

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

CITY OF BRECKENRIDGE, TEXAS

Annual Financial Report

For the year ended September 30, 2020

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Annual Financial Report

For the year ended September 30, 2020

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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, 2020, 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, 2020, 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 52 - 57 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

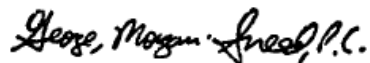
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 28, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.
Weatherford, Texas
January 28, 2021

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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, 2020.

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 \$18,603,035 (*net position*) compared to restated net position of \$16,667,117 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was negative \$383,696 at year end.
- The City's total net position increased by \$1,935,918. The City's operations increased the governmental activities net position by \$467,088 and the business-type activities net position by \$1,468,830. The increase in business-type activities is primarily due to grants for capital improvements.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$2,830,253. This compares to a restated ending fund balance of \$2,715,769 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$224,611, or 6% of total general fund expenditures. This compares to an unassigned fund balance of \$130,213 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements.

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the City's services are included here, such as general government, public works and safety, and community services in the governmental activities and water, wastewater, and sanitation in the business-type or proprietary activities.

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

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

Fund financial statements.

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$18,603,035 as of September 30, 2020.

The largest portion of the City's net position (84%) 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 (14%) 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 \$383,696 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 \$248,477 compared to negative \$513,483 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 Net Position.

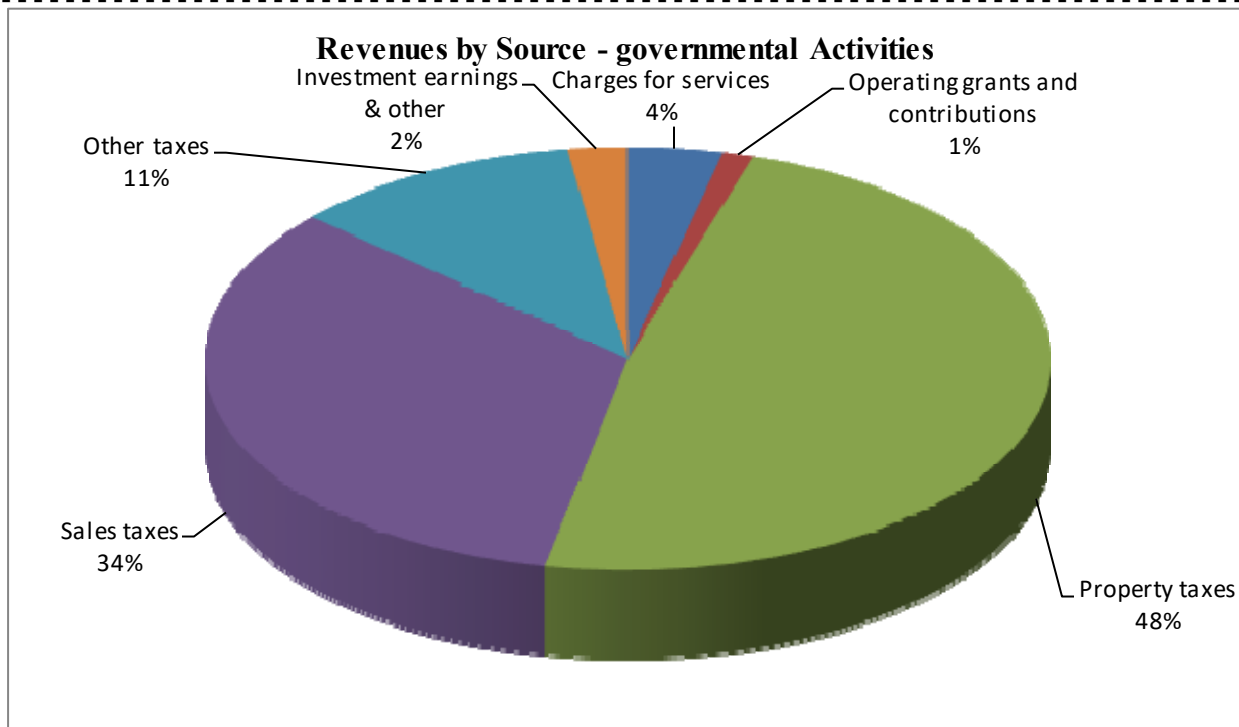
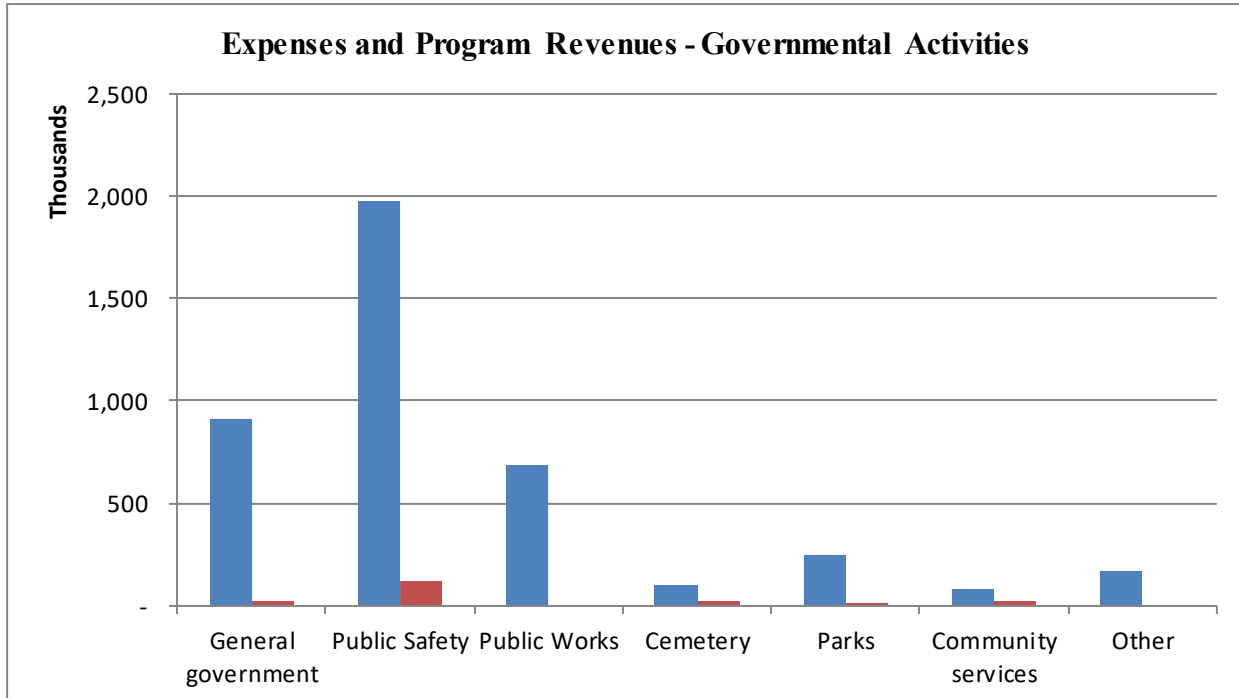
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,167,390	\$ 2,843,041	\$ 1,274,808	\$ 1,149,035	\$ 4,442,198	\$ 3,992,076
Capital assets	7,771,991	7,630,506	17,231,253	16,211,591	25,003,244	23,842,097
Total Assets	<u>10,939,381</u>	<u>10,473,547</u>	<u>18,506,061</u>	<u>17,360,626</u>	<u>29,445,442</u>	<u>27,834,173</u>
Deferred outflows of resources	166,498	442,347	45,435	111,440	211,933	553,787
Current liabilities	106,410	487,545	443,293	564,153	549,703	1,051,698
Long-term liabilities	4,887,771	5,490,634	5,210,784	5,514,461	10,098,555	11,005,095
Total liabilities	<u>4,994,181</u>	<u>5,978,179</u>	<u>5,654,077</u>	<u>6,078,614</u>	<u>10,648,258</u>	<u>12,056,793</u>
Deferred inflows of resources	321,089	201,304	84,993	49,856	406,082	251,160
Net Position:						
Net investment in capital assets	3,487,849	3,346,767	12,180,253	10,962,591	15,668,102	14,309,358
Restricted	2,551,237	1,903,127	-	-	2,551,237	1,903,127
Unrestricted	(248,477)	(513,483)	632,173	381,005	383,696	(132,478)
Total Net Position	<u>\$ 5,790,609</u>	<u>\$ 4,736,411</u>	<u>\$ 12,812,426</u>	<u>\$ 11,343,596</u>	<u>\$ 18,603,035</u>	<u>\$ 16,080,007</u>

