

**CITY OF BRECKENRIDGE, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF BRECKENRIDGE, TEXAS**

Annual Financial Report

For the year ended September 30, 2021

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Annual Financial Report

For the year ended September 30, 2021

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## **FINANCIAL SECTION**



## 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, 2021, 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, 2021, 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.

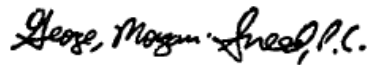
The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 February 25, 2022 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  
February 25, 2022

## 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, 2021.

### 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 \$21,811,037 (*net position*) compared to restated net position of \$18,603,035 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was \$1,422,814 at year end.
- The City's total net position increased by \$3,208,002. The City's operations increased the governmental activities net position by \$681,852 and the business-type activities net position by \$2,526,150. 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 \$3,374,121. This compares to a ending fund balance of \$2,830,253 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$582,155, or 15% of total general fund expenditures. This compares to an unassigned fund balance of \$224,611 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 \$21,811,037 as of September 30, 2021.

The largest portion of the City's net position (81%) 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 (13%) 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 \$1,422,814 at the end of the year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental and business-type activities and its component unit

Below is a summary of the City's Statement of Net Position.

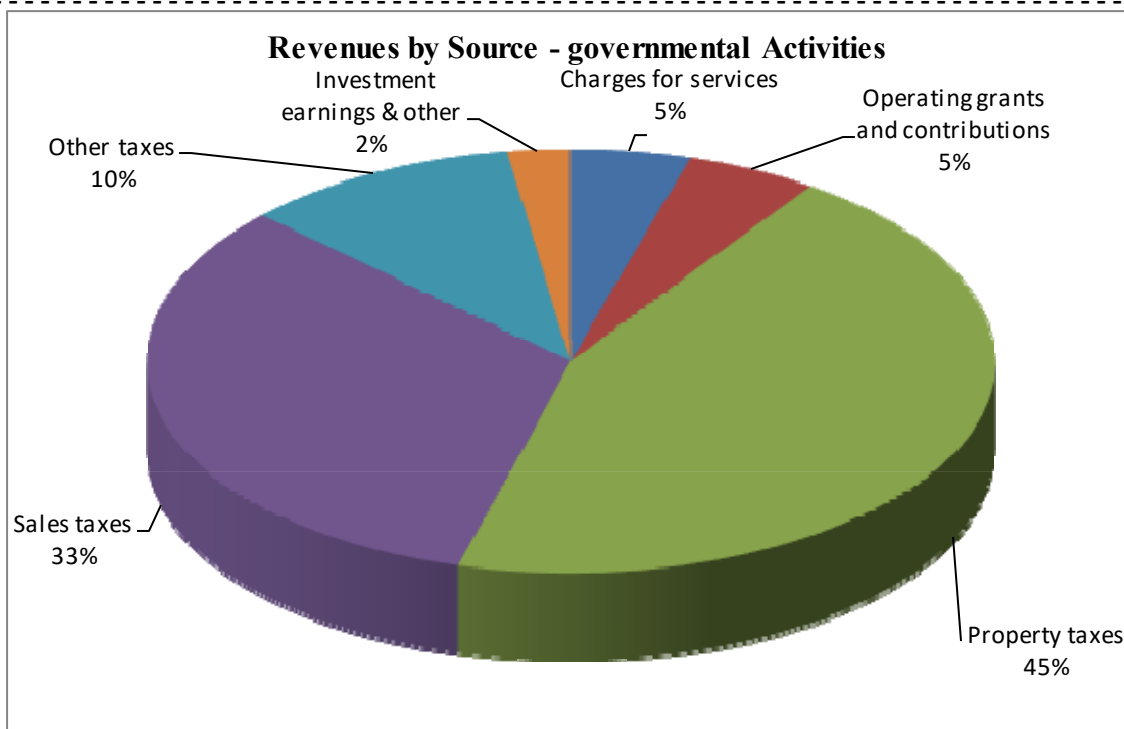
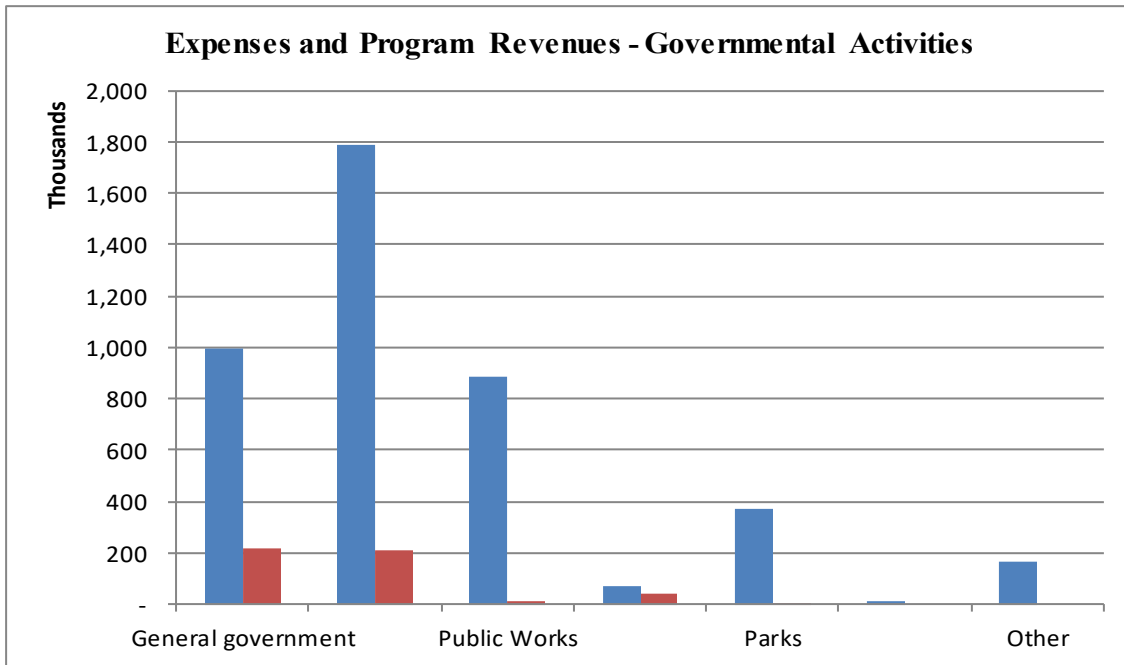
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other asset: \$	3,710,503	\$ 3,167,390	\$ 2,344,737	\$ 1,274,808	\$ 6,055,240	\$ 4,442,198
Capital assets	7,590,333	7,771,991	19,118,814	17,231,253	26,709,147	25,003,244
<b>Total Assets</b>	<u>11,300,836</u>	<u>10,939,381</u>	<u>21,463,551</u>	<u>18,506,061</u>	<u>32,764,387</u>	<u>29,445,442</u>
Deferred outflows of resources	158,219	166,498	46,114	45,435	204,333	211,933
Current liabilities	122,148	106,410	1,069,193	443,293	1,191,341	549,703
Long-term liabilities	4,533,834	4,887,771	5,011,076	5,210,784	9,544,910	10,098,555
<b>Total liabilities</b>	<u>4,655,982</u>	<u>4,994,181</u>	<u>6,080,269</u>	<u>5,654,077</u>	<u>10,736,251</u>	<u>10,648,258</u>
Deferred inflows of resources	330,612	321,089	90,820	84,993	421,432	406,082
<b>Net Position:</b>						
Net investment in capital assets	3,431,641	3,487,849	14,210,814	12,180,253	17,642,455	15,668,102
Restricted	2,745,768	2,551,237	-	-	2,745,768	2,551,237
Unrestricted	295,052	(248,477)	1,127,762	632,173	1,422,814	383,696
<b>Total Net Position</b>	<u>\$ 6,472,461</u>	<u>\$ 5,790,609</u>	<u>\$ 15,338,576</u>	<u>\$ 12,812,426</u>	<u>\$ 21,811,037</u>	<u>\$ 18,603,035</u>

