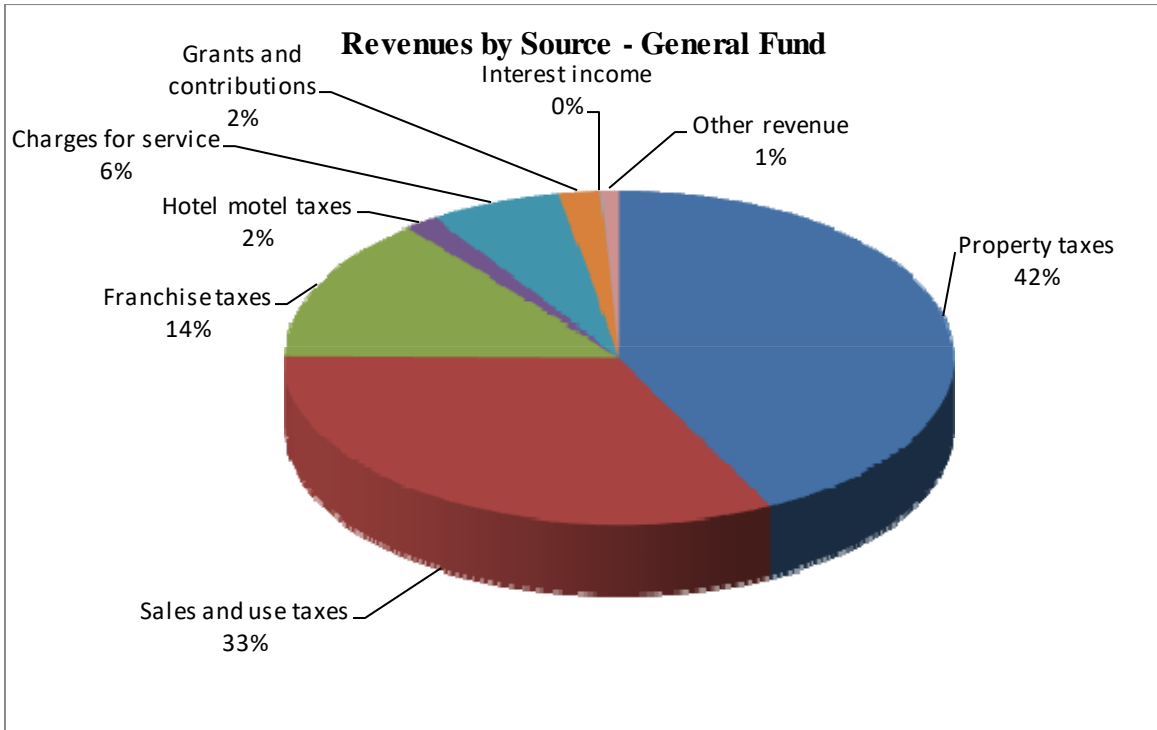
**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure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

At year end, the City's governmental funds reported combined ending fund balances of \$2,128,659. \$130,213 (6%) 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.

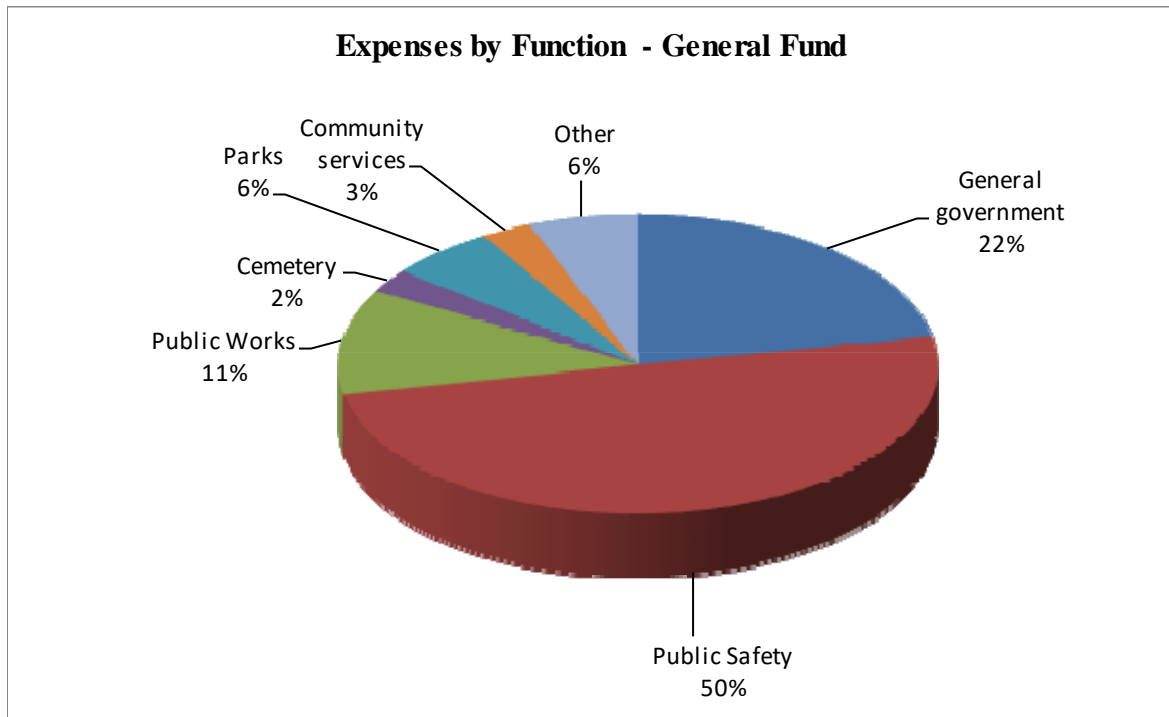
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$130,213. Below is a comparison of the general fund's net change in fund balance for 2019 and 2018.

	2019	2018	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 1,403,944	\$ 1,309,826	\$ 94,118	7.19%
Sales and use tax	1,077,202	1,128,621	(51,419)	-4.56%
Franchise	460,120	459,948	172	0.04%
Hotel motel taxes	52,251	52,739	(488)	-0.93%
Charges for service	211,478	185,445	26,033	14.04%
Grants and contributions	68,513	92,592	(24,079)	-26.01%
Interest income	1,994	701	1,293	184.45%
Other revenue	27,038	42,163	(15,125)	-35.87%
Total revenues	<u>3,302,540</u>	<u>3,272,035</u>	<u>30,505</u>	<u>0.93%</u>
Expenditures:				
Current				
General government	909,625	902,808	6,817	0.76%
Public Safety	2,053,931	2,047,164	6,767	0.33%
Public Works	460,738	528,909	(68,171)	-12.89%
Cemetery	104,545	91,385	13,160	14.40%
Parks	238,596	239,685	(1,089)	-0.45%
Community services	112,459	119,997	(7,538)	-6.28%
Tourism	42,000	42,000	-	0.00%
Debt service:				
Principal	191,974	18,379	173,595	944.53%
Interest and fiscal charges	8,572	5,341	3,231	60.49%
Total expenditures	<u>4,122,440</u>	<u>3,995,668</u>	<u>126,772</u>	<u>3.17%</u>
Other financing sources (uses):				
Loan Proceeds	135,000	173,000	(38,000)	100.00%
Transfers in	708,500	804,700	(96,200)	-11.95%
Transfers out	<u>(10,849)</u>	<u>(251,656)</u>	<u>240,807</u>	<u>95.69%</u>
Net change in fund balances	<u>\$ 12,751</u>	<u>\$ 2,411</u>	<u>\$ 10,340</u>	<u>\$ 428.87%</u>

Below are two graphs summarizing general fund revenue and expenditures.



\*\*\*\*\*



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

Unrestricted net position of the Water Fund, Wastewater Fund, Sanitation Fund, and Trade Days Fund at the end of the year amounted to \$381,005. The total change in net position was \$2,301,707. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

During the year the City amended its budget. General fund budgeted revenues were decreased \$13,800. Actual revenues were \$47,960 less than budgeted due to property and sales taxes. Budget amendments increased expenditures \$100,100. Actual expenditures of the general fund were \$99,820 more than budgeted.

### Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$23,842,097 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

#### Governmental Activities:

- \$3,088,649 construction and engineering on Park Street project
- \$167,509 for 5 vehicles
- \$75,000 1998 Ferrara LA fire truck

#### Business-type activities:

- \$153,215 for engineering and match on US 183 N utility line relocation projects
- \$29,859 for engineering and \$1,517,175 from capital grant to relocate the utility lines on US 180
- \$35,505 for engineering and \$689,238 from capital grant to relocate the utility lines on US 183 S
- \$424,553 utility line portion of Park Street project
- \$80,925 water tower rehab at the prison