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

Statement of Activities

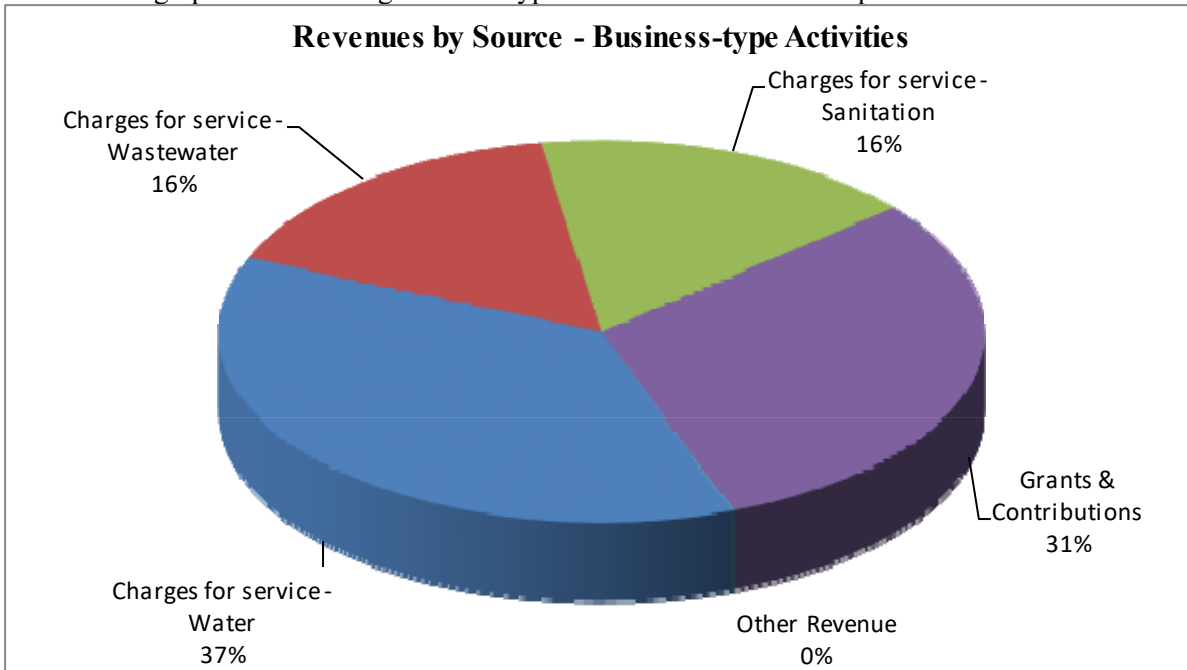
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 152,392	\$ 223,702	\$ 3,754,811	\$ 3,634,603	\$ 3,907,203	\$ 3,858,305
Operating grants and contributions	48,891	90,154	-	-	48,891	90,154
Capital grants and contributions	-	17,500	1,649,053	2,620,483	1,649,053	2,637,983
General revenues:					-	
Property taxes	2,008,531	1,931,837	-	-	2,008,531	1,931,837
Sales and use taxes	1,392,109	1,291,883	-	-	1,392,109	1,291,883
Franchise taxes	423,847	444,975	-	-	423,847	444,975
Hotel motel taxes	40,018	52,251	-	-	40,018	52,251
Investment earnings	60,420	19,079	4,070	6,685	64,490	25,764
Other Revenue	33,317	52,319	-	43,863	33,317	96,182
Total revenues	<u>4,159,525</u>	<u>4,123,700</u>	<u>5,407,934</u>	<u>6,305,634</u>	<u>9,567,459</u>	<u>10,429,334</u>
Expenses						
General government	911,503	922,022	-	-	911,503	922,022
Public Safety	1,977,678	2,161,716	-	-	1,977,678	2,161,716
Public Works	683,418	697,765	-	-	683,418	697,765
Health and sanitation	-	-	927,119	835,286	927,119	835,286
Cemetery	98,240	105,508	-	-	98,240	105,508
Parks	250,558	290,643	-	-	250,558	290,643
Community services	82,162	113,378	-	-	82,162	113,378
Tourism	40,018	42,000	-	-	40,018	42,000
Interest on long-term debt bond costs	126,139	77,523	-	-	126,139	77,523
Water and wastewater	-	-	2,528,629	2,586,019	2,528,629	2,586,019
Trade Days	-	-	6,077	10,618	6,077	10,618
Total expenses	<u>4,169,716</u>	<u>4,410,555</u>	<u>3,461,825</u>	<u>3,431,923</u>	<u>7,631,541</u>	<u>7,842,478</u>
Increase (decrease) in net position						
before transfers	(10,191)	(286,855)	1,946,109	2,873,711	1,935,918	2,586,856
Transfers	<u>477,279</u>	<u>572,004</u>	<u>(477,279)</u>	<u>(572,004)</u>	-	-
Increase (decrease) in net position	467,088	285,149	1,468,830	2,301,707	1,935,918	2,586,856
Net Position October 1 - Restated	<u>5,323,521</u>	<u>4,451,262</u>	<u>11,343,596</u>	<u>9,041,889</u>	<u>16,667,117</u>	<u>13,493,151</u>
Net Position September 30	<u>\$ 5,790,609</u>	<u>\$ 4,736,411</u>	<u>\$ 12,812,426</u>	<u>\$ 11,343,596</u>	<u>\$ 18,603,035</u>	<u>\$ 16,080,007</u>

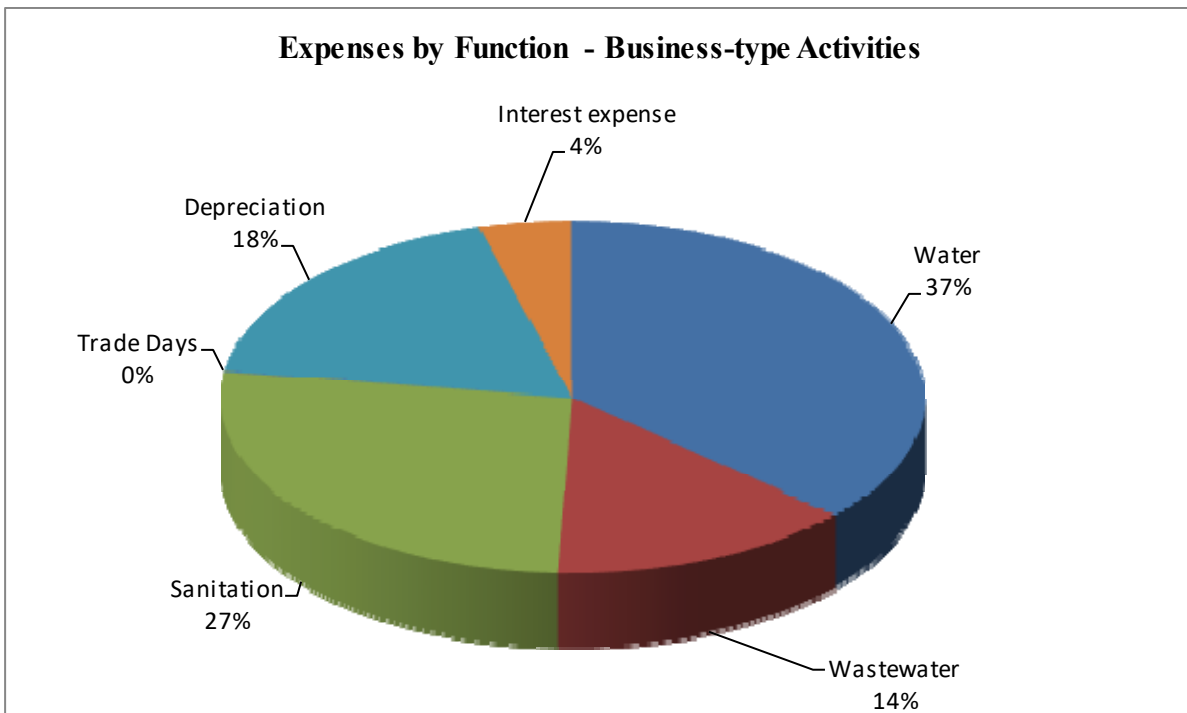
Governmental Activities. Governmental activities increased the City's net position by \$467,088 in the current year. Total governmental activities revenues increased \$35,825. Property and sales taxes increased \$76,694 and \$100,226 respectively due to \$.05 increase in property tax rates and more local taxable sales. Charges for services decreased \$71,310 due to fines and fees, cemetery sales and the pool closure. Total governmental activities expenses decreased \$240,839 (5%). The largest decrease was in public safety for decrease in salaries and pension expense adjustment. Below are two graphs summarizing governmental revenue and expense:



Business-type activities. Business-type activities increased the City’s net position by \$1,468,830. The business-type activities total revenues decreased \$897,700 and total expenses increased \$29,902. Charges for service increased \$120,208 primarily because more gallons of water were sold. Capital grants and contributions decreased \$971,430. The current year grants are for the US 183N water and wastewater line relocation projects and utility line projects on Park St and Roberts/Dunnigan Streets.

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.

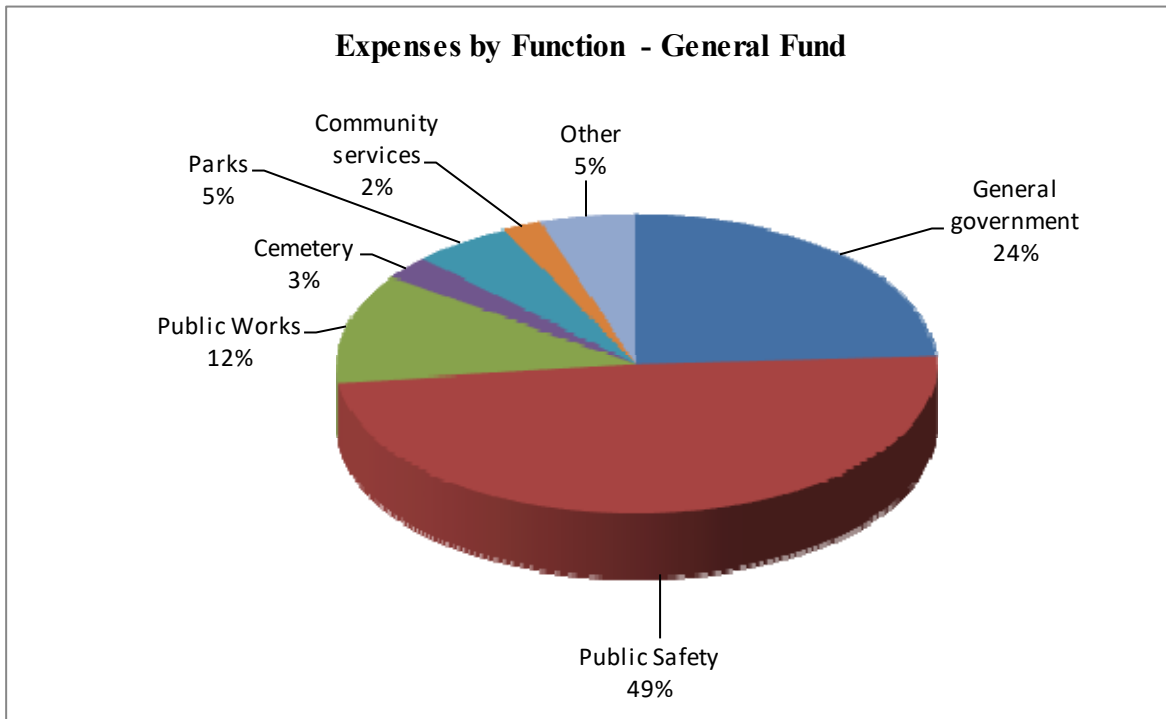
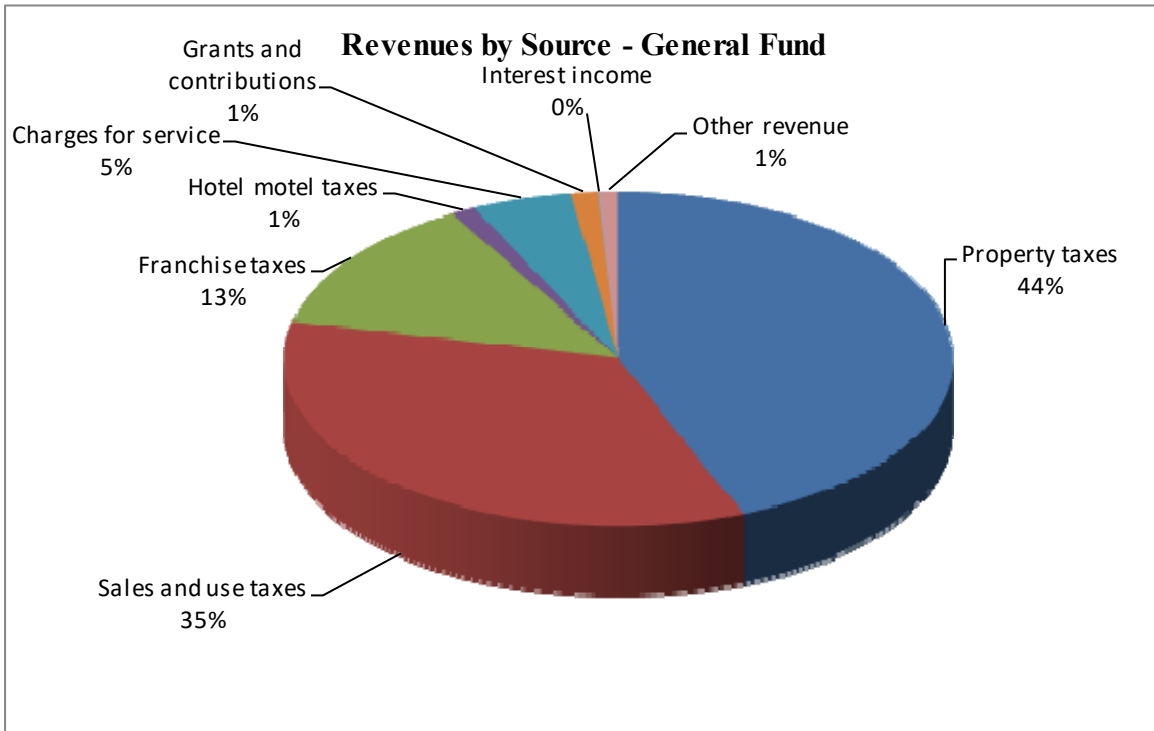
Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure 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 \$2,830,253. \$224,611 (8%) 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 \$224,611. Below is a comparison of the general fund's net change in fund balance for 2020 and 2019.