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

Statement of Activities

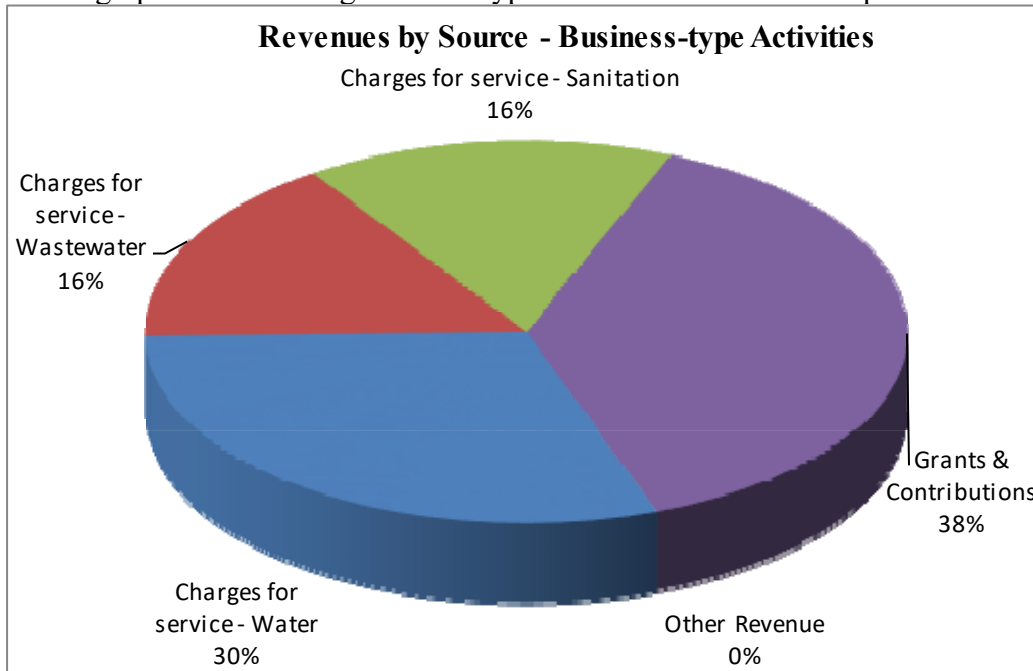
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 212,952	\$ 152,392	\$ 3,913,764	\$ 3,754,811	\$ 4,126,716	\$ 3,907,203
Operating grants and contributions	232,186	48,891	-	-	232,186	48,891
Capital grants and contributions	44,000	-	2,417,659	1,649,053	2,461,659	1,649,053
General revenues:					-	
Property taxes	2,066,948	2,008,531	-	-	2,066,948	2,008,531
Sales and use taxes	1,518,794	1,392,109	-	-	1,518,794	1,392,109
Franchise taxes	437,867	423,847	-	-	437,867	423,847
Hotel motel taxes	52,318	40,018	-	-	52,318	40,018
Investment earnings	58,739	60,420	1,688	4,070	60,427	64,490
Other Revenue	51,485	33,317	-	-	51,485	33,317
Total revenues	<u>4,675,289</u>	<u>4,159,525</u>	<u>6,333,111</u>	<u>5,407,934</u>	<u>11,008,400</u>	<u>9,567,459</u>
Expenses						
General government	995,531	911,503	-	-	995,531	911,503
Public Safety	1,786,489	1,977,678	-	-	1,786,489	1,977,678
Public Works	882,747	683,418	-	-	882,747	683,418
Health and sanitation	-	-	957,951	927,119	957,951	927,119
Cemetery	69,872	98,240	-	-	69,872	98,240
Parks	367,918	250,558	-	-	367,918	250,558
Community services	13,619	82,162	-	-	13,619	82,162
Tourism	46,692	40,018	-	-	46,692	40,018
Interest on long-term debt bond costs	121,645	126,139	-	-	121,645	126,139
Water and wastewater	-	-	2,552,908	2,528,629	2,552,908	2,528,629
Trade Days	-	-	5,026	6,077	5,026	6,077
Total expenses	<u>4,284,513</u>	<u>4,169,716</u>	<u>3,515,885</u>	<u>3,461,825</u>	<u>7,800,398</u>	<u>7,631,541</u>
Increase (decrease) in net position						
before transfers	390,776	(10,191)	2,817,226	1,946,109	3,208,002	1,935,918
Transfers	<u>291,076</u>	<u>477,279</u>	<u>(291,076)</u>	<u>(477,279)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	681,852	467,088	2,526,150	1,468,830	3,208,002	1,935,918
Net Position October 1 - Restated	<u>5,790,609</u>	<u>5,323,521</u>	<u>12,812,426</u>	<u>11,343,596</u>	<u>18,603,035</u>	<u>16,667,117</u>
Net Position September 30	<u>\$ 6,472,461</u>	<u>\$ 5,790,609</u>	<u>\$ 15,338,576</u>	<u>\$ 12,812,426</u>	<u>\$ 21,811,037</u>	<u>\$ 18,603,035</u>

**Governmental Activities.** Governmental activities increased the City’s net position by \$681,852 in the current year. Total governmental activities revenues increased \$515,764. Property and sales taxes increased \$58,417 and \$126,685 respectively due to an increase in property tax rates and more local taxable sales. Charges for services increase \$60,560 due to fines and fees and cemetery sales. Total governmental activities expenses increased \$114,797 (2.75%). The largest increase was public works with an increase of \$199,329 from the prior year for salaries, chemicals, equipment repair and contractual services. Below are two graphs summarizing governmental revenue and expense:

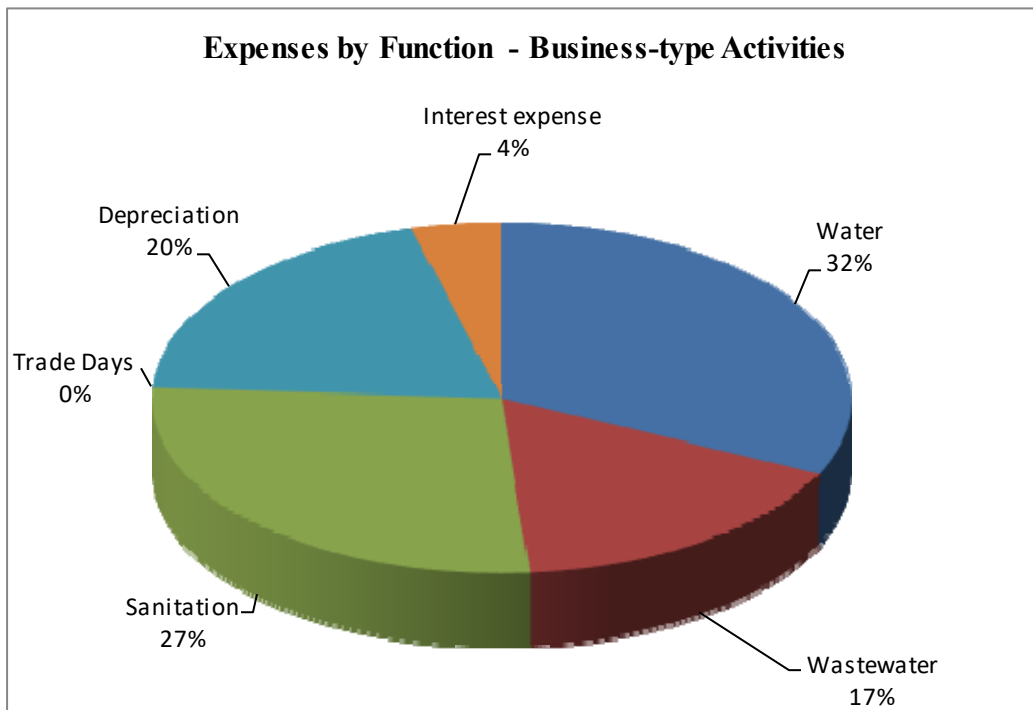


**Business-type activities.** Business-type activities increased the City's net position by \$2,526,150. The business-type activities total revenues increased \$925,177 and total expenses increased \$54,060. Charges for service increased \$158,953 primarily because more gallons of water were sold. Capital grants and contributions increased \$768,606. 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:



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## Financial Analysis of the Government's Funds

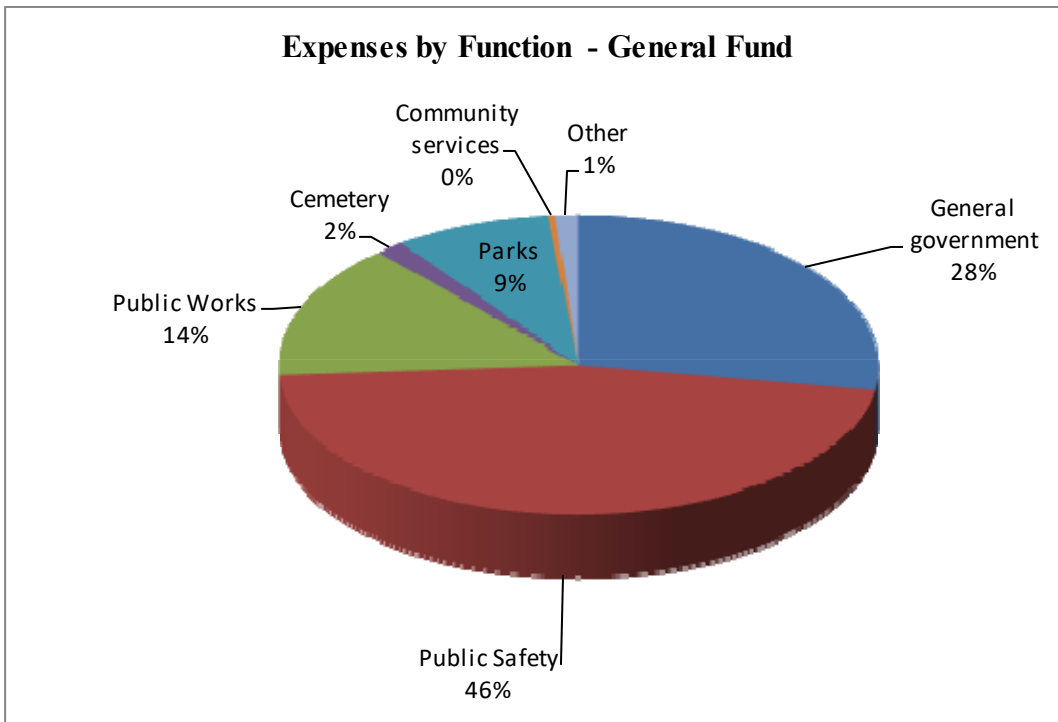
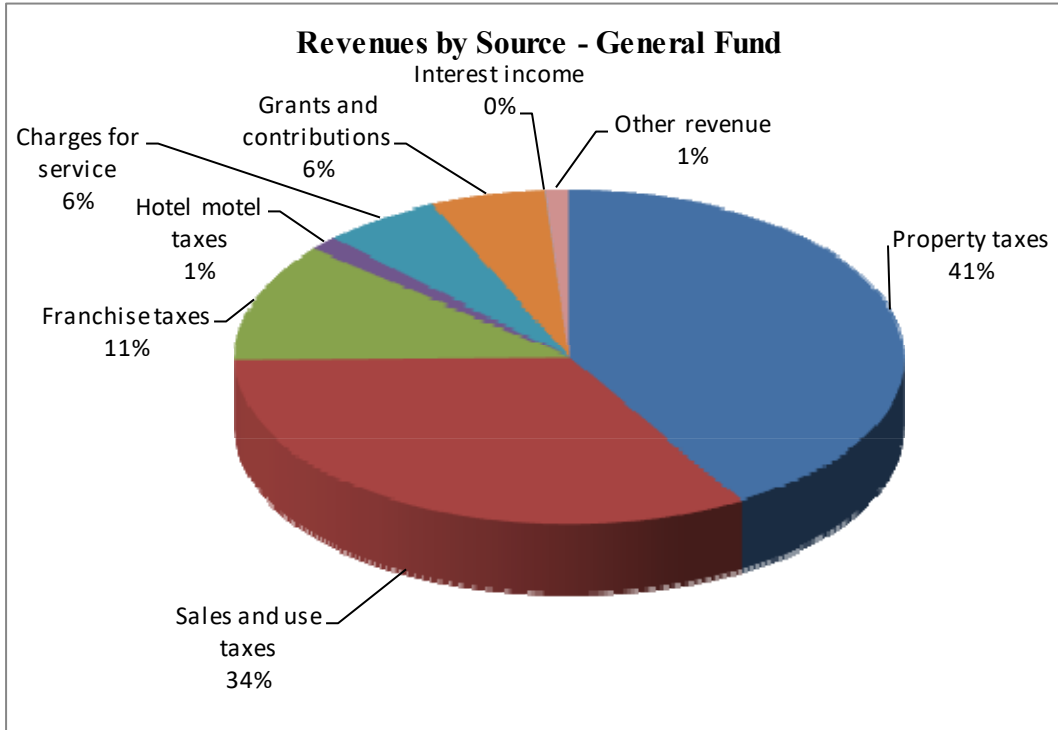
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 \$3,374,121. \$582,155 (17%) 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 \$582,155. Below is a comparison of the general fund's net change in fund balance for 2021 and 2020.