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 194,785	\$ 194,785	\$ 193,297	\$ 193,297	\$ 388,082	\$ 388,082
Construction in progress	4,077,720	989,071	2,505,446	1,898,686	6,583,166	2,887,757
Land Improvements	-	-	13,537	14,461	13,537	14,461
Buildings and improvements	608,023	646,941	429,036	457,093	1,037,059	1,104,034
Water and sewer systems	-	-	12,907,010	10,133,131	12,907,010	10,133,131
Infrastructure	1,974,288	2,047,017	-	-	1,974,288	2,047,017
Vehicles and equipment	775,690	710,891	163,265	188,684	938,955	899,575
Total	<u>\$ 7,630,506</u>	<u>\$ 4,588,705</u>	<u>\$ 16,211,591</u>	<u>\$ 12,885,352</u>	<u>\$ 23,842,097</u>	<u>\$ 17,474,057</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	
	2019	2018	2019	2018	2019	2018
Capital leases payable	\$ 205,739	\$ 146,480	\$ -	\$ -	\$ 205,739	\$ 146,480
Loans Payable	135,000	173,000	65,000	27,000	200,000	200,000
Certificates of Obligation	4,078,000	1,148,000	5,184,000	4,939,000	9,262,000	6,087,000
Total	<u>\$ 4,418,739</u>	<u>\$ 1,467,480</u>	<u>\$ 5,249,000</u>	<u>\$ 4,966,000</u>	<u>\$ 9,667,739</u>	<u>\$ 6,433,480</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 for the 2019-20 Budget increased by \$179,714 or .09%. New improvements valued at \$477,260 were added for 2019. Mineral Property increased by \$1,292,191, and Personal Property decreased by \$910,442. The Debt Rate decreased to \$0.28503. The total tax rate increased to \$1.07000/\$100 valuation.
- In 2018-19 Sales tax revenue is projected to come in \$10,000 more than budgeted and remain level for 2019-20. Sales tax increases are believed to have been due to improvements in the oil and gas industries and the economy as a whole.
- Economic development has remained stable in 2018-19. Nu-Vision continues to add employees in their manufacturing of oil field housing units, HUD modular homes, and "tiny" houses. The \$2.5 million, 22-unit townhouse development did not materialize, but the developer is currently building new single-family housing in the community.
- The 2019-20 General Fund disbursements are budgeted to increase \$270,395 from the 2018-19 Budget and increase \$170,715 or 4.24% from projected year-end 2018-19. The largest items increasing the budget in 2019-20 are the \$12,000 columbarium in the Cemetery Department, the \$50,000 hardware and software updates in Non-Departmental, and the \$70,000 increase in the hospital/ambulance contract. Health insurance rates did not increase for 2019-20. Transfers from Water and Wastewater Funds to supplement the General Fund will decrease \$50,000 in 2019-20. Fund Balance is budgeted to decrease by \$52,315 mainly due to \$50,000 less in transfers from the Water and Wastewater Funds even with increased property tax revenues to offset the increase in the hospital/ambulance contract.
- With continuing rains and cooler weather, water consumption has been declining in 2018-19. Water revenues for 2019-20 are budgeted to remain flat at the 2018-19 level. The \$7.50 surcharge placed on monthly water bills to pay for the unplanned E. Highway 180 water line project, originally planned to end September 2019, will remain in place for the first six months then be reevaluated. No water rate increases are budgeted for the Water Fund in 2019-20.
- Water Fund expenditures were projected to come in over budget by \$20,800 in 2018-19. The total 2019-20 expenditures are projected to be \$209,500 less than projected 2018-19 mainly due to a \$90,400 decrease for Capital Improvement Transfers for Texas Department of Transportation projects, a \$30,000 decrease in transfers to the General Fund bringing that total to \$400,000, and a \$23,500

decrease in Water Distribution Supplies and Minor Equipment. No debt service transfers are planned for 2019-20. The City began blending water from Hubbard Creek Lake and Lake Daniels in 2018 on a limited basis and is expected to continue in 2019-20. By blending water from Lake Daniels, the city expects to save \$25,000 in 2019-20. Transfers to the Breck Trade Days Fund will be discontinued in 2019-20.

- Wastewater Fund revenue for 2019-20 will increase over the 2018-19 level due to a rate increase necessary to cover the balance of the \$55,000 excess cost of the DWSRF Wastewater Treatment Plant project.
- Wastewater Fund expenditures for 2019-20 are projected at \$68,600 less than 2018-19. Lift station maintenance continues to require additional funding in 2019-20. Transfers to the General Fund decreased by \$20,000 from 2018-19. No transfers to the Capital Improvements Fund are required in 2019-20. Transfers to the Breck Trade Days Fund have been discontinued.
- The Sanitation Fund remains stable, projecting a cash balance of \$123,404 for 2019-20. The only rate increases planned for residential, commercial, or industrial customers in 2019-20 are the contractor's rate increases that are passed through to the customers. The city clean-up effort continues to be funded through the Sanitation Fund and has had sixty-two (62) sub-standard houses deposited in the Monofill through 2018-19. The goal for 2019-20 is to demolish another twenty-five (25) structures.
- In 2017-18 a new business model was adopted for Breck Trade Days to allow the show to continue operating at a reduced level and to cut costs. The show operates monthly for one Saturday per month, and lot rental fees have been eliminated. The fund has adequate reserves and will not require additional funds in 2019-20 from the Water and Wastewater Funds.
- The 2019-20 Capital Improvements Project Fund expenditures total \$51,300. The major capital projects are expected to be completed in 2018-19. Construction on the \$5.4 million Park Street project, started in April 2018, is substantially completed. The Texas Department of Transportation project on E. Highway 180 is expected to be completed by March 2020. The N. Highway 183 water line project is expected to be completed by December 2019 at which time the sewer, drainage, and road surfacing project is expected to start. A \$330,000 CDBG water line project is also expected to be completed in 2019. There are no specific street paving projects planned for 2019-20, but \$700,000 is available.
- Transfers will be made into the Equipment Replacement Fund in 2019-20 for \$157,800.
- No new full-time positions or salary increases are to be added in 2019-20, and no increase is planned for health insurance.
- Debt service requirements in the General Debt Service Fund decreased slightly. Reserve balances are projected to increase in the General Debt Service Fund to \$1,347,713.

### **Request for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

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**EXHIBIT A-1**

CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Breckenridge Economic Development
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,133,846	\$ 154,847	\$ 2,288,693	\$ 1,432,510
Receivables (Net of allowances for uncollectibles)				
Property taxes	137,840	-	137,840	-
Other taxes	309,311	-	309,311	66,163
Accounts	12,387	385,834	398,221	-
Miscellaneous	253,726	50,020	303,746	-
Internal Balances	(4,069)	4,069	-	-
Supplies inventory	-	123,690	123,690	-
Restricted assets:				
Cash and cash equivalents	-	430,575	430,575	-
Notes receivable	-	-	-	304,314
Capital assets (net of accumulated depreciation):				
Land	194,785	193,297	388,082	56,546
Construction in progress	4,077,720	2,505,446	6,583,166	-
Land Improvements	-	13,537	13,537	-
Buildings and improvements	608,023	429,036	1,037,059	172,746
Water and wastewater systems	-	12,907,010	12,907,010	-
Infrastructure	1,974,288	-	1,974,288	-
Vehicles and equipment	775,690	163,265	938,955	-
Land held for economic development, at cost				1,830,131
<b>Total Assets</b>	<u>10,473,547</u>	<u>17,360,626</u>	<u>27,834,173</u>	<u>3,862,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflow related to TMRS pension	434,850	109,584	544,434	-
Deferred outflow related to TMRS OPEB	7,497	1,856	9,353	-
<b>Total Deferred Outflows of Resources</b>	<u>442,347</u>	<u>111,440</u>	<u>553,787</u>	<u>-</u>
<b>LIABILITIES:</b>				
Accounts Payable	397,770	335,248	733,018	-
Accrued Payroll	72,732	1,275	74,007	2,245
Due to other governments	7,396	-	7,396	-
Unearned Revenue	-	-	-	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	9,647	6,206	15,853	-
Customer deposits	-	221,424	221,424	-
Noncurrent liabilities:				
Due within one year	256,597	198,000	454,597	31,454
Due in more than one year	5,234,037	5,316,461	10,550,498	137,239
<b>Total Liabilities</b>	<u>5,978,179</u>	<u>6,078,614</u>	<u>12,056,793</u>	<u>170,938</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflow related to TMRS pension	186,719	46,244	232,963	-
Deferred inflow related to TMRS OPEB	14,585	3,612	18,197	-
<b>Total Deferred Inflows of Resources</b>	<u>201,304</u>	<u>49,856</u>	<u>251,160</u>	<u>-</u>
<b>NET POSITION:</b>				
Net Investments in Capital Assets	3,346,767	10,962,591	14,309,358	229,292
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	456,399
Debt service	1,335,134	-	1,335,134	-
Property tax reduction	17,367	-	17,367	-
Public safety	17,299	-	17,299	-
Public works	523,754	-	523,754	-
Parks	9,573	-	9,573	-
Unrestricted Net Position	(513,483)	381,005	(132,478)	3,005,781
<b>Total Net Position</b>	<u>\$ 4,736,411</u>	<u>\$ 11,343,596</u>	<u>\$ 16,080,007</u>	<u>\$ 3,691,472</u>

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, 2019

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 922,022	\$ 17,872	\$ -	\$ -
Public Safety	2,161,716	152,649	37,987	17,500
Public Works	697,765	-	-	-
Cemetery	105,508	26,125	12,635	-
Parks	290,643	27,056	1,704	-
Community services	113,378	-	37,828	-
Tourism	42,000	-	-	-
Interest on long-term debt	77,523	-	-	-
Bond issuance costs	-	-	-	-
Total governmental activities	<u>4,410,555</u>	<u>223,702</u>	<u>90,154</u>	<u>17,500</u>
Business-type activities:				
Water and wastewater	2,586,019	2,759,797	-	2,620,483
Sanitation	835,286	874,416	-	-
Trade Days	10,618	390	-	-
Total business-type activities	<u>3,431,923</u>	<u>3,634,603</u>	<u>-</u>	<u>2,620,483</u>
Total primary government	\$ <u>7,842,478</u>	\$ <u>3,858,305</u>	\$ <u>90,154</u>	\$ <u>2,637,983</u>
<b>Component Unit</b>				
Governmental activities:				
General administration	\$ 138,078	\$ -	\$ -	\$ -
Economic development	69,998	-	-	-
Community development	73,782	-	-	-
Interest on long-term debt	10,353	-	-	-
Total component unit	\$ <u>292,211</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales and Use Taxes