	2020	2019	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 1,465,007	\$ 1,403,944	\$ 61,063	4.35%
Sales and use tax	1,160,672	1,077,202	83,470	7.75%
Franchise	436,759	460,120	(23,361)	-5.08%
Hotel motel taxes	40,018	52,251	(12,233)	-23.41%
Charges for service	161,379	211,478	(50,099)	-23.69%
Grants and contributions	43,168	68,513	(25,345)	-36.99%
Interest income	3,024	1,994	1,030	51.65%
Other revenue	29,222	27,038	2,184	8.08%
Total revenues	<u>3,339,249</u>	<u>3,302,540</u>	<u>36,709</u>	<u>1.11%</u>
Expenditures:				
Current				
General government	941,581	909,625	31,956	3.51%
Public Safety	1,913,364	2,053,931	(140,567)	-6.84%
Public Works	456,248	460,738	(4,490)	-0.97%
Cemetery	98,652	104,545	(5,893)	-5.64%
Parks	209,695	238,596	(28,901)	-12.11%
Community services	82,349	112,459	(30,110)	-26.77%
Tourism	40,018	42,000	(1,982)	-4.72%
Debt service:				
Principal	154,589	191,974	(37,385)	-19.47%
Interest and fiscal charges	8,222	8,572	(350)	-4.08%
Total expenditures	<u>3,904,718</u>	<u>4,122,440</u>	<u>(217,722)</u>	<u>-5.28%</u>
Other financing sources (uses):				
Loan Proceeds	-	135,000	(135,000)	100.00%
Transfers in	680,000	708,500	(28,500)	-4.02%
Transfers out	(20,000)	(10,849)	(9,151)	-84.35%
Net change in fund balances	<u>\$ 94,531</u>	<u>\$ 12,751</u>	<u>\$ 81,780</u>	<u>\$ 641.36%</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 \$632,173. The total change in net position was \$1,468,830. 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 \$140,552. Actual revenues were \$12,201 more than budgeted. Budget amendments decreased expenditures \$222,900. Actual expenditures of the general fund were \$42,297 less than budgeted.

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$25,003,244 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- \$201,360 construction and engineering on Park Street project
- \$67,525 for 2012 Asphalt Zipper
- \$25,000 for street sweeper

Business-type activities:

- \$1,162,704 for construction, engineering and match on US 183 N utility line relocation projects
- \$242,757 for construction and engineering on Roberts/Dunnigan Streets utility line project
- \$155,938 utility line portion of Park Street project

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 194,785	\$ 194,785	\$ 193,297	\$ 193,297	\$ 388,082	\$ 388,082
Construction in progress	-	4,077,720	1,440,634	2,505,446	1,440,634	6,583,166
Land Improvements	-	-	12,614	13,537	12,614	13,537
Buildings and improvements	569,170	608,023	401,267	429,036	970,437	1,037,059
Water and sewer systems	-	-	15,010,907	12,907,010	15,010,907	12,907,010
Infrastructure	6,230,033	1,974,288	-	-	6,230,033	1,974,288
Vehicles and equipment	778,003	775,690	172,534	163,265	950,537	938,955
Total	\$ 7,771,991	\$ 7,630,506	\$ 17,231,253	\$ 16,211,591	\$ 25,003,244	\$ 23,842,097

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	
	2020	2019	2020	2019	2020	2019
Capital leases payable	\$ 148,142	\$ 205,739	\$ -	\$ -	\$ 148,142	\$ 205,739
Loans Payable	-	135,000	-	65,000	-	200,000
Certificates of Obligation	4,136,000	4,078,000	5,051,000	5,184,000	9,187,000	9,262,000
Total	<u>\$ 4,284,142</u>	<u>\$ 4,418,739</u>	<u>\$ 5,051,000</u>	<u>\$ 5,249,000</u>	<u>\$ 9,335,142</u>	<u>\$ 9,667,739</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 2020-21 Budget decreased by \$1,886,838 or .9916%. New improvements valued at \$428,640 were added for 2020. Mineral Property decreased by \$2,424,468 and Personal Property decreased by \$1,186,305. The Debt Rate increased by 0.00109 to \$0.28394. The total tax rate increased to \$1.12229/\$100 valuation.
- In 2019-20 Sales tax revenue was projected to come in \$10,000 more than budgeted and remain level for 2020-21. A direct result of COVID-19 and the current economy, sales tax revenue remained steady and should continue at this level for 2020-21.
- Economic Development - Breckenridge has seen a decrease in the economy during the 2019-20 fiscal year. Because of low oil and gas prices throughout most of the year, the oil industry, the primary economic driver for economic activity in Breckenridge and Stephens County was much less active, resulting in fewer jobs, fewer hours per employee, and less spending.

Also, COVID-19 had a substantial negative effect on employment sectors. One of our primary employers, New Vision Manufacturing, went out of business in the first half of 2020. Overall unemployment figures were twice the normal numbers for most of 2020.

An interesting positive from the COVID-19 pandemic for Breckenridge was that people stayed in town more, thus they went out of town to shop and eat less often. This resulted in double-digit percentage increases in sales tax collections for several months of 2020.

Management expects performance for next year's sales tax collections to continue to increase if COVID-19 is controlled. At the time of this report, oil prices are on the rise again and resulting increased activity is visible. Additionally, two new primary employers had opened in November of 2020. RGN Manufacturing already employs about 75 full-time employees.

However, until a longer positive trend is evident, and until COVID-19 is less impactful, the BEDC board chose to project flat sales tax collections for the coming year and set their 2020-21 budget revenue projections approximately the same last year's actual collections.

- The 2020-21 General Fund disbursements are budgeted to increase \$170,250 from the 2019-20 Budget and increase \$272,150 or 6.51% from projected year-end 2019-20. The largest items

increasing the budget in 2020-21 are the Department Head salary and benefit changes. Police Department minor equipment needs. Cemetery/Parks mower purchase. Swimming Pool needed repairs. Major Equipment repairs, maintenance and new tires. New storage building at yard. Health insurance rates did not increase for 2020-21. Transfers from Water, Wastewater and Sanitation Funds to supplement the General Fund will remain in 2020-21. Fund Balance is budgeted to decrease by \$59,500 mainly due to increased disbursements for 2020-21. Projects for 2019-20: Final payment for Parks and Lindsey was made 8-19-2020; Two small street projects were completed. One was on west Elliot replacing the bad v drainage in the road, the second was the 100 block of South Mcamis.

- With continuing rains, cooler weather, and the effects of COVID-19 on the local economy water consumption has been declining in 2019-20. Water revenues for 2020-21 are budgeted to remain flat at the 2019-20 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 and was increased to \$10.00. Water rate increases are budgeted for the Water Fund in 2020-21. They are projected to increase in 2021-22, after the completion of the NewGen Cost of Service study.

Water Fund expenditures were projected to come in under budget by \$16,868 in 2019-20. The total 2020-21 expenditures are projected to be \$294,268 more than projected 2019-20 mainly due to a \$50,000 transfer to Equipment Replacement Fund to help cover the purchase of a backhoe. \$15,000 budgeted for a new pump for water distribution. Capital Outlays of \$185,000 for Water Treatment to cover a new High Service Pump for SRSUD, new booster for TDCJ, and ground storage rehab and new roof at Plant. There are not any Capital Improvement Transfers scheduled. General Fund transfers decreased by \$30,000. No debt service transfers are planned for 2020-21. Projects in 2019-20: 183 North Water Line is 100% finished of the 11,400' water main contracted; CDBG water line replacement is 100% finished (2800' estimate)

- Wastewater Fund revenue for 2020-21 will increase over the 2019-20 level due to a rate increase necessary to cover existing new maintenance expenditures and continuing issues with Lift stations. They are projected to increase in 2021-22, after the completion of the NewGen Cost of Service study.
- Wastewater Fund expenditures for 2020-21 are projected at \$82,250 more than 2019-20. Lift station maintenance continues to require additional funding in 2020-21. Transfers to the General Fund increased by \$55,000 from 2019-20. No transfers to the Capital Improvements Fund are required in 2020-21. Projects for 2019-20: Added 800' of sewer line to the industrial park for a business to relocate in a new office building; 183 North Serwer is 80% finished of the 4873' of sewer main contracted; the wastewater treatment plant was finished and waiting on final warranty repairs on leveling the weirs and scum arm.
- The Sanitation Fund remains stable, projecting a cash balance of \$85,293 for 2020-21. We did increase rates in 2019-20 above the contractor rate to provide for a \$100,000 transfer to General Fund. The only rate increases planned for residential, commercial, or industrial customers in 2020-21 are the contractor's rate increases that are passed through to the customers. The Monofill, in total has had sixty-two (62) sub-standard houses deposited to date. Due to COVID-19, weather, and manpower shortages there were no houses added to the Monofill in 2019-20.
- Transfers to the Breck Trade Days Fund were discontinued in 2019-20 and will not return in the foreseeable future.

- There are not any Capital Improvements Project Fund expenditures budgeted for 2020-21. There are no specific street paving projects planned for 2020-21, but \$4910,000 is available.
- Transfers will be made into the Equipment Replacement Fund in 2020-21 for \$175,000. Expenditures budgeted from Equipment Replacement Fund are \$196,800. Purchases to include a backhoe, mini excavator, and old vehicle replacement.
- No new full-time positions or salary increases are to be added in 2020-21. We did implement additional Holidays, going from 8 to 14; this was done to boost morale and give the employees an added benefit without affecting the budget the way a pay raise would. There is not an increase planned for health insurance costs; but were able to change providers and offer better coverage and less costs to the employees.
- Debt service requirements in the General Debt Service Fund decreased slightly. Reserve balances are projected to increase in the General Debt Service Fund to \$1,488,972.