	2021	2020	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 1,568,727	\$ 1,465,007	\$ 103,720	7.08%
Sales and use tax	1,266,029	1,160,672	105,357	9.08%
Franchise	431,330	436,759	(5,429)	-1.24%
Hotel motel taxes	52,318	40,018	12,300	30.74%
Charges for service	218,560	161,379	57,181	35.43%
Grants and contributions	209,261	43,168	166,093	384.76%
Interest income	1,596	3,024	(1,428)	-47.22%
Other revenue	43,274	29,222	14,052	48.09%
Total revenues	<u>3,791,095</u>	<u>3,339,249</u>	<u>451,846</u>	<u>13.53%</u>
Expenditures:				
Current				
General government	1,092,655	941,581	151,074	16.04%
Public Safety	1,828,855	1,913,364	(84,509)	-4.42%
Public Works	570,843	456,248	114,595	25.12%
Cemetery	61,575	98,652	(37,077)	-37.58%
Parks	334,770	209,695	125,075	59.65%
Community services	15,406	82,349	(66,943)	-81.29%
Tourism	46,692	40,018	6,674	16.68%
Debt service:				
Principal	-	154,589	(154,589)	-100.00%
Interest and fiscal charges	-	8,222	(8,222)	-100.00%
Total expenditures	<u>3,950,796</u>	<u>3,904,718</u>	<u>46,078</u>	<u>1.18%</u>
Other financing sources (uses):				
Loan Proceeds	-	-	-	100.00%
Transfers in	545,000	680,000	(135,000)	-19.85%
Transfers out	(27,710)	(20,000)	(7,710)	-38.55%
Net change in fund balances	<u>\$ 357,589</u>	<u>\$ 94,531</u>	<u>\$ 263,058</u>	<u>\$ 278.28%</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 \$1,127,762. The total change in net position was \$2,526,150. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

During the year the City amended its budget. General fund budgeted revenues were increased \$217,200. Actual revenues were \$255,595 more than budgeted. Budget amendments increased expenditures \$282,600. Actual expenditures of the general fund were \$483,654 less than budgeted.

**Capital Assets**

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$26,709,147 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- \$15,250 slab for supplies store room
- \$40,648 for laptops and Equipment
- \$34,769 for building improvements in the form of a plexiglass wall
- \$27,000 and \$13,000 for 17 Ford Suv and 1 ton truck bed respectively
- \$28,000 for road repairs

Business-type activities:

- \$52,377 for sewer system improvements
- \$49,315 for roof work on WT
- \$37,363 for an automated bill pay ATM
- \$64,959 in vehicles and equipment for a mini excavator
- \$2,301,056 for construction and engineering on US 183 N utility line relocation projects

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 194,785	\$ 194,785	\$ 193,297	\$ 193,297	\$ 388,082	\$ 388,082
Construction in progress	15,250	-	-	1,440,634	15,250	1,440,634
Land Improvements	-	-	31,504	12,614	31,504	12,614
Buildings and improvements	571,263	569,170	373,556	401,267	944,819	970,437
Water and sewer systems	-	-	18,305,167	15,010,907	18,305,167	15,010,907
Infrastructure	6,098,351	6,230,033	-	-	6,098,351	6,230,033
Vehicles and equipment	710,684	778,003	215,290	172,534	925,974	950,537
<b>Total</b>	<b>\$ 7,590,333</b>	<b>\$ 7,771,991</b>	<b>\$ 19,118,814</b>	<b>\$ 17,231,253</b>	<b>\$ 26,709,147</b>	<b>\$ 25,003,244</b>

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	
	2021	2020	2021	2020	2021	2020
Capital leases payable	\$ 87,692	\$ 148,142	\$ -	\$ -	\$ 87,692	\$ 148,142
Loans Payable	-	-	-	-	-	-
Certificates of Obligation	4,071,000	4,136,000	4,908,000	5,051,000	8,979,000	9,187,000
Total	<u>\$ 4,158,692</u>	<u>\$ 4,284,142</u>	<u>\$ 4,908,000</u>	<u>\$ 5,051,000</u>	<u>\$ 9,066,692</u>	<u>\$ 9,335,142</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

The City’s elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rate, and fees that will be charged for the governmental and business-type activities. The major factor affecting all decisions is the changing economy within the framework of the national economic recovery. Along with the rest of the nation, Breckenridge only saw a minimal increase in sales and hotel occupancy taxes due to the ongoing Covid-19 pandemic. In addition, the local oil and gas industry continues to struggle and remains very volatile. Based on these two factors, sales tax projections remained flat for the fiscal year 2022 budget.

The City prides itself on a quality school district and “hometown” atmosphere. The Breckenridge Economic Development Corporation (BEDC) works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities in coordination with the school district and Texas State Technical College. The BEDC receives one-third of the sales tax collected and remitted to the City to support these growth and development initiatives. The City of Breckenridge considered these factors when adopting the General Fund budget for fiscal year 2022. The budgeted revenues for fiscal year 2022 total \$4,201,700 for the General Fund, which is a \$47,800 or 1.14% decrease from the previous fiscal year budget. Ad valorem tax revenue is determined by two factors – the total assessed value established by the Stephens County Appraisal District and the tax rate established by the Breckenridge City Commission. The property tax rate for the budgeted year decreased by 0.062229 cents to \$1.06 per hundred dollars of assessed value for 2021. Certified taxable property value for fiscal year 2022 is \$210,353,345. This is an 11.04% increase over the last year’s values, or \$20.9 million. With the decreased tax rate and the increased taxable value, the fiscal year 2022 budget will raise more revenue from property taxes than last year’s budget by \$90,692, an increase of 5.1%.