Franchise Taxes

Hotel Motel Taxes

Investment Earnings

Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position October 1, 2018

Net Position September 30, 2019

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
\$ (904,150)	\$ -	\$ (904,150)	\$ -
(1,953,580)	-	(1,953,580)	-
(697,765)	-	(697,765)	-
(66,748)	-	(66,748)	-
(261,883)	-	(261,883)	-
(75,550)	-	(75,550)	-
(42,000)	-	(42,000)	-
(77,523)	-	(77,523)	-
-	-	-	-
<u>(4,079,199)</u>	<u>-</u>	<u>(4,079,199)</u>	<u>-</u>
-	2,794,261	2,794,261	-
-	39,130	39,130	-
-	(10,228)	(10,228)	-
<u>-</u>	<u>2,823,163</u>	<u>2,823,163</u>	<u>-</u>
<u>\$ (4,079,199)</u>	<u>\$ 2,823,163</u>	<u>\$ (1,256,036)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (138,078)
-	-	-	(69,998)
-	-	-	(73,782)
-	-	-	(10,353)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (292,211)</u>
\$ 1,400,283	\$ -	\$ 1,400,283	\$ -
531,554	-	531,554	-
1,291,883	-	1,291,883	429,362
444,975	-	444,975	-
52,251	-	52,251	-
19,079	6,685	25,764	23,014
52,319	43,863	96,182	60,100
572,004	(572,004)	-	-
<u>4,364,348</u>	<u>(521,456)</u>	<u>3,842,892</u>	<u>512,476</u>
285,149	2,301,707	2,586,856	220,265
4,451,262	9,041,889	13,493,151	3,471,207
<u>\$ 4,736,411</u>	<u>\$ 11,343,596</u>	<u>\$ 16,080,007</u>	<u>\$ 3,691,472</u>

CITY OF BRECKENRIDGE, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2019

	General Fund	General Debt Service Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Assets:					
Cash and cash equivalents	\$ 78,043	\$ 1,301,772	\$ 105,005	\$ 649,026	\$ 2,133,846
Receivables (Net of allowances)					
Property taxes	94,831	43,009	-	-	137,840
Other taxes	276,230	-	-	33,081	309,311
Accounts	12,387	-	-	-	12,387
Miscellaneous	28,726	-	225,000	-	253,726
Due from other funds	61,480	-	-	-	61,480
Total assets	<u>\$ 551,697</u>	<u>\$ 1,344,781</u>	<u>\$ 330,005</u>	<u>\$ 682,107</u>	<u>\$ 2,908,590</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 68,862	\$ -	\$ 325,794	\$ 3,114	\$ 397,770
Accrued payroll	72,732	-	-	-	72,732
Due to other funds	61,652	-	-	3,897	65,549
Due to other governments	7,396	-	-	-	7,396
Total liabilities	<u>210,642</u>	<u>-</u>	<u>325,794</u>	<u>7,011</u>	<u>543,447</u>
Deferred inflows of resources:					
Deferred property tax	94,831	43,009	-	-	137,840
Other deferred revenue	98,644	-	-	-	98,644
Total deferred inflows of resources	<u>193,475</u>	<u>43,009</u>	<u>-</u>	<u>-</u>	<u>236,484</u>
Fund Balances:					
Restricted fund balance	17,367	1,301,772	4,211	546,415	1,869,765
Committed fund balance	-	-	-	128,681	128,681
Unassigned Fund Balance	130,213	-	-	-	130,213
Total fund balances	<u>147,580</u>	<u>1,301,772</u>	<u>4,211</u>	<u>675,096</u>	<u>2,128,659</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 551,697</u>	<u>\$ 1,344,781</u>	<u>\$ 330,005</u>	<u>\$ 682,107</u>	<u>\$ 2,908,590</u>

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

CITY OF BRECKENRIDGE, TEXAS  
Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
September 30, 2019

Total Fund Balances - Governmental Funds	2,128,659
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 \$11,624,812 and the accumulated depreciation was \$3,994,306.	7,630,506
Long-term liabilities, including \$205,739 capital leases payable, \$135,000 loans payable and \$4,078,000 certificates of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(4,418,739)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. Including interest payable results in a decrease to net position.	(9,647)
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.	236,484
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 \$924,228 , a Deferred Resource Inflow related to pensions in the amount of \$186,719, and a Deferred Resource Outflow related to pensions in the amount of \$434,850. This results in a decrease in Net Position.	(676,097)
Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of \$147,667, Deferred Resource Inflow related to OPEB in the amount of \$14,585, and a Deferred Resource Outflow related to OPEB in the amount of \$7,497. This results in a decrease in Net Position.	(154,755)
Net Position of Governmental Activities	4,736,411

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended September 30, 2019

	General Fund	General Debt Service Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	\$ 1,403,944	\$ 533,926	\$ -	\$ -	\$ 1,937,870
Sales and use tax	1,077,202	-	-	214,681	1,291,883
Franchise	460,120	-	-	-	460,120
Hotel motel taxes	52,251	-	-	-	52,251
Charges for service	211,478	-	-	-	211,478
Grants and contributions	68,513	-	-	39,141	107,654
Interest income	1,994	10,904	1,343	4,838	19,079
Other revenue	27,038	-	-	-	27,038
Total revenues	<u>3,302,540</u>	<u>544,830</u>	<u>1,343</u>	<u>258,660</u>	<u>4,107,373</u>
Expenditures:					
Current					
General government	909,625	-	-	-	909,625
Public Safety	2,053,931	-	-	31,375	2,085,306
Public Works	460,738	-	-	134,965	595,703
Cemetery	104,545	-	-	-	104,545
Parks	238,596	-	-	2,798	241,394
Community services	112,459	-	-	-	112,459
Tourism	42,000	-	-	-	42,000
Capital Outlay	-	-	3,088,649	246,707	3,335,356
Debt service:					
Principal	191,974	62,000	-	42,573	296,547
Interest and fiscal charges	8,572	60,396	-	-	68,968
Total expenditures	<u>4,122,440</u>	<u>122,396</u>	<u>3,088,649</u>	<u>458,418</u>	<u>7,791,903</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>(819,900)</u>	\$ <u>422,434</u>	\$ <u>(3,087,306)</u>	\$ <u>(199,758)</u>	\$ <u>(3,684,530)</u>
Other financing sources (uses):					
Proceeds from line of credit	135,000	-	-	-	135,000
Proceeds from bonds	-	-	2,992,000	-	2,992,000
Capital leases	-	-	-	120,806	120,806
Proceeds from Sale of Assets	-	-	-	78,861	78,861
Transfers in	708,500	-	78,564	73,306	860,370
Transfers out	(10,849)	(277,517)	-	-	(288,366)
Net change in fund balances	12,751	144,917	(16,742)	73,215	214,141
Fund balance, October 1, 2018	<u>134,829</u>	<u>1,156,855</u>	<u>20,953</u>	<u>601,881</u>	<u>1,914,518</u>
Fund balance, September 30, 2019	\$ <u><u>147,580</u></u>	\$ <u><u>1,301,772</u></u>	\$ <u><u>4,211</u></u>	\$ <u><u>675,096</u></u>	\$ <u><u>2,128,659</u></u>

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

CITY OF BRECKENRIDGE, TEXAS  
Reconciliation of Statement of Revenues,  
Expenditures and Changes in Fund Balances of  
The Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2019

Total Net Change in Fund Balances - Governmental Funds	214,141
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 \$3,348,752 of capital outlays and \$296,547 of debt principal payments is to increase net position.	3,645,299
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(53,580)
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.	(253,371)
Current year loans, bonds and capital leases are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(3,247,806)
Current year interest payable of the governmental funds is not due and payable in the current period and, therefore is not reported as a liability in the funds. The increase in interest payable decreases net position.	(8,555)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(8,954)
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net pension.	7,269
GASB 75 requires the City to recognize their OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net pension.	(9,294)
Change in Net Position of Governmental Activities	285,149