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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CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Breckenridge Economic Development
ASSETS:				
Cash and cash equivalents	\$ 2,051,176	\$ 244,100	\$ 2,295,276	\$ 1,750,438
Investments	612,707	-	612,707	
Receivables (Net of allowances for uncollectibles)				
Property taxes	161,633	-	161,633	-
Other taxes	332,998	-	332,998	78,533
Accounts	14,923	419,478	434,401	-
Miscellaneous	19,809	225,952	245,761	-
Internal Balances	(25,856)	25,856	-	-
Supplies inventory	-	128,529	128,529	-
Restricted assets:				
Cash and cash equivalents	-	230,893	230,893	-
Notes receivable	-	-	-	347,636
Capital assets (net of accumulated depreciation):				
Land	194,785	193,297	388,082	56,546
Construction in progress	-	1,440,634	1,440,634	-
Land Improvements	-	12,614	12,614	-
Buildings and improvements	569,170	401,267	970,437	165,882
Water and wastewater systems	-	15,010,907	15,010,907	-
Infrastructure	6,230,033	-	6,230,033	-
Vehicles and equipment	778,003	172,534	950,537	-
Land held for economic development, at cost				1,592,851
Total Assets	<u>10,939,381</u>	<u>18,506,061</u>	<u>29,445,442</u>	<u>3,991,886</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow related to TMRS pension	139,570	38,307	177,877	-
Deferred outflow related to TMRS OPEB	26,928	7,128	34,056	-
Total Deferred Outflows of Resources	<u>166,498</u>	<u>45,435</u>	<u>211,933</u>	<u>-</u>
LIABILITIES:				
Accounts Payable	45,016	202,388	247,404	-
Accrued Payroll	13,417	3,854	17,271	2,283
Due to other governments	3,174	-	3,174	-
Unearned Revenue	37,152	-	37,152	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	7,651	6,206	13,857	-
Customer deposits	-	230,845	230,845	-
Noncurrent liabilities:				
Due within one year	125,450	143,000	268,450	33,234
Due in more than one year	4,762,321	5,067,784	9,830,105	103,327
Total Liabilities	<u>4,994,181</u>	<u>5,654,077</u>	<u>10,648,258</u>	<u>138,844</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflow related to TMRS pension	302,409	80,048	382,457	-
Deferred inflow related to TMRS OPEB	18,680	4,945	23,625	-
Total Deferred Inflows of Resources	<u>321,089</u>	<u>84,993</u>	<u>406,082</u>	<u>-</u>
NET POSITION:				
Net Investments in Capital Assets	3,487,849	12,180,253	15,668,102	222,428
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	465,446
Debt service	1,409,735	-	1,409,735	-
Property tax reduction	17,500	-	17,500	-
Public safety	17,798	-	17,798	-
Public works	484,909	-	484,909	-
Cemetery	612,707	-	612,707	-
Parks	8,588	-	8,588	-
Unrestricted Net Position	(248,477)	632,173	383,696	3,165,168
Total Net Position	<u>\$ 5,790,609</u>	<u>\$ 12,812,426</u>	<u>\$ 18,603,035</u>	<u>\$ 3,853,042</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 911,503	\$ 21,744	\$ 2,667	\$ -
Public Safety	1,977,678	114,108	9,001	-
Public Works	683,418	-	-	-
Cemetery	98,240	15,840	9,843	-
Parks	250,558	700	323	-
Community services	82,162	-	27,057	-
Tourism	40,018	-	-	-
Interest on long-term debt	126,139	-	-	-
Bond issuance costs	-	-	-	-
Total governmental activities	<u>4,169,716</u>	<u>152,392</u>	<u>48,891</u>	<u>-</u>
Business-type activities:				
Water and wastewater	2,528,629	2,867,315	-	1,649,053
Sanitation	927,119	887,496	-	-
Trade Days	6,077	-	-	-
Total business-type activities	<u>3,461,825</u>	<u>3,754,811</u>	<u>-</u>	<u>1,649,053</u>
Total primary government	<u>\$ 7,631,541</u>	<u>\$ 3,907,203</u>	<u>\$ 48,891</u>	<u>\$ 1,649,053</u>
Component Unit				
Governmental activities:				
General administration	\$ 135,403	\$ -	\$ -	\$ -
Economic development	199,279	-	-	-
Community development	24,352	-	-	-
Interest on long-term debt	5,952	-	-	-
Total component unit	<u>\$ 364,986</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, 2019 - Restated

Net Position September 30, 2020

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
\$ (887,092)	\$ -	\$ (887,092)	\$ -
(1,854,569)	-	(1,854,569)	-
(683,418)	-	(683,418)	-
(72,557)	-	(72,557)	-
(249,535)	-	(249,535)	-
(55,105)	-	(55,105)	-
(40,018)	-	(40,018)	-
(126,139)	-	(126,139)	-
-	-	-	-
<u>(3,968,433)</u>	<u>-</u>	<u>(3,968,433)</u>	<u>-</u>
-	1,987,739	1,987,739	-
-	(39,623)	(39,623)	-
-	(6,077)	(6,077)	-
<u>-</u>	<u>1,942,039</u>	<u>1,942,039</u>	<u>-</u>
<u>\$ (3,968,433)</u>	<u>\$ 1,942,039</u>	<u>\$ (2,026,394)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (135,403)
-	-	-	(199,279)
-	-	-	(24,352)
-	-	-	(5,952)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (364,986)</u>
\$ 1,486,372	\$ -	\$ 1,486,372	\$ -
522,159	-	522,159	-
1,392,109	-	1,392,109	462,874
423,847	-	423,847	-
40,018	-	40,018	-
60,420	4,070	64,490	23,682
33,317	-	33,317	40,000
477,279	(477,279)	-	-
<u>4,435,521</u>	<u>(473,209)</u>	<u>3,962,312</u>	<u>526,556</u>
467,088	1,468,830	1,935,918	161,570
5,323,521	11,343,596	16,667,117	3,691,472
<u>\$ 5,790,609</u>	<u>\$ 12,812,426</u>	<u>\$ 18,603,035</u>	<u>\$ 3,853,042</u>

CITY OF BRECKENRIDGE, TEXAS

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Assets:				
Cash and cash equivalents	\$ 113,968	\$ 1,371,949	\$ 565,259	\$ 2,051,176
Investments	-	-	612,707	612,707
Receivables (Net of allowances)				
Property taxes	116,196	45,437	-	161,633
Other taxes	293,732	-	39,266	332,998
Accounts	14,923	-	-	14,923
Miscellaneous	19,809	-	-	19,809
	<u>558,628</u>	<u>1,417,386</u>	<u>1,217,232</u>	<u>3,193,246</u>
Total assets	\$ <u>558,628</u>	\$ <u>1,417,386</u>	\$ <u>1,217,232</u>	\$ <u>3,193,246</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 43,977	\$ -	\$ 1,039	\$ 45,016
Accrued payroll	13,417	-	-	13,417
Unearned revenue	37,152	-	-	37,152
Due to other funds	25,856	-	-	25,856
Due to other governments	3,174	-	-	3,174
	<u>123,576</u>	<u>-</u>	<u>1,039</u>	<u>124,615</u>
Total liabilities	123,576	-	1,039	124,615
Deferred inflows of resources:				
Deferred property tax	116,196	45,437	-	161,633
Other deferred revenue	76,745	-	-	76,745
	<u>192,941</u>	<u>45,437</u>	<u>-</u>	<u>238,378</u>
Total deferred inflows of resources	192,941	45,437	-	238,378
Fund Balances:				
Restricted fund balance	17,500	1,371,949	1,124,002	2,513,451
Committed fund balance	-	-	92,191	92,191
Unassigned Fund Balance	224,611	-	-	224,611
	<u>242,111</u>	<u>1,371,949</u>	<u>1,216,193</u>	<u>2,830,253</u>
Total fund balances	242,111	1,371,949	1,216,193	2,830,253
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>558,628</u>	\$ <u>1,417,386</u>	\$ <u>1,217,232</u>	\$ <u>3,193,246</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, 2020

Total Fund Balances - Governmental Funds	2,830,253
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$12,061,270 and the accumulated depreciation was \$4,289,279.	7,771,991
Long-term liabilities, including \$148,142 capital leases payable and \$4,136,000 certificate of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(4,284,142)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. Including interest payable results in a decrease to net position.	(7,651)
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.	238,378
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 \$430,949 , a Deferred Resource Inflow related to pensions in the amount of \$302,409, and a Deferred Resource Outflow related to pensions in the amount of \$139,570. This results in a decrease in Net Position.	(593,788)
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 \$172,680, Deferred Resource Inflow related to OPEB in the amount of \$18,680, and a Deferred Resource Outflow related to OPEB in the amount of \$26,928. This results in a decrease in Net Position.	(164,432)
Net Position of Governmental Activities	5,790,609

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, 2020

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,465,007	\$ 519,731	\$ -	\$ 1,984,738
Sales and use tax	1,160,672	-	231,437	1,392,109
Franchise	436,759	-	-	436,759
Hotel motel taxes	40,018	-	-	40,018
Charges for service	161,379	-	-	161,379
Grants and contributions	43,168	-	5,723	48,891
Investment earnings	3,024	10,759	46,637	60,420
Other revenue	29,222	-	4,095	33,317
Total revenues	<u>3,339,249</u>	<u>530,490</u>	<u>287,892</u>	<u>4,157,631</u>
Expenditures:				
Current				
General government	941,581	-	-	941,581
Public Safety	1,913,364	-	5,023	1,918,387
Public Works	456,248	-	196,939	653,187
Cemetery	98,652	-	20,303	118,955
Parks	209,695	-	1,380	211,075
Community services	82,349	-	-	82,349
Tourism	40,018	-	-	40,018
Capital Outlay	-	-	292,142	292,142
Debt service:				
Principal	154,589	64,000	38,008	256,597
Interest and fiscal charges	8,222	115,348	4,565	128,135
Total expenditures	<u>3,904,718</u>	<u>179,348</u>	<u>558,360</u>	<u>4,642,426</u>
Excess (deficiency) of revenue over (under) expenditures)	\$ <u>(565,469)</u>	\$ <u>351,142</u>	\$ <u>(270,468)</u>	\$ <u>(484,795)</u>
Other financing sources (uses):				
Proceeds from bonds	-	-	122,000	122,000
Transfers in	680,000	-	182,544	862,544
Transfers out	<u>(20,000)</u>	<u>(280,965)</u>	<u>(84,300)</u>	<u>(385,265)</u>
Net change in fund balances	94,531	70,177	(50,224)	114,484
Fund balance, October 1, 2019 - Restated	<u>147,580</u>	<u>1,301,772</u>	<u>1,266,417</u>	<u>2,715,769</u>
Fund balance, September 30, 2020	<u>\$ 242,111</u>	<u>\$ 1,371,949</u>	<u>\$ 1,216,193</u>	<u>\$ 2,830,253</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, 2020