**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**

## EXHIBIT A-1

CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Breckenridge Economic Development
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,478,458	\$ 1,186,391	\$ 3,664,849	\$ 1,445,172
Investments	651,108	-	651,108	
Receivables (Net of allowances for uncollectibles)				
Property taxes	142,720	-	142,720	-
Other taxes	388,443	-	388,443	92,751
Accounts	61,105	394,507	455,612	-
Miscellaneous	14,525	361,019	375,544	-
Internal Balances	(25,856)	25,856	-	-
Supplies inventory	-	136,514	136,514	-
Restricted assets:				
Cash and cash equivalents	-	240,450	240,450	-
Notes receivable	-	-	-	376,745
Capital assets (net of accumulated depreciation):				
Land	194,785	193,297	388,082	56,546
Construction in progress	15,250	-	15,250	-
Land Improvements	-	31,504	31,504	-
Buildings and improvements	571,263	373,556	944,819	202,785
Water and wastewater systems	-	18,305,167	18,305,167	-
Infrastructure	6,098,351	-	6,098,351	-
Vehicles and equipment	710,684	215,290	925,974	5,250
Land held for economic development, at cost				1,924,851
<b>Total Assets</b>	<u>11,300,836</u>	<u>21,463,551</u>	<u>32,764,387</u>	<u>4,104,100</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflow related to TMRS pension	118,433	35,179	153,612	-
Deferred outflow related to TMRS OPEB	39,786	10,935	50,721	-
<b>Total Deferred Outflows of Resources</b>	<u>158,219</u>	<u>46,114</u>	<u>204,333</u>	<u>-</u>
<b>LIABILITIES:</b>				
Accounts Payable	81,416	145,332	226,748	-
Accrued Payroll	17,534	5,333	22,867	1,746
Due to other governments	7,439	-	7,439	-
Unearned Revenue	9,600	671,872	681,472	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	6,159	6,206	12,365	-
Customer deposits	-	240,450	240,450	-
Noncurrent liabilities:				
Due within one year	87,879	143,000	230,879	34,330
Due in more than one year	4,445,955	4,868,076	9,314,031	68,997
<b>Total Liabilities</b>	<u>4,655,982</u>	<u>6,080,269</u>	<u>10,736,251</u>	<u>105,073</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflow related to TMRS pension	313,287	86,059	399,346	-
Deferred inflow related to TMRS OPEB	17,325	4,761	22,086	-
<b>Total Deferred Inflows of Resources</b>	<u>330,612</u>	<u>90,820</u>	<u>421,432</u>	<u>-</u>
<b>NET POSITION:</b>				
Net Investments in Capital Assets	3,431,641	14,210,814	17,642,455	264,581
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	476,712
Debt service	1,456,190	-	1,456,190	-
Property tax reduction	17,545	-	17,545	-
Public safety	17,792	-	17,792	-
Public works	594,254	-	594,254	-
Cemetery	651,108	-	651,108	-
Parks	8,879	-	8,879	-
Unrestricted Net Position	295,052	1,127,762	1,422,814	3,257,734
<b>Total Net Position</b>	<u>\$ 6,472,461</u>	<u>\$ 15,338,576</u>	<u>\$ 21,811,037</u>	<u>\$ 3,999,027</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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 995,531	\$ 19,420	\$ 200,294	\$ -
Public Safety	1,786,489	156,717	12,117	44,000
Public Works	882,747	-	12,761	-
Cemetery	69,872	35,915	6,746	-
Parks	367,918	900	268	-
Community services	13,619	-	-	-
Tourism	46,692	-	-	-
Principal	-	-	-	-
Interest on long-term debt	121,645	-	-	-
Bond issuance costs	-	-	-	-
Total governmental activities	<u>4,284,513</u>	<u>212,952</u>	<u>232,186</u>	<u>44,000</u>
Business-type activities:				
Water and wastewater	2,552,908	2,922,029	-	2,417,659
Sanitation	957,951	991,735	-	-
Trade Days	5,026	-	-	-
Total business-type activities	<u>3,515,885</u>	<u>3,913,764</u>	<u>-</u>	<u>2,417,659</u>
Total primary government	<u>\$ 7,800,398</u>	<u>\$ 4,126,716</u>	<u>\$ 232,186</u>	<u>\$ 2,461,659</u>
<b>Component Unit</b>				
Governmental activities:				
General administration	\$ 162,848	\$ -	\$ -	\$ -
Economic development	253,667	-	-	-
Community development	18,118	-	-	-
Interest on long-term debt	3,946	-	-	-
Total component unit	<u>\$ 438,579</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, 2020

Net Position September 30, 2021

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
\$ (775,817)	\$ -	\$ (775,817)	\$ -
(1,573,655)	-	(1,573,655)	-
(869,986)	-	(869,986)	-
(27,211)	-	(27,211)	-
(366,750)	-	(366,750)	-
(13,619)	-	(13,619)	-
(46,692)	-	(46,692)	-
-	-	-	-
(121,645)	-	(121,645)	-
-	-	-	-
<u>(3,795,375)</u>	<u>-</u>	<u>(3,795,375)</u>	<u>-</u>
-	2,786,780	2,786,780	-
-	33,784	33,784	-
-	(5,026)	(5,026)	-
<u>-</u>	<u>2,815,538</u>	<u>2,815,538</u>	<u>-</u>
<u>\$ (3,795,375)</u>	<u>\$ 2,815,538</u>	<u>\$ (979,837)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (162,848)
-	-	-	(253,667)
-	-	-	(18,118)
-	-	-	(3,946)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (438,579)</u>
\$ 1,554,752	\$ -	\$ 1,554,752	\$ -
512,196	-	512,196	-
1,518,794	-	1,518,794	505,531
437,867	-	437,867	-
52,318	-	52,318	-
58,739	1,688	60,427	23,633
51,485	-	51,485	55,400
291,076	(291,076)	-	-
<u>4,477,227</u>	<u>(289,388)</u>	<u>4,187,839</u>	<u>584,564</u>
681,852	2,526,150	3,208,002	145,985
5,790,609	12,812,426	18,603,035	3,853,042
<u>\$ 6,472,461</u>	<u>\$ 15,338,576</u>	<u>\$ 21,811,037</u>	<u>\$ 3,999,027</u>

CITY OF BRECKENRIDGE, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2021

	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Assets:				
Cash and cash equivalents	\$ 395,672	\$ 1,421,851	\$ 660,935	\$ 2,478,458
Investments	-	-	651,108	651,108
Receivables (Net of allowances)				
Property taxes	102,222	40,498	-	142,720
Other taxes	342,068	-	46,375	388,443
Accounts	61,105	-	-	61,105
Miscellaneous	14,525	-	-	14,525
	<u>915,592</u>	<u>1,462,349</u>	<u>1,358,418</u>	<u>3,736,359</u>
Total assets	\$ <u>915,592</u>	\$ <u>1,462,349</u>	\$ <u>1,358,418</u>	\$ <u>3,736,359</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 75,567	\$ -	\$ 5,849	\$ 81,416
Accrued payroll	17,534	-	-	17,534
Unearned revenue	9,600	-	-	9,600
Due to other funds	25,856	-	-	25,856
Due to other governments	7,439	-	-	7,439
	<u>135,996</u>	<u>-</u>	<u>5,849</u>	<u>141,845</u>
Total liabilities	135,996	-	5,849	141,845
Deferred inflows of resources:				
Deferred property tax	102,222	40,497	-	142,719
Other deferred revenue	77,674	-	-	77,674
	<u>179,896</u>	<u>40,497</u>	<u>-</u>	<u>220,393</u>
Total deferred inflows of resources	179,896	40,497	-	220,393
Fund Balances:				
Restricted fund balance	17,545	1,421,852	1,272,033	2,711,430
Committed fund balance	-	-	80,536	80,536
Unassigned Fund Balance	582,155	-	-	582,155
	<u>599,700</u>	<u>1,421,852</u>	<u>1,352,569</u>	<u>3,374,121</u>
Total fund balances	599,700	1,421,852	1,352,569	3,374,121
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>915,592</u>	\$ <u>1,462,349</u>	\$ <u>1,358,418</u>	\$ <u>3,736,359</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, 2021

Total Fund Balances - Governmental Funds	3,374,121
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 \$12,310,226 and the accumulated depreciation was \$4,719,893.	7,590,333
Long-term liabilities, including \$87,692 capital leases payable and \$4,071,000 certificates of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(4,158,692)
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.	(6,159)
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.	220,393
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 \$172,114 , a Deferred Resource Inflow related to pensions in the amount of \$313,287, and a Deferred Resource Outflow related to pensions in the amount of \$118,433. This results in a decrease in Net Position.	(366,968)
Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of \$203,028, Deferred Resource Inflow related to OPEB in the amount of \$17,325, and a Deferred Resource Outflow related to OPEB in the amount of \$39,786. This results in a decrease in Net Position.	(180,567)
Net Position of Governmental Activities	6,472,461