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, 2019

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents	\$ 30,390	\$ 32,665	\$ 51,577	\$ 40,215	\$ 154,847
Receivables (Net of allowances):					
Accounts	225,047	101,202	59,585	-	385,834
Miscellaneous	50,020	-	-	-	50,020
Due from other funds	-	38,133	23,519	-	61,652
Supplies inventory	123,690	-	-	-	123,690
Restricted Assets:					
Cash and cash equivalents	362,159	68,416	-	-	430,575
Total current assets	791,306	240,416	134,681	40,215	1,206,618
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,068	2,474	39,000	18,382	224,924
Construction in progress	899,300	1,606,146	-	-	2,505,446
Buildings and improvements	993,146	104,591	-	209,321	1,307,058
Water system	15,855,070	-	-	-	15,855,070
Wastewater system	-	6,244,467	-	-	6,244,467
Vehicles and equipment	393,479	401,143	78,107	6,247	878,976
Less: accumulated depreciation	(7,327,682)	(3,379,858)	(68,507)	(28,303)	(10,804,350)
Capital assets, net	10,978,381	4,978,963	48,600	205,647	16,211,591
Total noncurrent assets	10,978,381	4,978,963	48,600	205,647	16,211,591
Total assets	11,769,687	5,219,379	183,281	245,862	17,418,209
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred outflow related to TMRS pension	75,849	33,735	-	-	109,584
Deferred outflow related to TMRS OPEB	1,280	576	-	-	1,856
Total Deferred Outflows of Resources	77,129	34,311	-	-	111,440
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	138,750	125,486	70,908	104	335,248
Accrued payroll	896	338	41	-	1,275
Due to other funds	51,220	5,742	621	-	57,583
Unearned revenues	-	-	-	-	-
Current Liabilities Payable from Restricted Assets:					
Current portion of long-term debt	141,630	56,370	-	-	198,000
Interest payable	5,194	1,012	-	-	6,206
Customer deposits payable	221,424	-	-	-	221,424
Total current liabilities	559,114	188,948	71,570	104	819,736
Noncurrent Liabilities:					
Long-term portion of bonds payable	3,958,710	1,092,290	-	-	5,051,000
Net pension liability	157,863	71,031	-	-	228,894
Total OPEB liability	25,222	11,345	-	-	36,567
Total noncurrent liabilities	4,141,795	1,174,666	-	-	5,316,461
Total liabilities	4,700,909	1,363,614	71,570	104	6,136,197
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflow related to TMRS	31,893	14,351	-	-	46,244
Deferred inflow related to OPEB	2,491	1,121	-	-	3,612
Total Deferred Inflows of Resources	34,384	15,472	-	-	49,856
<b>NET POSITION:</b>					
Net Investment in Capital Assets	6,878,041	3,830,303	48,600	205,647	10,962,591
Unrestricted	233,482	44,301	63,111	40,111	381,005
Total net position	\$ 7,111,523	\$ 3,874,604	\$ 111,711	\$ 245,758	\$ 11,343,596

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, 2019

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
Operating revenues:					
Charges for sales and services	\$ 1,600,457	\$ 884,953	\$ 874,326	\$ 390	\$ 3,360,126
Miscellaneous	269,848	4,539	90	-	274,477
Total operating revenue	<u>1,870,305</u>	<u>889,492</u>	<u>874,416</u>	<u>390</u>	<u>3,634,603</u>
Operating expenses:					
Water and sewer commercial	91,062	-	-	-	91,062
Water meters and readers	145,194	-	-	-	145,194
Lake Daniel	5,803	-	-	-	5,803
Water production	692,985	-	-	-	692,985
Water distribution	328,165	-	-	-	328,165
Sewer collection	-	264,837	-	-	264,837
Sewer treatment	-	325,789	-	-	325,789
Solid waste	-	-	833,486	-	833,486
Trade Days	-	-	-	3,567	3,567
Depreciation	403,723	181,809	1,800	7,051	594,383
Total operating expenses	<u>1,666,932</u>	<u>772,435</u>	<u>835,286</u>	<u>10,618</u>	<u>3,285,271</u>
Operating income (loss)	<u>203,373</u>	<u>117,057</u>	<u>39,130</u>	<u>(10,228)</u>	<u>349,332</u>
Nonoperating revenues (expenses):					
Interest revenue	2,222	3,608	566	289	6,685
Insurance recoveries	34,938	8,925	-	-	43,863
Interest expense and fiscal charges	(124,005)	(22,647)	-	-	(146,652)
Total nonoperating revenues (expenses)	<u>(86,845)</u>	<u>(10,114)</u>	<u>566</u>	<u>289</u>	<u>(96,104)</u>
Income (loss) before contributions and transfers	<u>116,528</u>	<u>106,943</u>	<u>39,696</u>	<u>(9,939)</u>	<u>253,228</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	1,643,609	976,874	-	-	2,620,483
Transfers in	224,872	53,243	-	17,751	295,866
Transfers out	(537,670)	(325,000)	(5,200)	-	(867,870)
Change in Net Position	1,447,339	812,060	34,496	7,812	2,301,707
Net Position, October 1, 2018	<u>5,664,184</u>	<u>3,062,544</u>	<u>77,215</u>	<u>237,946</u>	<u>9,041,889</u>
Net Position, September 30, 2019	<u>\$ 7,111,523</u>	<u>\$ 3,874,604</u>	<u>\$ 111,711</u>	<u>\$ 245,758</u>	<u>\$ 11,343,596</u>



## EXHIBIT D-3

CITY OF BRECKENRIDGE, TEXAS  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2019

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,826,791	\$ 874,318	\$ 861,748	\$ 390	\$ 3,563,247
Cash paid to suppliers	(883,603)	(459,579)	(821,823)	(3,900)	(2,168,905)
Cash paid to employees	(357,427)	(147,975)	(15,304)	-	(520,706)
Net cash provided (used) by operating activities	<u>585,761</u>	<u>266,764</u>	<u>24,621</u>	<u>(3,510)</u>	<u>873,636</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	37,597	(6,843)	(8,914)	-	21,840
Transfers in	224,872	53,243	-	17,751	295,866
Transfers out	(537,670)	(325,000)	(5,200)	-	(867,870)
Net cash provided (used) by noncapital financing activities	<u>(275,201)</u>	<u>(278,600)</u>	<u>(14,114)</u>	<u>17,751</u>	<u>(550,164)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(503,618)	(1,226,342)	-	-	(1,729,960)
Grants received	166,037	124,045	-	-	290,082
Insurance recoveries	34,938	8,925	-	-	43,863
Proceeds from loans	40,000	25,000	-	-	65,000
Proceeds from issuance of bonds	266,220	255,780	-	-	522,000
Principal payments on long-term debt	(128,120)	(30,880)	-	-	(159,000)
Interest paid on bonds	(123,751)	(22,363)	-	-	(146,114)
Net cash (used) by capital and related financing activities	<u>(248,294)</u>	<u>(865,835)</u>	<u>-</u>	<u>-</u>	<u>(1,114,129)</u>
Cash flow from investing activities:					
Interest received	2,222	3,608	566	289	6,685
Net cash provided by investing activities	<u>2,222</u>	<u>3,608</u>	<u>566</u>	<u>289</u>	<u>6,685</u>
Net increase (decrease) in cash and cash equivalents	64,488	(874,063)	11,073	14,530	(783,972)
Cash and cash equivalents, October 1, 2018	<u>328,061</u>	<u>975,144</u>	<u>40,504</u>	<u>25,685</u>	<u>1,369,394</u>
Cash and cash equivalents, September 30, 2019	<u>\$ 392,549</u>	<u>\$ 101,081</u>	<u>\$ 51,577</u>	<u>\$ 40,215</u>	<u>\$ 585,422</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 203,373	\$ 117,057	\$ 39,130	\$ (10,228)	\$ 349,332
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	403,723	181,809	1,800	7,051	594,383
Loss on disposal of capital asset	12,598	3,151	-	-	15,749
(Increase) decrease in accounts receivable	(50,577)	(15,174)	(12,668)	-	(78,419)
(Increase) decrease in supplies inventory	27,001	-	-	-	27,001
Increase (decrease) in accounts payable	(5,442)	(26,417)	9,080	(333)	(23,112)
Increase (decrease) in accrued payroll	(10,758)	(5,139)	(536)	-	(16,433)
Increase (decrease) in customer meter deposits	7,063	-	-	-	7,063
Increase (decrease) in net pension balances	(2,746)	8,979	(10,277)	-	(4,044)
Increase (decrease) in total OPEB balances	1,526	2,498	(1,908)	-	2,116
Total adjustments	<u>382,388</u>	<u>149,707</u>	<u>(14,509)</u>	<u>6,718</u>	<u>524,304</u>
Net cash provided by operating activities	<u>\$ 585,761</u>	<u>\$ 266,764</u>	<u>\$ 24,621</u>	<u>\$ (3,510)</u>	<u>\$ 873,636</u>
Noncash Investing, Capital and Financial Activities					
Water and wastewater system improvements	\$ 1,435,640	\$ 770,773	\$ -	\$ -	\$ 2,206,413
	<u>\$ 1,435,640</u>	<u>\$ 770,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,206,413</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, 2019

**ASSETS:**

Investments	\$ <u>587,110</u>
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Total assets	<u>587,110</u>
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**NET POSITION:**

Held in trust for cemetery care	<u>587,110</u>
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Total net position	\$ <u><u>587,110</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, 2019

Additions:	
Sale of lots	\$ 6,498
Investment Income	<u>46,996</u>
Total additions	<u>53,494</u>
Deductions:	
Benefits to Breckenridge Cemetery	18,781
Trust Fees	<u>6,453</u>
Total deductions	<u>25,233</u>
Change in Net Position	28,261
Net Position, October 1, 2018	<u>558,850</u>
Net Position, September 30, 2019	<u><u>\$ 587,110</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, 2019**

**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, 2019**

**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 *general capital projects fund* accounts for financial resources used for major capital projects.

The City reports the following major proprietary funds:

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

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**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 \$94,831 and the general debt service fund of \$43,009 is equal to 50% of outstanding delinquent property taxes at September 30, 2019. The court fines and fees receivable is reported net of an allowance of \$28,726 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$20,055 which is the accounts aged over 60 days.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**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.

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

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

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

**6. Compensated Absences**

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.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

**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.



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Unassigned – All amounts not included in other spendable classifications.