Total Net Change in Fund Balances - Governmental Funds	114,484
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 \$426,278 of capital outlays and \$256,597 of debt principal payments is to increase net position.	682,875
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.	(2,141)
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.	(282,653)
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.	(122,000)
Current year interest payable of the governmental funds is not due and payable in the current period and, therefore is not reported as a liability in the funds. The increase in interest payable decreases net position.	1,996
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,894
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.	82,309
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.	(9,676)
Change in Net Position of Governmental Activities	467,088

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, 2020

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 139,480	\$ 29,457	\$ 35,804	\$ 39,359	\$ 244,100
Receivables (Net of allowances):					
Accounts	248,919	110,246	60,313	-	419,478
Miscellaneous	157,747	68,205	-	-	225,952
Due from other funds	25,856	-	-	-	25,856
Supplies inventory	128,529	-	-	-	128,529
Restricted Assets:					
Cash and cash equivalents	230,893	-	-	-	230,893
Total current assets	<u>931,424</u>	<u>207,908</u>	<u>96,117</u>	<u>39,359</u>	<u>1,274,808</u>
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,068	2,474	39,000	18,382	224,924
Construction in progress	1,167,729	272,905	-	-	1,440,634
Buildings and improvements	993,146	108,363	-	209,321	1,310,830
Water system	16,952,431	-	-	-	16,952,431
Wastewater system	-	7,831,150	-	-	7,831,150
Vehicles and equipment	393,479	483,593	78,107	6,247	961,426
Less: accumulated depreciation	<u>(7,789,038)</u>	<u>(3,597,468)</u>	<u>(70,307)</u>	<u>(33,329)</u>	<u>(11,490,142)</u>
Capital assets, net	<u>11,882,815</u>	<u>5,101,017</u>	<u>46,800</u>	<u>200,621</u>	<u>17,231,253</u>
Total noncurrent assets	<u>11,882,815</u>	<u>5,101,017</u>	<u>46,800</u>	<u>200,621</u>	<u>17,231,253</u>
Total assets	<u>12,814,239</u>	<u>5,308,925</u>	<u>142,917</u>	<u>239,980</u>	<u>18,506,061</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS pension	28,624	9,683	-	-	38,307
Deferred outflow related to TMRS OPEB	5,024	2,104	-	-	7,128
Total Deferred Outflows of Resources	<u>33,648</u>	<u>11,787</u>	<u>-</u>	<u>-</u>	<u>45,435</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	96,700	30,316	75,372	-	202,388
Accrued payroll	2,694	1,036	124	-	3,854
Current Liabilities Payable from Restricted Assets:					
Current portion of long-term debt	111,630	31,370	-	-	143,000
Interest payable	5,194	1,012	-	-	6,206
Customer deposits payable	230,845	-	-	-	230,845
Total current liabilities	<u>447,063</u>	<u>63,734</u>	<u>75,496</u>	<u>-</u>	<u>586,293</u>
Noncurrent Liabilities:					
Long-term portion of bonds payable	3,847,080	1,060,920	-	-	4,908,000
Net pension liability	80,391	33,681	-	-	114,072
Total OPEB liability	<u>32,218</u>	<u>13,494</u>	<u>-</u>	<u>-</u>	<u>45,712</u>
Total noncurrent liabilities	<u>3,959,689</u>	<u>1,108,095</u>	<u>-</u>	<u>-</u>	<u>5,067,784</u>
Total liabilities	<u>4,406,752</u>	<u>1,171,829</u>	<u>75,496</u>	<u>-</u>	<u>5,654,077</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow related to TMRS	56,412	23,636	-	-	80,048
Deferred inflow related to OPEB	3,485	1,460	-	-	4,945
Total Deferred Inflows of Resources	<u>59,897</u>	<u>25,096</u>	<u>-</u>	<u>-</u>	<u>84,993</u>
NET POSITION:					
Net Investment in Capital Assets	7,924,105	4,008,727	46,800	200,621	12,180,253
Unrestricted	457,133	115,060	20,621	39,359	632,173
Total net position	<u>\$ 8,381,238</u>	<u>\$ 4,123,787</u>	<u>\$ 67,421</u>	<u>\$ 239,980</u>	<u>\$ 12,812,426</u>

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

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2020

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Operating revenues:					
Charges for sales and services	\$ 1,746,044	\$ 871,330	\$ 886,201	\$ -	\$ 3,503,575
Miscellaneous	244,666	5,275	1,295	-	251,236
Total operating revenue	<u>1,990,710</u>	<u>876,605</u>	<u>887,496</u>	<u>-</u>	<u>3,754,811</u>
Operating expenses:					
Water and sewer commercial	91,384	-	-	-	91,384
Water meters and readers	110,924	-	-	-	110,924
Lake Daniel	2,900	-	-	-	2,900
Water production	765,392	-	-	-	765,392
Water distribution	294,296	-	-	-	294,296
Sewer collection	-	181,518	-	-	181,518
Sewer treatment	-	305,849	-	-	305,849
Solid waste	-	-	925,319	-	925,319
Trade Days	-	-	-	1,051	1,051
Depreciation	444,658	183,743	1,800	5,026	635,227
Total operating expenses	<u>1,709,554</u>	<u>671,110</u>	<u>927,119</u>	<u>6,077</u>	<u>3,313,860</u>
Operating income (loss)	<u>281,156</u>	<u>205,495</u>	<u>(39,623)</u>	<u>(6,077)</u>	<u>440,951</u>
Nonoperating revenues (expenses):					
Interest revenue	2,710	528	533	299	4,070
Interest expense and fiscal charges	<u>(123,844)</u>	<u>(24,121)</u>	<u>-</u>	<u>-</u>	<u>(147,965)</u>
Total nonoperating revenues (expenses)	<u>(121,134)</u>	<u>(23,593)</u>	<u>533</u>	<u>299</u>	<u>(143,895)</u>
Income (loss) before contributions and transfers	<u>160,022</u>	<u>181,902</u>	<u>(39,090)</u>	<u>(5,778)</u>	<u>297,056</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	1,374,572	274,481	-	-	1,649,053
Transfers in	225,474	72,800	-	-	298,274
Transfers out	<u>(490,353)</u>	<u>(280,000)</u>	<u>(5,200)</u>	<u>-</u>	<u>(775,553)</u>
Change in Net Position	1,269,715	249,183	(44,290)	(5,778)	1,468,830
Net Position, October 1, 2019	<u>7,111,523</u>	<u>3,874,604</u>	<u>111,711</u>	<u>245,758</u>	<u>11,343,596</u>
Net Position, September 30, 2020	<u>\$ 8,381,238</u>	<u>\$ 4,123,787</u>	<u>\$ 67,421</u>	<u>\$ 239,980</u>	<u>\$ 12,812,426</u>

CITY OF BRECKENRIDGE, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 1,976,259	\$ 867,561	\$ 886,768	\$ -	\$ 3,730,588
Cash paid to suppliers	(1,679,447)	(704,005)	(936,058)	(1,155)	(3,320,665)
Cash paid to employees	355,380	118,759	15,286	-	489,425
Net cash provided (used) by operating activities	<u>652,192</u>	<u>282,315</u>	<u>(34,004)</u>	<u>(1,155)</u>	<u>899,348</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	(77,076)	32,391	22,898	-	(21,787)
Transfers in	225,474	72,800	-	-	298,274
Transfers out	(490,353)	(280,000)	(5,200)	-	(775,553)
Net cash provided (used) by noncapital financing activities	<u>(341,955)</u>	<u>(174,809)</u>	<u>17,698</u>	<u>-</u>	<u>(499,066)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(1,336,494)	(305,443)	-	-	(1,641,937)
Grants received	1,266,845	206,276	-	-	1,473,121
Principal payments on long-term debt	(141,630)	(56,370)	-	-	(198,000)
Interest paid on bonds	(123,844)	(24,121)	-	-	(147,965)
Net cash (used) by capital and related financing activities	<u>(335,123)</u>	<u>(179,658)</u>	<u>-</u>	<u>-</u>	<u>(514,781)</u>
Cash flow from investing activities:					
Interest received	2,710	528	533	299	4,070
Net cash provided by investing activities	<u>2,710</u>	<u>528</u>	<u>533</u>	<u>299</u>	<u>4,070</u>
Net increase (decrease) in cash and cash equivalents	(22,176)	(71,624)	(15,773)	(856)	(110,429)
Cash and cash equivalents, October 1, 2019	<u>392,549</u>	<u>101,081</u>	<u>51,577</u>	<u>40,215</u>	<u>585,422</u>
Cash and cash equivalents, September 30, 2020	<u>\$ 370,373</u>	<u>\$ 29,457</u>	<u>\$ 35,804</u>	<u>\$ 39,359</u>	<u>\$ 474,993</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 281,156	\$ 205,495	\$ (39,623)	\$ (6,077)	\$ 440,951
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	444,658	183,743	1,800	5,026	635,227
Disposal of capital asset	(12,598)	(354)	-	-	(12,952)
(Increase) decrease in accounts receivable	(23,872)	(9,044)	(728)	-	(33,644)
(Increase) decrease in supplies inventory	(4,839)	-	-	-	(4,839)
Increase (decrease) in accounts payable	(42,050)	(95,170)	4,464	(104)	(132,860)
Increase (decrease) in accrued payroll	1,798	698	83	-	2,579
Increase (decrease) in customer meter deposits	9,421	-	-	-	9,421
Increase (decrease) in net pension balances	(5,728)	(4,013)	-	-	(9,741)
Increase (decrease) in total OPEB balances	4,246	960	-	-	5,206
Total adjustments	<u>371,036</u>	<u>76,820</u>	<u>5,619</u>	<u>4,922</u>	<u>458,397</u>
Net cash provided by operating activities	<u>\$ 652,192</u>	<u>\$ 282,315</u>	<u>\$ (34,004)</u>	<u>\$ (1,155)</u>	<u>\$ 899,348</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

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

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The City reports the following major proprietary funds:

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

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

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. Financial Statement Amounts

1. Deposits and Investments

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

2. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance for the general fund of \$95,153 and the general debt service fund of \$43,134 is equal to 50% of outstanding delinquent property taxes at September 30, 2020. The court fines and fees receivable is reported net of an allowance of \$19,739 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$22,001 which is the accounts aged over 60 days.