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, 2021

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,568,727	\$ 517,135	\$ -	\$ 2,085,862
Sales and use tax	1,266,029	-	252,765	1,518,794
Franchise	431,330	-	-	431,330
Hotel motel taxes	52,318	-	-	52,318
Charges for service	218,560	-	-	218,560
Grants and contributions	209,261	-	40,164	249,425
Investment earnings	1,596	3,817	53,326	58,739
Other revenue	43,274	-	6,411	49,685
Total revenues	<u>3,791,095</u>	<u>520,952</u>	<u>352,666</u>	<u>4,664,713</u>
Expenditures:				
Current				
General government	1,092,655	-	-	1,092,655
Public Safety	1,828,855	-	9,946	1,838,801
Public Works	570,843	-	144,760	715,603
Cemetery	61,575	-	19,631	81,206
Parks	334,770	-	-	334,770
Community services	15,406	-	-	15,406
Tourism	46,692	-	-	46,692
Capital Outlay	-	-	40,001	40,001
Debt service:				
Principal	-	65,000	60,450	125,450
Interest and fiscal charges	-	117,294	5,843	123,137
Total expenditures	<u>3,950,796</u>	<u>182,294</u>	<u>280,631</u>	<u>4,413,721</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>(159,701)</u>	\$ <u>338,658</u>	\$ <u>72,035</u>	\$ <u>250,992</u>
Other financing sources (uses):				
Proceeds from Sale of Assets	-	-	1,800	1,800
Transfers in	545,000	-	135,000	680,000
Transfers out	<u>(27,710)</u>	<u>(288,755)</u>	<u>(72,459)</u>	<u>(388,924)</u>
Net change in fund balances	357,589	49,903	136,376	543,868
Fund balance, October 1, 2020	<u>242,111</u>	<u>1,371,949</u>	<u>1,216,193</u>	<u>2,830,253</u>
Fund balance, September 30, 2021	<u>\$ 599,700</u>	<u>\$ 1,421,852</u>	<u>\$ 1,352,569</u>	<u>\$ 3,374,121</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, 2021

Total Net Change in Fund Balances - Governmental Funds	543,868
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 \$219,901 of capital outlays and \$125,450 of debt principal payments is to increase net position.	345,351
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.	(9,640)
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.	(391,919)
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.	1,492
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,985)
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decrease net pension.	226,820
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.	(16,135)
Change in Net Position of Governmental Activities	681,852

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, 2021

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents	\$ 1,021,586	\$ 60,505	\$ 62,130	\$ 42,170	\$ 1,186,391
Receivables (Net of allowances):					
Accounts	215,514	113,895	65,098	-	394,507
Miscellaneous	169,870	191,149	-	-	361,019
Due from other funds	25,856	-	-	-	25,856
Supplies inventory	136,514	-	-	-	136,514
Restricted Assets:					
Cash and cash equivalents	240,450	-	-	-	240,450
Total current assets	<u>1,809,790</u>	<u>365,549</u>	<u>127,228</u>	<u>42,170</u>	<u>2,344,737</u>
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,068	22,289	39,000	18,382	244,739
Construction in progress	-	-	-	-	-
Buildings and improvements	993,146	108,363	-	209,321	1,310,830
Water system	18,918,312	-	-	-	18,918,312
Wastewater system	-	9,778,755	-	-	9,778,755
Vehicles and equipment	425,326	491,093	78,107	6,247	1,000,773
Less: accumulated depreciation	<u>(8,199,268)</u>	<u>(3,824,865)</u>	<u>(72,107)</u>	<u>(38,355)</u>	<u>(12,134,595)</u>
Capital assets, net	<u>12,302,584</u>	<u>6,575,635</u>	<u>45,000</u>	<u>195,595</u>	<u>19,118,814</u>
Total noncurrent assets	<u>12,302,584</u>	<u>6,575,635</u>	<u>45,000</u>	<u>195,595</u>	<u>19,118,814</u>
Total assets	<u>14,112,374</u>	<u>6,941,184</u>	<u>172,228</u>	<u>237,765</u>	<u>21,463,551</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred outflow related to TMRS pension	25,238	9,941	-	-	35,179
Deferred outflow related to TMRS OPEB	8,270	2,665	-	-	10,935
Total Deferred Outflows of Resources	<u>33,508</u>	<u>12,606</u>	<u>-</u>	<u>-</u>	<u>46,114</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	37,818	26,851	80,663	-	145,332
Accrued payroll	3,549	1,619	165	-	5,333
Unearned revenues	671,872	-	-	-	671,872
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	240,450	-	-	-	240,450
Total current liabilities	<u>1,070,513</u>	<u>60,852</u>	<u>80,828</u>	<u>-</u>	<u>1,212,193</u>
Noncurrent Liabilities:					
Long-term portion of bonds payable	3,735,450	1,029,550	-	-	4,765,000
Net pension liability	35,761	11,517	-	-	47,278
Total OPEB liability	42,201	13,597	-	-	55,798
Total noncurrent liabilities	<u>3,813,412</u>	<u>1,054,664</u>	<u>-</u>	<u>-</u>	<u>4,868,076</u>
Total liabilities	<u>4,883,925</u>	<u>1,115,516</u>	<u>80,828</u>	<u>-</u>	<u>6,080,269</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflow related to TMRS	65,093	20,966	-	-	86,059
Deferred inflow related to OPEB	3,601	1,160	-	-	4,761
Total Deferred Inflows of Resources	<u>68,694</u>	<u>22,126</u>	<u>-</u>	<u>-</u>	<u>90,820</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	8,455,504	5,514,715	45,000	195,595	14,210,814
Unrestricted	737,759	301,433	46,400	42,170	1,127,762
Total net position	<u>\$ 9,193,263</u>	<u>\$ 5,816,148</u>	<u>\$ 91,400</u>	<u>\$ 237,765</u>	<u>\$ 15,338,576</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, 2021

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Operating revenues:					
Charges for sales and services	\$ 1,604,072	\$ 997,648	\$ 989,197	\$ -	\$ 3,590,917
Miscellaneous	310,353	9,956	2,538	-	322,847
Total operating revenue	<u>1,914,425</u>	<u>1,007,604</u>	<u>991,735</u>	<u>-</u>	<u>3,913,764</u>
Operating expenses:					
Water and sewer commercial	73,119	-	-	-	73,119
Water meters and readers	123,571	-	-	-	123,571
Lake Daniel	2,048	-	-	-	2,048
Water production	672,244	-	-	-	672,244
Water distribution	254,449	-	-	-	254,449
Sewer collection	-	292,773	-	-	292,773
Sewer treatment	-	293,606	-	-	293,606
Solid waste	-	-	956,151	-	956,151
Depreciation	467,945	227,398	1,800	5,026	702,169
Total operating expenses	<u>1,593,376</u>	<u>813,777</u>	<u>957,951</u>	<u>5,026</u>	<u>3,370,130</u>
Operating income (loss)	<u>321,049</u>	<u>193,827</u>	<u>33,784</u>	<u>(5,026)</u>	<u>543,634</u>
Nonoperating revenues (expenses):					
Interest revenue	1,391	1	195	101	1,688
Interest expense and fiscal charges	(121,982)	(23,773)	-	-	(145,755)
Total nonoperating revenues (expenses)	<u>(120,591)</u>	<u>(23,772)</u>	<u>195</u>	<u>101</u>	<u>(144,067)</u>
Income (loss) before contributions and transfers	<u>200,458</u>	<u>170,055</u>	<u>33,979</u>	<u>(4,925)</u>	<u>399,567</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	728,899	1,688,760	-	-	2,417,659
Transfers in	302,668	62,643	-	2,710	368,021
Transfers out	(420,000)	(229,097)	(10,000)	-	(659,097)
Change in Net Position	812,025	1,692,361	23,979	(2,215)	2,526,150
Net Position, October 1, 2020	<u>8,381,238</u>	<u>4,123,787</u>	<u>67,421</u>	<u>239,980</u>	<u>12,812,426</u>
Net Position, September 30, 2021	<u>\$ 9,193,263</u>	<u>\$ 5,816,148</u>	<u>\$ 91,400</u>	<u>\$ 237,765</u>	<u>\$ 15,338,576</u>