	General Fund	General Debt Service Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted:					
Debt service	\$ -	\$ 1,301,772	\$ -	\$ -	\$ 1,301,772
Property tax reduction	17,367	-	-	-	17,367
Public Safety	-	-	-	17,299	17,299
Public Works	-	-	4,211	519,543	523,754
Parks	-	-	-	9,573	9,573
Committed:					
Equipment replacement	-	-	-	128,681	128,681
Unassigned	130,213	-	-	-	130,213
	<u>\$ 147,580</u>	<u>\$ 1,301,772</u>	<u>\$ 4,211</u>	<u>\$ 675,096</u>	<u>\$ 2,128,659</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, 2019**

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. The BEDC's deposits are secured by a pledge of securities and FDIC Insurance in BEDC's name. At September 30, 2019, the City's deposits were fully collateralized and insured however \$98,878 of BEDC's deposits were uninsured or collateralized. BEDC believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Credit Risk– Investments

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

Interest Rate Risk – Investments

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

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

Investment	Credit Rating	Cost	Fair Value	Percentage of Total Investments	Investment Maturities (in Years)			
					Less than 1 year	1-5 Years	6-10 Years	Over 10 Years
Cash	N/A	30,431	30,431	5.18%	30,431	-	-	-
Equity Mutual Funds	N/A	135,924	141,136	24.04%	141,136	-	-	-
Bond Mutual Funds	N/A	183,231	181,887	30.98%	181,887	-	-	-
Corporate Bonds	Aaa - Baa2	106,441	111,040	18.91%	11,043	58,516	29,388	12,093
U.S. Treasuries	N/A	42,378	46,814	7.97%	-	9,157	4,977	32,680
U.S. Government Agencies	N/A	73,244	75,802	12.91%	-	-	14,688	61,114
		<u>\$ 571,649</u>	<u>\$ 587,110</u>		<u>\$ 364,497</u>	<u>\$ 67,673</u>	<u>\$ 49,053</u>	<u>\$ 105,887</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, 2019, 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, 2019**

**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	\$      253,681
Construction - water fund	108,478
Construction - wastewater fund	<u>68,416</u>
	<u>\$      430,575</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 outflow related to TMRS pension and deferred outflows related to TMRS OPEB reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources. 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)	\$      94,831
Deferred property taxes receivable (general debt service fund)	43,009
Deferred franchise taxes receivable (general fund)	69,918
Deferred court costs (general fund)	<u>28,726</u>
Total deferred inflows for governmental funds	<u>\$     236,484</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**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, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 51,220
	Wastewater Fund	5,742
	Sanitation Fund	621
	Other governmental funds	3,897
Total governmental funds		<u>\$ 61,480</u>
Wastewater fund	General Fund	\$ 38,133
Sanitation Fund	General Fund	23,519
Total proprietary funds		<u>\$ 61,652</u>

The receivables in the general fund are related to the final payroll of the year. The receivables in the wastewater and sanitation fund are related to utility billings.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 408,500
General Fund	Wastewater Fund	300,000
General Capital Projects	Water Fund	78,564
Other governmental funds	Water Fund	48,106
Other governmental funds	Wastewater Fund	20,000
Other governmental funds	Sanitation Fund	5,200
Total Governmental Funds Transfers In		<u>\$ 860,370</u>
Water Fund	General Fund	\$ 598
Water Fund	General Debt Service Fund	224,274
Wastewater Fund	General Debt Service Fund	53,243
Trade Days Fund	General Fund	10,251
Trade Days Fund	Water Fund	2,500
Trade Days Fund	Wastewater Fund	5,000
Total Enterprise Funds Transfers In		<u>\$ 295,866</u>

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 6:      CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental activities:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 194,785	\$ -	\$ -	\$ -	\$ 194,785
Construction in Progress	989,071	3,088,649	-	-	4,077,720
Total non-depreciable assets	1,183,856	3,088,649	-	-	4,272,505
Depreciable Assets:					
Buildings and improvements	1,520,885	-	-	-	1,520,885
Infrastructure	3,524,219	-	-	-	3,524,219
Vehicles and Equipment	2,370,863	260,103	(323,763)	-	2,307,203
Total capital assets being depreciated	7,415,967	260,103	(323,763)	-	7,352,307
Accumulated Depreciation:					
Buildings and improvements	(873,944)	(38,918)	-	-	(912,862)
Infrastructure	(1,477,202)	(72,729)	-	-	(1,549,931)
Vehicles and Equipment	(1,659,972)	(141,724)	270,183	-	(1,531,513)
Total accumulated depreciation	(4,011,118)	(253,371)	270,183	-	(3,994,306)
Governmental activities capital assets, net	\$ 4,588,705	\$ 3,095,381	\$ (53,580)	\$ -	\$ 7,630,506

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Business-type activities:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	1,898,686	3,808,288	-	(3,201,528)	2,505,446
Total non-depreciable assets	2,091,983	3,808,288	-	(3,201,528)	2,698,743
Depreciable Assets:					
Land improvements	31,627	-	-	-	31,627
Buildings and improvements	1,310,829	-	(3,771)	-	1,307,058
Water and sewer systems	18,848,618	106,191	(56,800)	3,201,528	22,099,537
Vehicles and equipment	881,494	21,894	(24,412)	-	878,976
Total capital assets being depreciated	21,072,568	128,085	(84,983)	3,201,528	24,317,198
Accumulated Depreciation:					
Land improvements	(17,166)	(924)	-	-	(18,090)
Buildings and improvements	(853,736)	(28,058)	3,772	-	(878,022)
Water and sewer systems	(8,715,487)	(518,442)	41,402	-	(9,192,527)
Vehicles and equipment	(692,810)	(46,959)	24,058	-	(715,711)
Total accumulated depreciation	(10,279,199)	(594,383)	69,232	-	(10,804,350)
Business-type activities capital assets, net	\$ 12,885,352	\$ 3,341,990	\$ (15,751)	\$ -	\$ 16,211,591

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

Governmental activities:

General government	12,142
Public Safety	88,446
Public Works	101,842
Cemetery	901
Parks	49,148
Community services	892
Total depreciation expense - governmental activities	<u>\$ 253,371</u>

Business-type activities:

Water	\$ 403,723
Wastewater	181,809
Sanitation	1,800
Trade Days	7,051
Total depreciation expense - business-type activities	<u>\$ 594,383</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2019 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	9,995	-	234,640
Office furniture and equipment	4,108	-		4,108
Total capital assets being depreciated	228,753	9,995	-	238,748
Accumulated Depreciation:				
Buildings and improvements	(55,625)	(6,269)	-	(61,894)
Office furniture and Equipment	(4,108)		-	(4,108)
Total accumulated depreciation	(59,733)	(6,269)	-	(66,002)
Governmental activities capital assets, net	\$ 225,566	\$ 3,726	\$ -	\$ 229,292

Properties Held for Economic Development

BEDC's goal is to promote and develop the industrial and manufacturing enterprises in order to encourage employment in the City of Breckenridge. Property and equipment are acquired with the intent of making these properties available to prospective companies at a reasonable price as an incentive to relocate their business in Breckenridge. These properties are not considered investments and are reported at cost. At September 30, 2019, properties held for economic development at cost was \$1,830,131.

**NOTE 7:      CAPITAL LEASES**

The City has entered into lease agreements as lessee to finance the acquisition of equipment for the general fund. 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.

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

\$83,350 lease dated February 6, 2019, for 2 police vehicles due in annual payments of \$29,373 including interest at 6% maturing January 30, 2021.

\$37,456 lease dated July 10, 2019, for 1 police vehicle due in annual payments of \$13,200 including interest at 3.24% maturing July 10, 2021.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Future minimum lease purchase commitments are as follows:

	Activities
2020	\$ 66,292
2021	66,292
2022	23,719
2023	23,719
2024	23,720
2025-2029	<u>23,720</u>
Total debt service requirements	227,462
Less: Interest Portion	<u>21,723</u>
Debt Principal	<u><u>\$ 205,739</u></u>

Assets under lease and related accumulated depreciation are as follows:

	Activities
Vehicles and equipment	\$ 390,104
Less: Accumulated depreciation	<u>(77,407)</u>
Net	<u><u>\$ 312,697</u></u>

**NOTE 8:      LOANS PAYABLE**

The City has borrowed \$200,000 on its line of credit with a local bank to fund operating expenditures. Interest is due annually at 5.00%. The loan matures on August 25, 2020. 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, 2019**

**NOTE 9: LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2019.

Primary Government	9/30/2018	Additions	Retirements	9/30/2019	Due Within One Year
Governmental Activities.:					
Capital Leases Payable	\$ 146,480	\$ 120,806	\$ 61,547	\$ 205,739	\$ 57,597
Certificates of Obligation	1,148,000	2,992,000	62,000	4,078,000	64,000
Loans payable	173,000	135,000	173,000	135,000	135,000
Net pension liability	545,181	379,047	-	924,228	-
Total OPEB liability	155,196	-	7,529	147,667	-
Total Governmental Activities	2,167,857	3,626,853	304,076	5,490,634	256,597
Business-type Activities:					
Certificates of Obligation	4,939,000	377,000	132,000	5,184,000	133,000
Loans payable	27,000	65,000	27,000	65,000	65,000
Net pension liability	135,699	93,195	-	228,894	-
Total OPEB liability	38,630	-	2,063	36,567	-
Total Business-type Activities	5,140,329	535,195	161,063	5,514,461	198,000
Total Long-Term Liabilities	\$ 7,308,186	\$ 4,162,048	\$ 465,139	\$ 11,005,095	\$ 454,597
Component Unit					
Governmental Activities.:					
Tax leveraged fund note	197,372	-	28,679	168,693	31,454
Total Component Unit	\$ 197,372	\$ -	\$ 28,679	\$ 168,693	\$ 31,454

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

At September 30, 2019, governmental activities and business-type activities bonds payable consisted of the following issues:

	<u>Primary Government</u>
<u>Governmental Activities</u>	
\$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	<u>\$ 4,078,000</u>
<u>Business-Type Activities</u>	
\$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	1,455,000
\$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%.	715,000
\$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%	2,180,000
\$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	<u>834,000</u>
Total business-type activities	<u>\$ 5,184,000</u>

At September 30, 2019, 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>168,693</u>
Total component unit	<u>\$ 168,693</u>

The Combination Tax and Revenue Certificates of Obligation, Series 2017A and 2017B were sold to the United States of America Department of Agriculture, Rural Utilities Service. Rural Utilities Services purchases these certificates as work progresses on the approved project. The amounts payable reflected in the table above are the amounts purchased as of September 30, 2019, plus \$225,000 accrued as receivables in the governmental activities. The receivables were accrued for amounts expended by the City in September 30, 2019.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2019 are as follows:

Primary Government	Certificates of Obligation					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 64,000	\$ 111,265	\$ 175,265	\$ 133,000	147,965	\$ 280,965
2021	65,000	109,491	174,491	143,000	145,755	288,755
2022	67,000	107,676	174,676	143,000	143,117	286,117
2023	69,000	105,806	174,806	144,000	140,208	284,208
2024	71,000	103,881	174,881	149,000	137,007	286,007
2025-2029	385,000	488,606	873,606	781,000	619,436	1,400,436
2030-2034	442,000	431,833	873,833	899,000	525,049	1,424,049
2035-2039	507,000	366,699	873,699	1,041,000	368,693	1,409,693
2040-2044	582,000	291,995	873,995	1,230,000	185,651	1,415,651
2045-2049	668,000	206,168	874,168	267,000	47,095	314,095
2050-2054	767,000	107,676	874,676	152,000	24,668	176,668
2055-2059	391,000	13,049	404,049	102,000	4,262	106,262
Total debt service requirements	<u>\$ 4,078,000</u>	<u>\$ 2,444,145</u>	<u>\$ 6,522,145</u>	<u>\$ 5,184,000</u>	<u>\$ 2,488,906</u>	<u>\$ 7,672,906</u>

Tax and revenue bonds are payable from property taxes pledges and surplus revenues of the water and wastewater system. The debt ordinances provide for tax pledges to be budgeted annually to the extent budgeted net operating water and wastewater system revenues fall short of annual retirements of principal and interest. A tax rate of \$.286980 per \$100 of assessed valuation was levied for this purpose during the current year. The debt ordinances also provide for the establishment of sinking funds for the retirement of debt principal and interest. The balances in the interest and sinking funds was \$1,301,772 for the general debt service at year-end. Management of the City believes that it is in compliance with all significant financial requirements required by debt covenants as of September 30, 2019.

The annual requirements to amortize the component unit governmental activity bonds as of September 30, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 31,454	\$ 7,283	\$ 38,737
2021	32,532	6,123	38,655
2022	34,197	4,459	38,656
2023	35,946	2,709	38,655
2024	34,564	870	35,434
Total debt service requirements	<u>\$ 168,693</u>	<u>\$ 21,444</u>	<u>\$ 190,137</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 10: RISK MANAGEMENT**

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

**NOTE 11: TAX ABATEMENTS**

The City of Breckenridge is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with a developer and has agreed to provide sales tax grants and rebates. The City will pay to developer an amount equal to 60% of the project sales tax revenue for a period of ten years up to a maximum of \$325,000. The first payment was made in February 2018 and the final payment will be made in February 2027 if the maximum has not been paid at that date. The 380 Agreement was entered into in conjunction with a Performance Agreement between a developer and Breckenridge Economic Development Corporation, the two agreements being contingent upon execution of the other. BEDC will make annual performance grants to a developer in an amount equal to 50% of the annual local sales tax rebate which the City has agreed to make pursuant to the 380 Development Agreement.

Below is a table of tax abatements for the year ended September 30, 2019.

Type of Business	Purpose	Tax Abated	Percent Abated	<u>Amount Abated</u>	
				City	BEDC
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	\$ 16,300	\$ 16,300

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

Plan Description

The City participates as one of 887 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.tmrs.com](http://www.tmrs.com).

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Benefits Provided

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

At retirement, the 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.

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 2018</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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

**Employees covered by benefit terms**

Active Employees	66
Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	50
	<u>164</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 8.72% and 8.73% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$198,815, and were equal to the required contributions.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018, actuarial valuation was determined using the following actuarial assumptions:

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 are 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 are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS of the four year period December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 an adjustment for time (aggressive). 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, 2019**

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 12/31/17	\$ 8,223,966	\$ 7,543,086	\$ 680,880
Changes for the year:			
Service cost	216,654	-	216,654
Interest	544,367	-	544,367
Difference between expected and actual experience	(211,430)	-	(211,430)
Contributions-employer	-	195,613	(195,613)
Contributions-employee	-	112,140	(112,140)
Net investment income	-	(225,809)	225,809
Benefit payments, including refunds of employee contributions	(535,182)	(535,182)	-
Administrative expense	-	(4,367)	4,367
Other changes	-	(228)	228
Net changes	14,409	(457,833)	472,242
Balance at 12/31/18	\$ 8,238,375	\$ 7,085,253	\$ 1,153,122

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**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	\$ 2,177,419	\$ 1,153,122	\$ 308,010

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$195,677.

At September 30, 2019, 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	\$ 1,539	\$ 232,963
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	389,162	-
Contributions subsequent to the measurement date	153,733	-
Total	<u>\$ 544,434</u>	<u>\$ 232,963</u>

\$153,733 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, 2019. 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, 2019**

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

Year ended December 31:	Net Deferred outflows (inflows) of resources
2019	\$ 30,823
2020	(42,331)
2021	22,251
2022	146,995
2023	-
Thereafter	-
	<u>\$ 157,738</u>

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

**A. Plan Description**

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

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

**B. Benefits Provided**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>66</u>
	103

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

**C. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.50% including inflation
Retirees' share of benefit related costs	\$0

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

Mortality rates for service retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates for disabled retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

*Discount Rate:*

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

*Changes in the OPEB Liability*

	Total OPEB Liability (a)
Balances as of December 31, 2017	\$ 193,826
Changes for the year:	
Service cost	8,298
Interest on total OPEB liability	6,520
Effect of plan changes	-
Effect of economic/demographic gains or loss	(10,010)
Effect of assumptions changes or inputs	(12,381)
Benefit payments	(2,019)
Net changes	(9,592)
Balances as of December 31, 2018	\$ 184,234

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% decrease discount rate 2.71%	Current Discount Rate 3.71%	1% increase discount rate 4.71%
Net Pension Liability	\$ 217,907	\$ 184,234	\$ 157,672

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,425.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,353	\$ 8,135
Changes in assumptions	-	10,062
Contributions made subsequent to measurement date	-	-
Total	\$ 9,353	\$ 18,197

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended December 31:		
2019	\$	(1,393)
2020		(1,393)
2021		(1,393)
2022		(3,244)
2023		(1,421)
Thereafter		-
Total	\$	<u>(8,844)</u>

**NOTE 14: CONTINGENT LIABILITIES**

**A. Federal and State Programs**

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

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

**B. USDA Loan Program**

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

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.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 15: CONTRACTS AND COMMITMENTS**

**A. Texas Water Development Board Projects**

In 2012, the City received an \$840,000 loan and \$353,461 loan forgiveness grant for wastewater improvements, of which \$1,163,871 has been expended to date on engineering and construction.

The City entered into an Escrow Agreement with the Texas Water Development Board for the 2012 bonds. The escrowed funds are kept in separate accounts at the City's depositor bank and shall not be subject to warrants, drafts or checks drawn by the City but shall be disbursed or withdrawn to pay the costs of the Project which the agreement was executed and solely upon written authorization from the Executive Administrator or his designated representative. The balance in the Escrow Accounts at September 30, 2019 was \$65,085.

**B. USDA – Rural Utility Services Projects**

In March 2018, the City issued \$846,000 and \$4,262,000 Combination Tax and Revenue Certificates of Obligation for water and sewer system improvements and street and drainage improvements. The Certificates of Obligation were purchased by the United States of America Department of Agriculture, Rural Utilities Service. In April 2018 the City awarded a \$4,009,418 construction contract for these improvements and subsequently added \$643,080 in change orders. At September 30, 2019, \$4,548,962 has been completed on this project.

**NOTE 16: SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 27, 2020, which is the date the financial statements were available to be issued.

**NOTE 17: FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2018. The City has not yet determined the effect this statement will have on its financial reporting.

GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. The City has not yet determined the effect this statement will have on its financial reporting.