3. Property Tax

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Inventory

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

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

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

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when they are incurred and are no longer amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

9. Fund Balances – Governmental Funds

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Debt service	\$ -	\$ 1,371,949	\$ -	\$ 1,371,949
Property tax reduction	17,500	-	-	17,500
Public Safety	-	-	17,798	17,798
Public Works	-	-	484,909	484,909
Cemetery	-	-	612,707	612,707
Parks	-	-	8,588	8,588
Committed:				
Equipment replacement	-	-	92,191	92,191
Unassigned	224,611	-	-	224,611
	<u>\$ 242,111</u>	<u>\$ 1,371,949</u>	<u>\$ 1,216,193</u>	<u>\$ 2,830,253</u>

10. Use of Restricted/Unrestricted Net Position

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: DEPOSITS AND INVESTMENTS

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

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, 2020, the City’s deposits were fully collateralized and insured however \$387,018 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	34,368	34,368	5.61%	34,368	-	-	-
Equity Mutual Funds	N/A	135,139	145,586	23.76%	145,586	-	-	-
Bond Mutual Funds	N/A	167,953	171,775	28.04%	171,775	-	-	-
Corporate Bonds	Aaa - Baa2	134,007	143,242	23.38%	29,309	49,947	41,306	22,680
U.S. Treasuries	N/A	32,180	35,679	5.82%	-	13,016	-	22,663
U.S. Government Agencies	N/A	76,953	82,057	13.39%	-	3,240	12,564	66,253
		<u>\$580,600</u>	<u>\$612,707</u>		<u>\$381,038</u>	<u>\$ 66,203</u>	<u>\$ 53,870</u>	<u>\$111,596</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, 2020, 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, 2020

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	\$	<u>230,893</u>
	\$	<u><u>230,893</u></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)	\$ 116,196
Deferred property taxes receivable (general debt service fund)	45,437
Deferred franchise taxes receivable (general fund)	57,006
Deferred court costs (general fund)	<u>19,739</u>
Total deferred inflows for governmental funds	<u><u>\$ 238,378</u></u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

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, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	General Fund	\$ 25,856
Total proprietary funds		<u>\$ 25,856</u>

The receivable is for grant funds deposited into the general fund that are due to the water fund.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2020, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 400,000
General Fund	Wastewater Fund	280,000
Other governmental funds	General Fund	20,000
Other governmental funds	Water Fund	84,819
Other governmental funds	Sanitation Fund	5,200
Other governmental funds	Other governmental funds	72,525
Total Governmental Funds Transfers In		<u>\$ 862,544</u>
Water Fund	General Debt Service Fund	\$ 225,474
Wastewater Fund	General Debt Service Fund	55,491
Wastewater Fund	Water Fund	5,534
Wastewater Fund	Other governmental funds	11,775
Total Enterprise Funds Transfers In		<u>\$ 298,274</u>

Each year the water fund and wastewater fund transfer unrestricted revenues to finance various programs accounted for in the general fund in accordance with budgetary authorizations. Amounts transferred to 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, 2020

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

Governmental activities:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Non - Depreciable Assets:					
Land	\$ 194,785	\$ -	\$ -	\$ -	\$ 194,785
Construction in Progress	4,077,720	201,360	-	(4,279,080)	-
Total non-depreciable assets	<u>4,272,505</u>	<u>201,360</u>	<u>-</u>	<u>(4,279,080)</u>	<u>194,785</u>
Depreciable Assets:					
Buildings and improvements	1,520,883	-	-	-	1,520,883
Infrastructure	3,524,219	49,892	-	4,279,080	7,853,191
Vehicles and Equipment	2,307,205	175,026	-	10,180	2,492,411
Total capital assets being depreciated	<u>7,352,307</u>	<u>224,918</u>	<u>-</u>	<u>4,289,260</u>	<u>11,866,485</u>
Accumulated Depreciation:					
Buildings and improvements	(912,862)	(38,851)	-	-	(951,713)
Infrastructure	(1,549,931)	(73,227)	-	-	(1,623,158)
Vehicles and Equipment	(1,531,513)	(170,575)	-	(12,320)	(1,714,408)
Total accumulated depreciation	<u>(3,994,306)</u>	<u>(282,653)</u>	<u>-</u>	<u>(12,320)</u>	<u>(4,289,279)</u>
Governmental activities capital assets, net	<u>\$ 7,630,506</u>	<u>\$ 143,625</u>	<u>\$ -</u>	<u>\$ (2,140)</u>	<u>\$ 7,771,991</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Non - Depreciable Assets:					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	2,505,446	1,583,899	-	(2,648,711)	1,440,634
Total non-depreciable assets	2,698,743	1,583,899	-	(2,648,711)	1,633,931
Depreciable Assets:					
Land improvements	31,627	-	-	-	31,627
Buildings and improvements	1,307,058	-	-	3,772	1,310,830
Water and sewer systems	22,099,537	-	-	2,684,044	24,783,581
Vehicles and equipment	878,976	58,038	-	24,412	961,426
Total capital assets being depreciated	24,317,198	58,038	-	2,712,228	27,087,464
Accumulated Depreciation:					
Land improvements	(18,090)	(923)	-	-	(19,013)
Buildings and improvements	(878,022)	(27,769)	-	(3,772)	(909,563)
Water and sewer systems	(9,192,527)	(557,412)	-	(22,735)	(9,772,674)
Vehicles and equipment	(715,711)	(49,123)	-	(24,058)	(788,892)
Total accumulated depreciation	(10,804,350)	(635,227)	-	(50,565)	(11,490,142)
Business-type activities capital assets, net	\$ 16,211,591	\$ 1,006,710	\$ -	\$ 12,952	\$ 17,231,253

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

Governmental activities:

General government	11,861
Public Safety	102,487
Public Works	123,229
Cemetery	791
Parks	43,393
Community services	892
Total depreciation expense - governmental activities	<u>\$ 282,653</u>

Business-type activities:

Water	\$ 444,658
Wastewater	183,743
Sanitation	1,800
Trade Days	5,026
Total depreciation expense - business-type activities	<u>\$ 635,227</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 6: CAPITAL ASSETS - (Continued)

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2020 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	234,640	-	-	234,640
Office furniture and equipment	4,108	-	-	4,108
Total capital assets being depreciated	238,748	-	-	238,748
Accumulated Depreciation:				
Buildings and improvements	(61,894)	(6,864)	-	(68,758)
Office furniture and Equipment	(4,108)	-	-	(4,108)
Total accumulated depreciation	(66,002)	(6,864)	-	(72,866)
Governmental activities capital assets, net	\$ 229,292	\$ (6,864)	\$ -	\$ 222,428

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, 2020, properties held for economic development at cost was \$1,592,851.

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, 2020

NOTE 7: CAPITAL LEASES- (Continued)

Future minimum lease purchase commitments are as follows:

	Governmental Activities
2021	\$ 66,292
2022	23,719
2023	23,719
2024	23,720
2025	23,720
Total debt service requirements	161,170
Less: Interest Portion	13,028
Debt Principal	\$ 148,142

Assets under lease and related accumulated depreciation are as follows:

	Governmental Activities
Vehicles and equipment	\$ 390,104
Less: Accumulated depreciation	(119,735)
Net	\$ 270,369

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 8: LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2020.

Primary Government	<u>09/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/2020</u>	<u>Due Within One Year</u>
Governmental Activities.:					
Capital Leases Payable	\$ 205,739	\$ -	\$ 57,597	\$ 148,142	\$ 60,450
Certificates of Obligation	4,078,000	122,000	64,000	4,136,000	65,000
Loans payable	135,000	-	135,000	-	-
Net pension liability	924,228	-	493,279	430,949	-
Total OPEB liability	<u>147,667</u>	<u>25,013</u>	<u>-</u>	<u>172,680</u>	<u>-</u>
 Total Governmental Activities	 <u>5,490,634</u>	 <u>147,013</u>	 <u>749,876</u>	 <u>4,887,771</u>	 <u>125,450</u>
 Business-type Activities:					
Certificates of Obligation	5,184,000	-	133,000	5,051,000	143,000
Loans payable	65,000	-	65,000	-	-
Net pension liability	228,894	-	114,822	114,072	-
Total OPEB liability	<u>36,567</u>	<u>9,145</u>	<u>-</u>	<u>45,712</u>	<u>-</u>
 Total Business-type Activities	 <u>5,514,461</u>	 <u>9,145</u>	 <u>312,822</u>	 <u>5,210,784</u>	 <u>143,000</u>
 Total Long-Term Liabilities	 <u>\$ 11,005,095</u>	 <u>\$ 156,158</u>	 <u>\$ 1,062,698</u>	 <u>\$ 10,098,555</u>	 <u>\$ 268,450</u>
 Component Unit					
Governmental Activities.:	<u>09/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/2020</u>	<u>Due Within One Year</u>
Tax leveraged fund note	<u>168,693</u>	<u>-</u>	<u>32,132</u>	<u>136,561</u>	<u>33,234</u>
 Total Component Unit	 <u>\$ 168,693</u>	 <u>\$ -</u>	 <u>\$ 32,132</u>	 <u>\$ 136,561</u>	 <u>\$ 33,234</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 8: LONG-TERM DEBT – (continued)

At September 30, 2020, governmental activities and business-type activities bonds payable consisted of the following issues:

	Primary Government
<u>Governmental Activities</u>	
\$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	\$ 4,136,000
<u>Business-Type Activities</u>	
\$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	1,410,000
\$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%.	690,000
\$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%	2,130,000
\$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	821,000
Total business-type activities	\$ 5,051,000

At September 30, 2020, component unit bonds payable consisted of the following issues:

	Component Unit
\$310,000 Tax leverages loan dated June 30, 2014, due in annual installments through August 1, 2024, bearing interest at 3.25%.	136,561
Total component unit	\$ 136,561

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 8: LONG-TERM DEBT (Continued)

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2020 are as follows:

	Certificates of Obligation					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 65,000	\$ 112,816	\$ 177,816	\$ 143,000	145,755	\$ 288,755
2022	67,000	111,031	178,031	143,000	143,117	286,117
2023	69,000	109,161	178,161	144,000	140,208	284,208
2024	71,000	107,236	178,236	149,000	137,007	286,007
2025	73,000	105,256	178,256	149,000	133,569	282,569
2026-2030	396,000	494,643	890,643	799,000	608,953	1,407,953
2031-2035	454,000	436,288	890,288	926,000	488,469	1,414,469
2036-2040	521,000	369,339	890,339	1,079,000	335,166	1,414,166
2041-2045	598,000	292,545	890,545	1,158,000	145,844	1,303,844
2046-2050	687,000	204,311	891,311	136,000	40,508	176,508
2051-2055	788,000	103,070	891,070	156,000	20,433	176,433
2056-2060	347,000	9,611	356,611	69,000	1,911	70,911
Total debt service requirements	<u>\$ 4,136,000</u>	<u>\$ 2,455,307</u>	<u>\$ 6,591,307</u>	<u>\$ 5,051,000</u>	<u>\$ 2,340,940</u>	<u>\$ 7,391,940</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 \$.28503 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 \$1,371,949 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, 2020.

The annual requirements to amortize the component unit governmental activity bonds as of September 30, 2020 are as follows:

Component Unit	Governmental Activities		
	Principal	Interest	Total
2021	\$ 33,234	\$ 3,947	\$ 37,181
2022	34,330	2,850	37,180
2023	35,463	1,717	37,180
2024	33,534	547	34,081
Total debt service requirements	<u>\$ 136,561</u>	<u>\$ 9,061</u>	<u>\$ 145,622</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 9: 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 10: TAX ABATEMENTS

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

Below is a table of tax abatements for the year ended September 30, 2020.

Type of Business	Purpose	Tax Abated	Percent Abated	Abated City
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	\$ 16,522

NOTE 11: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 888 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.