## **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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,464,600	\$ 1,426,300	\$ 1,403,944	(22,356)
Sales and use tax	1,118,600	1,118,600	1,077,202	(41,398)
Franchise	452,000	452,000	460,120	8,120
Hotel motel taxes	50,000	50,000	52,251	2,251
Charges for service	191,300	200,300	211,478	11,178
Grants and contributions	58,000	73,500	68,513	(4,987)
Interest income	600	600	1,994	1,394
Other revenue	29,200	29,200	27,038	(2,162)
Total revenues	<u>3,364,300</u>	<u>3,350,500</u>	<u>3,302,540</u>	<u>(47,960)</u>
Expenditures:				
Current				
General government	878,800	909,900	909,625	275
Public Safety	2,000,600	2,060,100	2,053,931	6,169
Public Works	484,600	506,600	460,738	45,862
Cemetery	111,000	113,500	104,545	8,955
Parks	249,600	234,600	238,596	(3,996)
Community services	132,200	132,200	112,459	19,741
Tourism	42,000	42,000	42,000	-
Debt service:				
Principal	18,974	18,974	191,974	(173,000)
Interest and fiscal charges	4,746	4,746	8,572	(3,826)
Total expenditures	<u>3,922,520</u>	<u>4,022,620</u>	<u>4,122,440</u>	<u>(99,820)</u>
Excess (deficiency) of revenue over (under) expenditures)	\$ <u>(558,220)</u>	\$ <u>(672,120)</u>	\$ <u>(819,900)</u>	<u>(147,780)</u>
Other financing sources (uses):				
Loan proceeds	-	-	135,000	135,000
Transfers in	750,000	730,000	708,500	(21,500)
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(10,849)</u>	<u>(3,849)</u>
Net change in fund balances	184,780	50,880	12,751	(38,129)
Fund balance, October 1, 2018	<u>134,829</u>	<u>134,829</u>	<u>134,829</u>	<u>-</u>
Fund balance, September 30, 2019	\$ <u><u>319,609</u></u>	\$ <u><u>185,709</u></u>	\$ <u><u>147,580</u></u>	<u><u>(38,129)</u></u>

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



CITY OF BRECKENRIDGE  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2019

**Total pension liability**

Plan Year	2014	2015	2016	2017	2018
Service Cost	\$ 180,948	\$ 202,264	\$ 210,034	\$ 208,582	\$ 216,654
Interest (on the Total Pension Liability)	523,394	529,436	528,297	542,655	544,367
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(78,389)	9,535	7,317	(186,991)	(211,430)
Change of assumptions	-	20,408	-	-	-
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)	(513,801)	(550,633)	(535,182)
Net Change in Total Pension Liability	16,149	270,876	231,847	13,613	14,409
Total Pension Liability-Beginning	\$ 7,691,481	\$ 7,707,630	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966
<b>Total Pension Liability-Ending (a)</b>	<b>\$ 7,707,630</b>	<b>\$ 7,978,506</b>	<b>\$ 8,210,353</b>	<b>\$ 8,223,966</b>	<b>\$ 8,238,375</b>

**Plan Fiduciary Net Position**

Contributions-Employer	\$ 192,605	194,097	190,642	202,916	195,613
Contributions-Employee	110,082	111,625	108,714	120,197	112,140
Net Investment Income	383,868	10,008	446,397	946,773	(225,809)
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)	(513,801)	(550,633)	(535,182)
Administrative Expense	(4,008)	(6,097)	(5,039)	(4,905)	(4,367)
Other	(330)	(302)	(272)	(248)	(228)
Net Change in Plan Fiduciary Net Position	72,413	(181,436)	226,641	714,100	(457,833)
Plan Fiduciary Net Position-Beginning	6,711,368	6,783,781	6,602,345	6,828,986	7,543,086
<b>Plan Fiduciary Net Position-Ending (b)</b>	<b>\$ 6,783,781</b>	<b>\$ 6,602,345</b>	<b>\$ 6,828,986</b>	<b>\$ 7,543,086</b>	<b>\$ 7,085,253</b>

**Net Pension Liability-Ending (a) - (b)**

<b>\$ 923,849</b>	<b>\$ 1,376,161</b>	<b>\$ 1,381,367</b>	<b>\$ 680,880</b>	<b>\$ 1,153,122</b>
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Plan Fiduciary Net Position as a Percentage of Total Pension Liability

88.01%      82.75%      83.18%      91.72%      86.00%

Covered Employee Payroll

\$ 2,201,639      \$ 2,232,491      \$ 2,174,270      \$ 2,152,549      \$ 2,242,795

Net Pension Liability as a Percentage of Covered Employee Payroll

41.96%      61.64%      63.53%      31.63%      51.41%

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 6 Fiscal Years

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribuiton as a % of Covered Payroll
2014	\$ 189,895	\$ 189,895	\$ -	\$ 2,112,810	8.99%
2015	193,572	193,572	-	2,193,754	8.82%
2016	196,535	196,535	-	2,224,633	8.83%
2017	187,357	187,357	-	2,174,270	8.62%
2018	194,107	194,107	-	2,222,130	8.74%
2019	198,814	198,814	-	2,285,528	8.70%

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

CITY OF BRECKENRIDGE  
Schedule of Changes in Total OPEB Liability and Related Ratios  
September 30, 2019

**Total OPEB liability**

	2017	2018
Plan Year		
Service Cost	\$ 6,888	\$ 8,298
Interest (on the Total Pension Liability)	6,417	6,520
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(10,010)
Change of assumptions or other inputs	14,955	(12,381)
Benefit payments, including refunds of employee contributions	(1,507)	(2,019)
Net Change in Total Pension Liability	26,753	(9,592)
Total Pension Liability-Beginning	167,073	193,826
<b>Total Pension Liability-Ending (a)</b>	<b>\$ 193,826</b>	<b>\$ 184,234</b>
Covered Employee Payroll	\$ 2,152,549	\$ 2,242,795
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.00%	8.21%

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, 2019

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

Parks and debt service principal and interest expenditures exceeded budget in the general fund. The debt service exceeded budget because the repayment of the line of credit was not included in budgeted expenditures. Total expenditures were \$99,820 more than budgeted and were funded with \$135,000 borrowings on the line of credit.

CITY OF BRECKENRIDGE  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2019

**Schedule of Contributions**

**Notes to Schedule of  
Contributions**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

Notes There were no benefit changes during the year.

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**Schedule of Changes in Total OPEB Liability**

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

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

CITY OF BRECKENRIDGE, TEXAS  
Nonmajor Funds  
Combining Balance Sheet  
September 30, 2019

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Assets:				
Cash	\$ 10,868	\$ 9,573	\$ 9,295	\$ 29,736
Receivables (Net of allowances)				
Other taxes	-	-	-	-
Total assets	<u>\$ 10,868</u>	<u>\$ 9,573</u>	<u>\$ 9,295</u>	<u>\$ 29,736</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 2,864	\$ -	\$ -	\$ 2,864
Due to other funds	-	-	-	-
Total liabilities	<u>2,864</u>	<u>-</u>	<u>-</u>	<u>2,864</u>
Fund Balances:				
Restricted fund balance	\$ 8,004	\$ 9,573	\$ 9,295	\$ 26,872
Committed fund balance	-	-	-	-
Total fund balance	<u>8,004</u>	<u>9,573</u>	<u>9,295</u>	<u>26,872</u>
Total liabilities and fund balances	<u>\$ 10,868</u>	<u>\$ 9,573</u>	<u>\$ 9,295</u>	<u>\$ 29,736</u>

# EXHIBIT G-1

Capital Project Funds			
Equipment Replacement	Street Maintenance Fund	Total Capital Projects Funds	Total Nonmajor Funds
\$ 128,681	\$ 490,609	\$ 619,290	\$ 649,026
-	33,081	33,081	33,081
<u>\$ 128,681</u>	<u>\$ 523,690</u>	<u>\$ 652,371</u>	<u>\$ 682,107</u>
\$ -	\$ 250	\$ 250	\$ 3,114
-	3,897	3,897	3,897
-	4,147	4,147	7,011
\$ -	\$ 519,543	\$ 519,543	\$ 546,415
128,681	-	128,681	128,681
128,681	519,543	648,224	675,096
<u>\$ 128,681</u>	<u>\$ 523,690</u>	<u>\$ 652,371</u>	<u>\$ 682,107</u>



## CITY OF BRECKENRIDGE, TEXAS

## Nonmajor Funds

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

For the year ended September 30, 2019

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Revenues:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Grants and contributions	725	1,704	36,712	39,141
Interest	67	83	67	217
Total revenue	792	1,787	36,779	39,358
Expenditures:				
Current:				
Public Safety	3,046	-	28,329	31,375
Public Works	-	-	-	-
Parks	-	2,798	-	2,798
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Total expenditures	3,046	2,798	28,329	34,173
Excess (deficiency) of revenue over (under) expenditures)	(2,254)	(1,011)	8,450	5,185
Other financing sources (uses):				
Gain on Sale of Assets	-	-	-	-
Capital leases	-	-	-	-
Transfers in	-	-	-	-
Net change in fund balances	(2,254)	(1,011)	8,450	5,185
Fund Balance, October 1, 2018	10,258	10,584	845	21,687
Fund Balance, September 30, 2019	\$ 8,004	\$ 9,573	\$ 9,295	\$ 26,872

# EXHIBIT G-2

Capital Project Funds			
Equipment Replacement	Street Maintenance Fund	Total Capital Projects Funds	Total Nonmajor Funds
\$ -	\$ 214,681	\$ 214,681	\$ 214,681
-	-	-	39,141
808	3,813	4,621	4,838
808	218,494	219,302	258,660
-	-	-	31,375
-	134,965	134,965	134,965
-	-	-	2,798
246,707	-	246,707	246,707
42,573	-	42,573	42,573
289,280	134,965	424,245	458,418
(288,472)	83,529	(204,943)	(199,758)
78,861	-	78,861	78,861
120,806	-	120,806	120,806
73,306	-	73,306	73,306
(15,499)	83,529	68,030	73,215
144,180	436,014	580,194	601,881
\$ 128,681	\$ 519,543	\$ 648,224	\$ 675,096

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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, 2019

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2010 and prior	0.7663	0.1898	164,281,038	28,252
2011	0.7556	0.1744	176,676,216	5,674
2012	0.8367	0.2106	188,634,444	7,683
2013	0.7557	0.2543	204,984,229	10,662
2014	0.6282	0.2618	192,875,823	17,757
2015	0.5652	0.2966	201,105,727	21,532
2016	0.6148	0.3252	196,762,440	31,922
2017	0.6588	0.3812	184,686,029	57,711
2018	0.6846	0.3519	185,111,143	106,324
2019 (Year under audit)	0.7330	0.2870	186,178,825	-
TOTALS				<u><u>\$ 287,517</u></u>

**EXHIBIT G-3**

Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30
	(974)	(241)	(4,011)	23,026
	(297)	(68)	(310)	4,999
	(663)	(167)	(365)	6,488
	(2,005)	(675)	(221)	7,761
	(3,361)	(1,400)	(2,101)	10,895
	(2,575)	(1,351)	(3,020)	14,586
	(5,901)	(3,121)	(1,424)	21,476
	(11,731)	(6,788)	(4,873)	34,319
-	(28,548)	(13,868)	(13,795)	50,113
1,915,967	(1,283,515)	(506,247)	(24,188)	102,017
<u>\$ 1,915,967</u>	<u>\$ (1,339,570)</u>	<u>\$ (533,926)</u>	<u>\$ (54,308)</u>	<u>\$ 275,680</u>

**EXHIBIT G-4**

City of Breckenridge, Texas  
 Statistics - Water and Wastewater Fund  
 For the year ended September 30, 2019  
 (Unaudited)

Number of water connections at end of year	2,248
Number of wastewater connections at end of year	2,041
Gallons of water billed through the system during the fiscal year	160,716,088

	2019	2018
<u>Outstanding Bonds and Certificates:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2012	\$ 1,455,000	\$ 1,500,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	715,000	740,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,180,000	2,230,000
Combination Tax and Revenue Certificates of Obligation, Series 2017A	834,000	469,000
	<u>\$ 5,184,000</u>	<u>\$ 4,939,000</u>

<u>Water and Wastewater Operating Income Available for Debt Retirement:</u>		
Net Operating Income	\$ 320,430	\$ 410,098
Net Nonoperating Interest Income	5,830	3,589
Add Depreciation Expense	<u>585,532</u>	<u>570,372</u>
Water and Sewer Operating Income Available for Debt Retirement	<u>\$ 911,792</u>	<u>\$ 984,059</u>

Annual Debt Service Requirements and Coverage:

Combination Tax and Revenue Certificates of Obligation, Series 2003	\$ -	\$ 77,063
General Obligation Refunding Bonds, Series 2010	-	168,094
Combination Tax and Revenue Certificates of Obligation, Series 2012	72,398	72,546
Combination Tax and Revenue Certificates of Obligation, Series 2013	38,073	38,104
Combination Tax and Revenue Certificates of Obligation, Series 2014	136,088	136,808
Combination Tax and Revenue Certificates of Obligation, Series 2017A	<u>30,959</u>	<u>1,818</u>
Total Debt Service Requirements	277,518	494,433
Less Paid by Property Taxes	(277,518)	(494,433)
Net System Fund Requirements	<u>\$ -</u>	<u>\$ -</u>
Coverage of Total System Fund Debt Service	<u>not applicable</u>	<u>not applicable</u>

Cash Available in Bond Sinking Funds

General Debt Service	\$ 1,301,772	\$ 1,156,855
Revenue Debt Service	-	139
	<u>\$ 1,301,772</u>	<u>\$ 1,156,994</u>

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

Insurance in Force

September 30, 2019

(Unaudited)

	Coverage	Premium
Flood, Fire and Extended Coverage		
Buildings and Contents	\$ 13,334,063	\$ 31,427
Errors & Omission Liability		
Each Wrongful Act	1,000,000	6,156
Aggregate	2,000,000	
Commercial General Liability		
Per Occurrence	1,000,000	3,964
Aggregate	2,000,000	
Law Enforcement Personal Liability		
Each Wrongful Act	1,000,000	6,837
Annual Aggregate	2,000,000	
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	23,153
Combined Single Limit	25,000	
Heavy Equipment		
Physical Damage	890,397	3,593
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	10/1/2019
Texas Municipal League	Commercial Auto	10/1/2019
Texas Municipal League	Flood	10/1/2019
Texas Municipal League	Public Officials Liability	10/1/2019
Texas Municipal League	Law Enforcement Liability	10/1/2019
CNA Surety Corporation	Fidelity Bond - City Secretary	9/6/2020
CNA Surety Corporation	Fidelity Bond - Assistant City Secretary	10/1/2019
CNA Surety Corporation	City Manager & Other Public Employees	1/23/2020
Texas Municipal League	Heavy Equipment	10/1/2019



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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, 2019, 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 27, 2020.

**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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

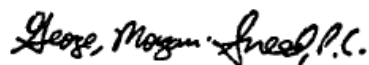
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

## **City of Breckenridge, Texas Response to Findings**

City of Breckenridge, Texas response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Breckenridge, Texas response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Weatherford, Texas  
January 27, 2020

# **SINGLE AUDIT REPORT**

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**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, 2019. 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, 2019.



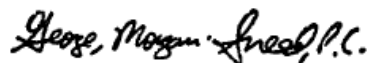
## Report on Internal Control over Compliance

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.



Weatherford, Texas  
January 27, 2020

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?        Yes   X   No

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

Noncompliance material to financial statements noted        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings

2019-001. Bank Deposits

**Criteria:** Deposit bank bags should be stored in a secure location until they are taken to the bank by a City employee. The City employee should receive a validated deposit slip from the bank to verify the deposit.

**Condition:** A deposit for March 11, 2019, went missing and was not deposited at the bank. The missing deposit was not caught until the March bank reconciliation was performed.

**Effect:** \$6,567.30 of the March 11, 2019, deposit was not recovered from customers.

**Cause:** The deposit bags were kept in a basket in the accounting office and the City did not have a process to compare validated deposit slips with deposits on a timely basis.

**Other:** The City changed its process so that deposit bags are kept in the safe until taken to the bank. We observed that the deposit bags were in the safe during the audit fieldwork.

The City implemented a process where validated deposit slips are stapled to daily reports in a binder on a daily basis. We inspected daily reports in the binder for the period of November 11-13, 2019 and found that 1 of the daily reports did not have a validated deposit slip attached.

**Recommendation:** We recommend that the City continue storing deposit bags in the safe until they are taken to the bank. We recommend that the City continue comparing validated deposit slips to the daily reports on a daily basis and that the City immediately follow up when one is missing or there is a discrepancy.

**Management's Response:**

The money bags are kept in the vault. However; since so many individuals have need to access the vault throughout the day we will be purchasing a small safe that is a digital access for the money bags to be kept in the future. Purchase will be made at the first of February.

Also, implemented new internal controls on the following:

1. City Secretary must review and initial all UB balance reports with copies of all deposit slips attached to reports. Deposit receipts once returned from the bank will be affixed by City Secretary.
2. City Secretary approves all extensions, pay arrangements and adjustments on any UB accounts.
3. New cash handling controls were implemented last year and are working very well.
4. I have brought in a third cash drawer – in case one of the UB clerks calls in sick – another individual will be assigned the 3<sup>rd</sup> drawer by the City Secretary and not need to access the other UB clerks cash drawer. 3<sup>rd</sup> drawer will always be kept at \$300.00 and as it is assigned will be counted by the City Secretary in the presence of the assignee and a witness – countdown form completed and signed by all at the time it is assigned, as well as, the end of the day after balancing back to \$300.00.

C. Federal Award Findings and Questioned Costs

NONE

**CITY OF BRECKENRIDGE, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2019**

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

**CITY OF BRECKENRIDGE, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**YEAR ENDED SEPTEMBER 30, 2019**

Contact for Corrective Action Plan:

Andy McCuiston  
City Manager

Financial Statement Findings

2019-001. Bank Deposits

The money bags are kept in the vault. However; since so many individuals have need to access the vault throughout the day we will be purchasing a small safe that is a digital access for the money bags to be kept in the future. Purchase will be made at the first of February.

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Federal Award Findings

None.

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 Agriculture Rural Development</u>				
Water and Waste Disposal Systems for Rural Communities	10.760	51 015 0756000468	\$ -	\$ 3,343,455
Total U.S. Department of Agriculture Rural Development			-	3,343,455
<u>U.S. Department of Housing and Urban Development</u>				
<u>Pass-through Texas Department of Agriculture</u>				
Community Development Block Grants/Entitlement Grants	14.218	7218039	\$ -	\$ 71,920
Total U.S. Department of Agriculture Rural Development			-	71,920
<u>U.S. Department of Justice</u>				
<u>Pass-through from Texas Office of the Governor</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ 3624001	-	17,500
Total U.S. Department of Justice			-	17,500
<u>U.S. Department of Transportation</u>				
<u>Pass-through Texas Department of Transportation</u>				
DOT Highway Planning and Construction*	20.205	0404-02-036	-	102,518
DOT Highway Planning and Construction*	20.205	0011-09-065	-	16,572
DOT Highway Planning and Construction*	20.205	0257-01-041	-	16,533
Total CFDA Number 20.205			-	135,623
Total U.S. Department of Transportation			-	135,623
<u>U.S. General Services Administration</u>				
<u>Pass-through from Texas Facilities Commission/Federal Surplus Program</u>				
Donation of Federal Surplus Personal Property	39.003	20590	-	255
Total U.S. General Services Administration			-	255
<u>U.S. Environmental Protection Agency</u>				
<u>Pass-through from Texas Water Development Board</u>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	73647	-	850,903
Total U.S. Environmental Protection Agency			-	850,903
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 4,419,656</b>

\* Clustered Programs as required by the 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, 2019**

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.