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 11: 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:

	Plan Year 2019
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	65
Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	52
	165

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 8.73% and 8.72% in calendar years 2019 and 2020, respectively. The city’s contributions to TMRS for the year ended September 30, 2020, were \$197,208, and were equal to the required contributions.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 11: DEFINED BENEFIT PENSION PLANS – (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2020

NOTE 11: DEFINED BENEFIT PENSION PLANS – (Continued)

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 12/31/18	\$ 8,238,375	\$ 7,085,252	\$ 1,153,123
Changes for the year:			
Service cost	221,658	-	221,658
Interest	547,074	-	547,074
Difference between expected and actual experience	(23,452)	-	(23,452)
Changes of assumptions	48,717	-	48,717
Contributions-employer	-	199,772	(199,772)
Contributions-employee	-	114,375	(114,375)
Net investment income	-	1,094,327	(1,094,327)
Benefit payments, including refunds of employee contributions	(488,813)	(488,813)	-
Administrative expense	-	(6,189)	6,189
Other changes	-	(186)	186
Net changes	305,184	913,286	(608,102)
Balance at 12/31/19	\$ 8,543,559	\$ 7,998,538	\$ 545,021

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 11: 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	\$ 1,596,878	\$ 545,021	\$ (324,610)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$97,562.

At September 30, 2020, 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	\$ -	\$ 136,106
Changes in actuarial assumptions	34,304	-
Differences between projected and actual investment earnings		246,351
Contributions subsequent to the measurement date	143,573	-
Total	\$ 177,877	\$ 382,457

\$143,573 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, 2020. 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, 2020

NOTE 11: DEFINED BENEFIT PENSION PLANS – (Continued)

Year ended December 31:	Net Deferred outflows (inflows) of resources
2020	\$ (158,070)
2021	(93,488)
2022	26,621
2023	(123,216)
2024	-
Thereafter	-
	\$ (348,153)

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

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

B. Benefits Provided

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	5
Active employees	65
	101

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

C. Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balances as of December 31, 2018	\$ 184,234
Changes for the year:	
Service cost	7,091
Interest on total OPEB liability	6,933
Effect of plan changes	-
Effect of economic/demographic gains or lo	(11,819)
Effect of assumptions changes or inputs	33,783
Benefit payments	(1,830)
Net changes	34,158
Balances as of December 31, 2019	\$ 218,392

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% decrease discount rate 1.75%	Current Discount Rate 2.75%	1% increase discount rate 3.75%
Net Pension Liability	\$ 261,023	\$ 218,392	\$ 184,713

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$16,713

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2020

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,552	\$ 15,882
Changes in assumptions	27,504	7,743
Total	\$ 34,056	\$ 23,625

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:		
2020	\$	2,689
2021		2,689
2022		838
2023		2,661
2024		1,554
Thereafter		-
Total	\$	10,431

NOTE 13: 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, 2020

NOTE 14: CONTRACTS AND COMMITMENTS

A. Water and Sewer Line Relocations

The City entered contracts of \$1,449,550 and \$255,117 for water and sewer line relocations on US 183N. \$838,708 and \$171,705 were incurred on these contracts as of September 30, 2020. These costs are reimbursed by the Texas Department of Transportation.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 28, 2021, which is the date the financial statements were available to be issued.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 84, *Fiduciary Activities*. This Statement changed the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Cemetery Trust Fund has been changed from a fiduciary fund to a permanent fund in the governmental fund statements because the City is the primary beneficiary of the trust. The effect is an increase in beginning net position of the governmental activities and funds.

	Governmental Activities	Governmental Funds
Beginning net position	\$ 4,736,411	\$ 2,128,659
Cemetery Trust Fund	587,110	587,110
Restated beginning net position/fund balance	\$ 5,323,521	\$ 2,715,769

NOTE 17: FUTURE ACCOUNTING PRONOUNCEMENTS

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, 2020. The City has not yet determined the effect this statement will have on its financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BRECKENRIDGE, TEXAS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,563,800	\$ 1,454,100	\$ 1,465,007	10,907
Sales and use tax	1,128,800	1,128,800	1,160,672	31,872
Franchise	461,000	463,500	436,759	(26,741)
Hotel motel taxes	52,000	40,000	40,018	18
Charges for service	185,000	168,300	161,379	(6,921)
Grants and contributions	56,000	45,548	43,168	(2,380)
Interest income	500	2,000	3,024	1,024
Other revenue	20,500	24,800	29,222	4,422
Total revenues	<u>3,467,600</u>	<u>3,327,048</u>	<u>3,339,249</u>	<u>12,201</u>
Expenditures:				
Current				
General government	1,032,815	992,915	941,581	51,334
Public Safety	2,094,700	2,000,450	1,913,364	87,086
Public Works	490,200	491,300	456,248	35,052
Cemetery	108,600	108,900	98,652	10,248
Parks	248,300	199,850	209,695	(9,845)
Community services	129,500	87,800	82,349	5,451
Tourism	42,000	42,000	40,018	1,982
Debt service:				
Principal	19,600	19,600	154,589	(134,989)
Interest and fiscal charges	4,200	4,200	8,222	(4,022)
Total expenditures	<u>4,169,915</u>	<u>3,947,015</u>	<u>3,904,718</u>	<u>42,297</u>
Excess (deficiency) of revenue over (under) expenditures)	\$ <u>(702,315)</u>	\$ <u>(619,967)</u>	\$ <u>(565,469)</u>	<u>54,498</u>
Other financing sources (uses):				
Transfers in	680,000	680,000	680,000	-
Transfers out	<u>(30,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	(52,315)	40,033	94,531	54,498
Fund balance, October 1, 2019	<u>147,580</u>	<u>147,580</u>	<u>147,580</u>	<u>-</u>
Fund balance, September 30, 2020	\$ <u><u>95,265</u></u>	\$ <u><u>187,613</u></u>	\$ <u><u>242,111</u></u>	<u><u>54,498</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, 2020

Total pension liability	2014	2015	2016	2017	2018	2019
Plan Year						
Service Cost	\$ 180,948	\$ 202,264	\$ 210,034	\$ 208,582	\$ 216,654	\$ 221,658
Interest (on the Total Pension Liability)	523,394	529,436	528,297	542,655	544,367	547,074
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(78,389)	9,535	7,317	(186,991)	(211,430)	(23,452)
Change of assumptions	-	20,408	-	-	-	48,717
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)	(513,801)	(550,633)	(535,182)	(488,813)
Net Change in Total Pension Liability	16,149	270,876	231,847	13,613	14,409	305,184
Total Pension Liability-Beginning	\$ 7,691,481	\$ 7,707,630	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966	\$ 8,238,375
Total Pension Liability-Ending (a)	\$ 7,707,630	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966	\$ 8,238,375	\$ 8,543,559
Plan Fiduciary Net Position						
Contributions-Employer	\$ 192,605	194,097	190,642	202,916	195,613	199,772
Contributions-Employee	110,082	111,625	108,714	120,197	112,140	114,375
Net Investment Income	383,868	10,008	446,397	946,773	(225,809)	1,094,327
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)	(513,801)	(550,633)	(535,182)	(488,813)
Administrative Expense	(4,008)	(6,097)	(5,039)	(4,905)	(4,367)	(6,189)
Other	(330)	(302)	(272)	(248)	(228)	(187)
Net Change in Plan Fiduciary Net Position	72,413	(181,436)	226,641	714,100	(457,833)	913,285
Plan Fiduciary Net Position-Beginning	6,711,368	6,783,781	6,602,345	6,828,986	7,543,086	7,085,253
Plan Fiduciary Net Position-Ending (b)	\$ 6,783,781	\$ 6,602,345	\$ 6,828,986	\$ 7,543,086	\$ 7,085,253	\$ 7,998,538
Net Pension Liability-Ending (a) - (b)	\$ 923,849	\$ 1,376,161	\$ 1,381,367	\$ 680,880	\$ 1,153,122	\$ 545,021
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.01%	82.75%	83.18%	91.72%	86.00%	93.62%
Covered Employee Payroll	\$ 2,201,639	\$ 2,232,491	\$ 2,174,270	\$ 2,152,549	\$ 2,242,795	\$ 2,287,492
Net Pension Liability as a Percentage of Covered Employee Payroll	41.96%	61.64%	63.53%	31.63%	51.41%	23.83%

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

EXHIBIT F-3CITY OF BRECKENRIDGE
Schedule of Contributions
Last 7 Fiscal Years

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contributon 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%
2020	197,208	197,208	-	2,260,850	8.72%

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, 2020

Total OPEB liability

Plan Year	2017	2018	2019
Service Cost	\$ 6,888	\$ 8,298	\$ 7,091
Interest (on the Total Pension Liability)	6,417	6,520	6,933
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(10,010)	(11,819)
Change of assumptions or other inputs	14,955	(12,381)	33,783
Benefit payments, including refunds of employee contributions	(1,507)	(2,019)	(1,830)
Net Change in Total Pension Liability	<u>26,753</u>	<u>(9,592)</u>	<u>34,158</u>
Total Pension Liability-Beginning	167,073	193,826	184,234
Total Pension Liability-Ending (a)	<u>\$ 193,826</u>	<u>\$ 184,234</u>	<u>\$ 218,392</u>
 Covered Employee Payroll	 \$ 2,152,549	 \$ 2,242,795	 \$ 2,287,492
 Net OPEB Liability as a Percentage of Covered Employee Payroll	 9.00%	 8.21%	 9.55%

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, 2020

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 \$42,297 less than budgeted.

CITY OF BRECKENRIDGE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2020

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; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Poste retirement:2019 Municipal Retirees of Texas Mortality Tables. The reates are projected on a fully generational basis with scale UMP. Pre-retirement: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	
Notes	There were no benefit changes during the year.

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, 2020

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Assets:				
Cash	\$ 9,190	\$ 8,588	\$ 9,366	\$ 27,144
Investments	-	-	-	-
Receivables (Net of allowances)				
Other taxes	-	-	-	-
Total assets	\$ 9,190	\$ 8,588	\$ 9,366	\$ 27,144
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 758	\$ -	\$ -	\$ 758
Total liabilities	758	-	-	758
Fund Balances:				
Restricted fund balance	\$ 8,432	\$ 8,588	\$ 9,366	\$ 26,386
Committed fund balance	-	-	-	-
Total fund balance	8,432	8,588	9,366	26,386
Total liabilities and fund balances	\$ 9,190	\$ 8,588	\$ 9,366	\$ 27,144

EXHIBIT G-1

Capital Project Funds				Permanent Fund	Total
Equipment Replacement	Street Maintenance Fund	General Capital Projects	Total Capital Projects Funds	Cemetery Fund	Nonmajor Funds
\$ 92,191	\$ 445,924	\$ -	\$ 538,115	\$ -	\$ 565,259
-	-	-	-	612,707	612,707
-	39,266	-	39,266	-	39,266
<u>\$ 92,191</u>	<u>\$ 485,190</u>	<u>\$ -</u>	<u>\$ 577,381</u>	<u>\$ 612,707</u>	<u>\$ 1,217,232</u>
\$ -	\$ 281	\$ -	\$ 281	-	\$ 1,039
-	281	-	281	-	1,039
\$ -	\$ 484,909	\$ -	\$ 484,909	612,707	\$ 1,124,002
92,191	-	-	92,191	-	92,191
92,191	484,909	-	577,100	612,707	1,216,193
<u>\$ 92,191</u>	<u>\$ 485,190</u>	<u>\$ -</u>	<u>\$ 577,381</u>	<u>\$ 612,707</u>	<u>\$ 1,217,232</u>

CITY OF BRECKENRIDGE, TEXAS
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended September 30, 2020

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Revenues:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Grants and contributions	5,400	323	-	5,723
Interest	51	72	71	194
Other revenue	-	-	-	-
Total revenue	<u>5,451</u>	<u>395</u>	<u>71</u>	<u>5,917</u>
Expenditures:				
Current:				
Public Safety	5,023	-	-	5,023
Public Works	-	-	-	-
Parks	-	1,380	-	1,380
Cemetery	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>5,023</u>	<u>1,380</u>	<u>-</u>	<u>6,403</u>
Excess (deficiency) of revenue over (under) expenditures	<u>428</u>	<u>(985)</u>	<u>71</u>	<u>(486)</u>
Other financing sources (uses):				
Proceeds from bonds				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	428	(985)	71	(486)
Fund Balance, October 1, 2019 - Restated	<u>8,004</u>	<u>9,573</u>	<u>9,295</u>	<u>26,872</u>
Fund Balance, September 30, 2020	<u>\$ 8,432</u>	<u>\$ 8,588</u>	<u>\$ 9,366</u>	<u>\$ 26,386</u>

EXHIBIT G-2

Capital Project Funds				Permanent Fund	Total Nonmajor Funds
Equipment Replacement	Street Maintenance Fund	General Capital Projects	Total Capital Projects Funds	Cemetery Fund	
\$ -	\$ 231,437	\$ -	\$ 231,437	\$ -	\$ 231,437
-	-	-	-	-	5,723
915	3,393	330	4,638	41,805	46,637
-	-	-	-	4,095	4,095
<u>915</u>	<u>234,830</u>	<u>330</u>	<u>236,075</u>	<u>45,900</u>	<u>287,892</u>
-	-	-	-	-	5,023
-	196,939	-	196,939	-	196,939
-	-	-	-	-	1,380
-	-	-	-	20,303	20,303
90,782	-	201,360	292,142	-	292,142
-	-	-	-	-	-
38,008	-	-	38,008	-	38,008
4,565	-	-	4,565	-	4,565
<u>133,355</u>	<u>196,939</u>	<u>201,360</u>	<u>531,654</u>	<u>20,303</u>	<u>558,360</u>
<u>(132,440)</u>	<u>37,891</u>	<u>(201,030)</u>	<u>(295,579)</u>	<u>25,597</u>	<u>(270,468)</u>
-	-	122,000	122,000	-	122,000
107,725	-	74,819	182,544	-	182,544
<u>(11,775)</u>	<u>(72,525)</u>	<u>-</u>	<u>(84,300)</u>	<u>-</u>	<u>(84,300)</u>
(36,490)	(34,634)	(4,211)	(75,335)	25,597	(50,224)
<u>128,681</u>	<u>519,543</u>	<u>4,211</u>	<u>652,435</u>	<u>587,110</u>	<u>1,266,417</u>
<u>\$ 92,191</u>	<u>\$ 484,909</u>	<u>\$ -</u>	<u>\$ 577,100</u>	<u>\$ 612,707</u>	<u>\$ 1,216,193</u>

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OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF BRECKENRIDGE, TEXAS

Schedule of Delinquent Property Taxes Receivable
For the fiscal year ended September 30, 2020

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2011 and prior	0.7556	0.1744	176,676,216	28,025
2012	0.8367	0.2106	188,634,444	6,488
2013	0.7557	0.2543	204,984,229	7,761
2014	0.6282	0.2618	192,875,823	10,895
2015	0.5652	0.2966	201,105,727	14,586
2016	0.6148	0.3252	196,762,440	21,476
2017	0.6588	0.3812	184,686,029	34,319
2018	0.6846	0.3519	185,111,143	50,113
2019	0.7330	0.2870	186,178,825	102,017
2020 (Year under audit)	0.7850	0.2850	186,070,474	-
TOTALS				<u>\$ 275,680</u>

EXHIBIT G-3

<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance September 30</u>
	(1,185)	(273)	(2,673)	23,894
	(280)	(70)	(705)	5,433
	(349)	(117)	(803)	6,492
	(653)	(272)	(1,365)	8,605
	(1,320)	(693)	(824)	11,749
	(2,239)	(1,184)	(917)	17,136
	(4,036)	(2,335)	(2,463)	25,485
	(7,968)	(4,096)	(2,053)	35,996
-	(28,786)	(11,270)	(3,830)	58,131
1,999,283	(1,382,101)	(501,854)	(8,329)	106,999
<u>\$ 1,999,283</u>	<u>\$ (1,428,917)</u>	<u>\$ (522,164)</u>	<u>\$ (23,962)</u>	<u>\$ 299,920</u>

EXHIBIT G-4

City of Breckenridge, Texas
 Statistics - Water and Wastewater Fund
 For the year ended September 30, 2020
 (Unaudited)

Number of water connections at end of year	2,229
Number of wastewater connections at end of year	2,033
Gallons of water billed through the system during the fiscal year	162,937,289

	<u>2020</u>	<u>2019</u>
<u>Outstanding Bonds and Certificates:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2012	\$ 1,410,000	\$ 1,455,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	690,000	715,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,130,000	2,180,000
Combination Tax and Revenue Certificates of Obligation, Series 2017A	821,000	834,000
	<u>\$ 5,051,000</u>	<u>\$ 5,184,000</u>

<u>Water and Wastewater Operating Income Available for Debt Retirement:</u>		
Net Operating Income	\$ 486,651	\$ 486,651
Net Nonoperating Interest Income	3,238	3,238
Add Depreciation Expense	628,401	628,401
	<u>\$ 1,118,290</u>	<u>\$ 1,118,290</u>
Water and Sewer Operating Income Available for Debt Retirement	<u>\$ 1,118,290</u>	<u>\$ 1,118,290</u>

Annual Debt Service Requirements and Coverage:

Combination Tax and Revenue Certificates of Obligation, Series 2003	\$ -	\$ -
General Obligation Refunding Bonds, Series 2010	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2012	72,126	72,398
Combination Tax and Revenue Certificates of Obligation, Series 2013	37,970	38,073
Combination Tax and Revenue Certificates of Obligation, Series 2014	135,113	136,088
Combination Tax and Revenue Certificates of Obligation, Series 2017A	35,756	30,959
	<u>280,965</u>	<u>277,518</u>
Total Debt Service Requirements	280,965	277,518
Less Paid by Property Taxes	(280,965)	(277,518)
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	\$ 1,371,949	\$ 1,301,772
Revenue Debt Service	-	-
	<u>\$ 1,371,949</u>	<u>\$ 1,301,772</u>

CITY OF BRECKENRIDGE, TEXAS
 Insurance in Force
 September 30, 2020
 (Unaudited)

	Coverage	Premium
Flood, Fire and Extended Coverage Buildings and Contents	\$ 13,334,063	\$ 38,824
Errors & Omission Liability		
Each Wrongful Act	1,000,000	6,993
Aggregate	2,000,000	
Commercial General Liability		
Per Occurrence	1,000,000	4,220
Aggregate	2,000,000	
Law Enforcement Personal Liability		
Each Wrongful Act	1,000,000	6,530
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	24,376
Combined Single Limit	25,000	
Heavy Equipment		
Physical Damage	890,397	3,591
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	10/1/2020
Texas Municipal League	Commercial Auto	10/1/2020
Texas Municipal League	Flood	10/1/2020
Texas Municipal League	Public Officials Liability	10/1/2020
Texas Municipal League	Law Enforcement Liability	10/1/2020
CNA Surety Corporation	Fidelity Bond - City Secretary	9/6/2021
CNA Surety Corporation	Fidelity Bond - Assistant City Secretary	10/1/2021
CNA Surety Corporation	City Manager & Other Public Employees	1/23/2021
Texas Municipal League	Heavy Equipment	10/1/2020

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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, 2020, 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 28, 2021.

Internal Control over Financial Reporting

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

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

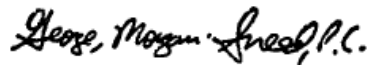
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Weatherford, Texas
January 28, 2021



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, 2020. 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, 2020.

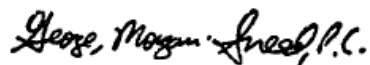
Report on Internal Control over Compliance

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 28, 2021

CITY OF BRECKENRIDGE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

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

Noncompliance material to financial statements noted Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF BRECKENRIDGE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020

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 3rd drawer by the City Secretary and not need to access the other UB clerks cash drawer. 3rd 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.

Current Status: The City purchased a small safe to keep the money bags with deposits. The City has a log of deposits bags added to the safe and a log of deposit bags removed from the safe. Each log is initialed by the clerk/depositor and a witness. We tested a sample of deposits and the internal controls were operating effectively.

Federal Award Findings and Questioned Costs

None

CITY OF BRECKENRIDGE, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2020

Financial Statement Findings

None.

Federal Award Findings

None.

CITY OF BRECKENRIDGE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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	\$ -	\$ 584,746
Total U.S. Department of Agriculture Rural Development			-	584,746
<u>U.S. Department of Housing and Urban Development</u>				
<u>Pass-through Texas Department of Agriculture</u>				
Community Development Block Grants/Entitlement Grants	14.228	7218039	\$ -	\$ 203,080
Total U.S. Department of Agriculture Rural Development			-	203,080
<u>U.S. Department of Treasury</u>				
Pass-through from Texas Department Emergency Management				
Coronavirus Relief Fund	21.019		-	26,725
Total U.S. Department of Justice			-	26,725
<u>U.S. Department of Transportation</u>				
Pass-through Texas Department of Transportation				
DOT Highway Planning and Construction*	20.205	0404-02-036	-	858,135
DOT Highway Planning and Construction*	20.205	0404-02-040	-	265,895
Total CFDA Number 20.205			-	1,124,030
Total U.S. Department of Transportation			-	1,124,030
<u>U.S. General Services Administration</u>				
Pass-through from Texas Facilities Commission/Federal Surplus Program				
Donation of Federal Surplus Personal Property	39.003	20590	-	24,629
Total U.S. General Services Administration			-	24,629
<u>U.S. Environmental Protection Agency</u>				
Pass-through from Texas Water Development Board				
Capitalization Grants for Clean Water State Revolving Funds	66.458	73647	-	27,715
Total U.S. Environmental Protection Agency			-	27,715
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,990,925

* 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, 2020

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.

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