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2021

	Enterprise Funds				Totals
	Water Fund	Wastewater Fund	Sanitation Fund	Trade Days Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 1,957,434	\$ 1,003,954	\$ 986,950	\$ -	\$ 3,948,338
Cash paid to suppliers	(870,759)	(474,370)	(935,667)	-	(2,280,796)
Cash paid to employees	(333,633)	(140,741)	(15,152)	-	(489,526)
Net cash provided (used) by operating activities	<u>753,042</u>	<u>388,843</u>	<u>36,131</u>	<u>-</u>	<u>1,178,016</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	-	-	-	-	-
Transfers in	302,668	62,643	-	2,710	368,021
Transfers out	(420,000)	(229,097)	(10,000)	-	(659,097)
Net cash provided (used) by noncapital financing activities	<u>(117,332)</u>	<u>(166,454)</u>	<u>(10,000)</u>	<u>2,710</u>	<u>(291,076)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(900,474)	(1,702,015)	-	-	(2,602,489)
Grants received	1,388,648	1,565,816	-	-	2,954,464
Principal payments on long-term debt	(111,630)	(31,370)	-	-	(143,000)
Interest paid on bonds	(121,982)	(23,773)	-	-	(145,755)
Net cash (used) by capital and related financing activities	<u>254,562</u>	<u>(191,342)</u>	<u>-</u>	<u>-</u>	<u>63,220</u>
Cash flow from investing activities:					
Interest received	1,391	1	195	101	1,688
Net cash provided by investing activities	<u>1,391</u>	<u>1</u>	<u>195</u>	<u>101</u>	<u>1,688</u>
Net increase (decrease) in cash and cash equivalents	891,663	31,048	26,326	2,811	951,848
Cash and cash equivalents, October 1, 2020	<u>370,373</u>	<u>29,457</u>	<u>35,804</u>	<u>39,359</u>	<u>474,993</u>
Cash and cash equivalents, September 30, 2021	<u>\$ 1,262,036</u>	<u>\$ 60,505</u>	<u>\$ 62,130</u>	<u>\$ 42,170</u>	<u>\$ 1,426,841</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 321,049	\$ 193,827	\$ 33,784	\$ (5,026)	\$ 543,634
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	467,945	227,398	1,800	5,026	702,169
Disposal of capital asset	12,761	-	-	-	12,761
(Increase) decrease in accounts receivable	33,405	(3,649)	(4,785)	-	24,971
(Increase) decrease in supplies inventory	(7,985)	-	-	-	(7,985)
Increase (decrease) in accounts payable	(58,882)	(3,465)	5,291	-	(57,056)
Increase (decrease) in accrued payroll	855	583	41	-	1,479
Increase (decrease) in customer meter deposits	9,605	-	-	-	9,605
Increase (decrease) in net pension balances	(32,563)	(25,092)	-	-	(57,655)
Increase (decrease) in total OPEB balances	6,853	(758)	-	-	6,095
Total adjustments	<u>431,994</u>	<u>195,017</u>	<u>2,347</u>	<u>5,026</u>	<u>634,384</u>
Net cash provided by operating activities	<u>\$ 753,043</u>	<u>\$ 388,844</u>	<u>\$ 36,131</u>	<u>\$ -</u>	<u>\$ 1,178,018</u>

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021**

**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, 2021**

**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 \$102,222 and the general debt service fund of \$40,497 is equal to 50% of outstanding delinquent property taxes at September 30, 2021. The court fines and fees receivable is reported net of an allowance of \$14,131 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$21,130 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, 2021**

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

**4. Inventory**

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

**5. Capital Assets**

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

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

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

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

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

**6. Compensated Absences**

Regular full-time employees earn vacation and sick leave in accordance with City guidelines. Vacation time may be accumulated up to 240 hours. The City does allow for the accumulation of sick leave, however, the sick leave is not paid upon an employee's separation from services therefore a long-term liability has not been accrued.

**7. Long-term Obligations**

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021**

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

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

	General	General	Other	Total
	General	Debt Service	Governmental	Governmental
	Fund	Fund	Funds	Funds
Restricted:				
Debt service	\$ -	\$ 1,421,852	\$ -	\$ 1,421,852
Property tax reduction	17,545	-	-	17,545
Public Safety	-	-	17,792	17,792
Public Works	-	-	594,254	594,254
Cemetery	-	-	651,108	651,108
Parks	-	-	8,879	8,879
Committed:				
Equipment replacement	-	-	80,536	80,536
Unassigned	582,155	-	-	582,155
	<u>\$599,700</u>	<u>\$ 1,421,852</u>	<u>\$ 1,352,569</u>	<u>\$ 3,374,121</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, 2021**

**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, 2021, the City’s deposits were fully collateralized and insured however \$45,288 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	41,789	41,789	6.42%	41,789	-	-	-
Equity Mutual Funds	N/A	143,063	186,095	28.58%	186,095	-	-	-
Bond Mutual Funds	N/A	167,953	171,597	26.35%	171,597	-	-	-
Corporate Bonds	Aaa - Baa2	131,946	137,970	21.19%	3,050	70,823	48,856	15,241
U.S. Treasuries	N/A	52,647	52,154	8.01%	-	19,511	7,989	24,654
U.S. Government Agencies	N/A	58,558	61,503	9.45%	-	1,832	19,531	40,140
		<u>\$595,956</u>	<u>\$651,108</u>		<u>\$402,531</u>	<u>\$ 92,166</u>	<u>\$ 76,376</u>	<u>\$ 80,035</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, 2021, 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, 2021**

**NOTE 3:      RESTRICTED ASSETS**

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

	Cash
Business-type Activities	
Customer water deposits	\$ 240,450
	\$ 240,450

**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:

<b>Deferred inflows of resources - governmental funds</b>	
Deferred property taxes receivable (general fund)	\$ 102,222
Deferred property taxes receivable (general debt service fund)	40,497
Deferred franchise taxes receivable (general fund)	63,543
Deferred court costs (general fund)	14,131
Total deferred inflows for governmental funds	\$ 220,393

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	General Fund	\$ <u>25,856</u>
Total proprietary funds		\$ <u><u>25,856</u></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, 2021, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 370,000
General Fund	Wastewater Fund	175,000
Other governmental funds	General Fund	25,000
Other governmental funds	Water Fund	50,000
Other governmental funds	Sanitation Fund	10,000
Other governmental funds	Wastewater Fund	50,000
Total Governmental Funds Transfers In		\$ <u><u>680,000</u></u>
Water Fund	General Debt Service Fund	\$ 233,612
Water Fund	Other governmental funds	64,959
Water Fund	Wastewater Fund	4,097
Wastewater Fund	General Debt Service Fund	55,143
Wastewater Fund	Other governmental funds	7,500
Trade Days Fund	General Fund	2,710
Total Enterprise Funds Transfers In		\$ <u><u>368,021</u></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, 2021**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2021 was as follows:

Governmental activities:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>Non - Depreciable Assets:</b>					
Land	\$ 194,785	\$ -	\$ -	\$ -	\$ 194,785
Construction in Progress	-	15,250	-	-	15,250
Total non-depreciable assets	194,785	15,250	-	-	210,035
<b>Depreciable Assets:</b>					
Buildings and improvements	1,520,883	40,769	-	-	1,561,652
Infrastructure	7,853,190	28,000	-	-	7,881,190
Vehicles and Equipment	2,492,410	135,885	(41,421)	70,476	2,657,350
Total capital assets being depreciated	12,061,269	219,904	(41,421)	70,476	12,310,227
<b>Accumulated Depreciation:</b>					
Buildings and improvements	(951,713)	(38,676)	-	-	(990,389)
Infrastructure	(1,623,158)	(159,682)	-	-	(1,782,840)
Vehicles and Equipment	(1,714,408)	(193,561)	19,020	(57,715)	(1,946,664)
Total accumulated depreciation	(4,289,279)	(391,919)	19,020	(57,715)	(4,719,893)
Governmental activities capital assets, net	\$ 7,771,990	\$ (172,015)	\$ (22,401)	\$ 12,761	\$ 7,590,334



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

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

Business-type activities:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>Non - Depreciable Assets:</b>					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	1,440,634	2,301,056	-	(3,741,690)	-
Total non-depreciable assets	<u>1,633,931</u>	<u>2,301,056</u>	<u>-</u>	<u>(3,741,690)</u>	<u>193,297</u>
<b>Depreciable Assets:</b>					
Land improvements	31,627	19,815	-	-	51,442
Buildings and improvements	1,310,830	-	-	-	1,310,830
Water and sewer systems	24,783,582	171,796	-	3,741,689	28,697,067
Vehicles and equipment	961,426	109,823	-	(70,476)	1,000,773
Total capital assets being depreciated	<u>27,087,465</u>	<u>301,434</u>	<u>-</u>	<u>3,671,213</u>	<u>31,060,112</u>
<b>Accumulated Depreciation:</b>					
Land improvements	(19,015)	(923)	-	-	(19,938)
Buildings and improvements	(909,563)	(27,711)	-	-	(937,274)
Water and sewer systems	(9,772,673)	(619,227)	-	-	(10,391,900)
Vehicles and equipment	(788,891)	(54,307)	-	57,715	(785,483)
Total accumulated depreciation	<u>(11,490,142)</u>	<u>(702,168)</u>	<u>-</u>	<u>57,715</u>	<u>(12,134,595)</u>
Business-type activities capital assets, net	<u>\$ 17,231,254</u>	<u>\$ 1,900,322</u>	<u>\$ -</u>	<u>\$ (12,762)</u>	<u>\$ 19,118,814</u>

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

<b>Governmental activities:</b>	
General government	22,288
Public Safety	104,072
Public Works	217,801
Cemetery	2,587
Parks	44,279
Community services	892
Total depreciation expense - governmental activities	<u>\$ 391,919</u>
<b>Business-type activities:</b>	
Water	\$ 467,945
Wastewater	227,398
Sanitation	1,800
Trade Days	5,026
Total depreciation expense - business-type activities	<u>\$ 702,169</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

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

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 56,546	\$ -	\$ -	\$ 56,546
Total non-depreciable assets	<u>56,546</u>	<u>-</u>	<u>-</u>	<u>56,546</u>
Depreciable Assets:				
Buildings and improvements	234,640	45,390	-	280,030
Office furniture and equipment	4,108	5,400	-	9,508
Total capital assets being depreciated	<u>238,748</u>	<u>50,790</u>	<u>-</u>	<u>289,538</u>
Accumulated Depreciation:				
Buildings and improvements	(68,758)	(8,487)	-	(77,245)
Office furniture and Equipment	(4,108)	(150)	-	(4,258)
Total accumulated depreciation	<u>(72,866)</u>	<u>(8,637)</u>	<u>-</u>	<u>(81,503)</u>
Governmental activities capital assets, net	<u>\$ 222,428</u>	<u>\$ 42,153</u>	<u>\$ -</u>	<u>\$ 264,581</u>

Properties Held for Economic Development

BEDC's goal is to promote and develop the industrial and manufacturing enterprises in order to encourage employment in the City of Breckenridge. Property and equipment are acquired with the intent of making these properties available to prospective companies at a reasonable price as an incentive to relocate their business in Breckenridge. These properties are not considered investments and are reported at cost. At September 30, 2021, properties held for economic development at cost was \$1,924,851.

**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.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

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

Future minimum lease purchase commitments are as follows:

	Governmental Activities
2022	\$ 23,719
2023	23,719
2024	23,719
2025	23,720
Total debt service requirements	94,877
Less: Interest Portion	7,185
Debt Principal	\$ 87,692

Assets under lease and related accumulated depreciation are as follows:

	Governmental Activities
Vehicles and equipment	\$ 269,298
Less: Accumulated depreciation	(102,768)
Net	\$ 166,530

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2021.

Primary Government	<u>09/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/2021</u>	<u>Due Within One Year</u>
Governmental Activities.:					
Capital Leases Payable	\$ 148,142	\$ -	\$ 60,450	\$ 87,692	\$ 20,879
Certificates of Obligation	4,136,000	-	65,000	4,071,000	67,000
Loans payable	-	-	-	-	-
Net pension liability	430,949	-	258,835	172,114	-
Total OPEB liability	<u>172,680</u>	<u>30,348</u>	<u>-</u>	<u>203,028</u>	<u>-</u>
 Total Governmental Activities	 <u>4,887,771</u>	 <u>30,348</u>	 <u>384,285</u>	 <u>4,533,834</u>	 <u>87,879</u>
 Business-type Activities:					
Certificates of Obligation	5,051,000	-	143,000	4,908,000	143,000
Loans payable	-	-	-	-	-
Net pension liability	114,072	-	66,793	47,279	-
Total OPEB liability	<u>45,712</u>	<u>10,086</u>	<u>-</u>	<u>55,798</u>	<u>-</u>
 Total Business-type Activities	 <u>5,210,784</u>	 <u>10,086</u>	 <u>209,793</u>	 <u>5,011,077</u>	 <u>143,000</u>
 Total Long-Term Liabilities	 <u>\$ 10,098,555</u>	 <u>\$ 40,434</u>	 <u>\$ 594,078</u>	 <u>\$ 9,544,911</u>	 <u>\$ 230,879</u>
 Component Unit					
	<u>09/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/2021</u>	<u>Due Within One Year</u>
Governmental Activities.:					
Tax leveraged fund note	<u>136,561</u>	<u>-</u>	<u>33,234</u>	<u>103,327</u>	<u>34,330</u>
 Total Component Unit	 <u>\$ 136,561</u>	 <u>\$ -</u>	 <u>\$ 33,234</u>	 <u>\$ 103,327</u>	 <u>\$ 34,330</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: LONG-TERM DEBT – (continued)**

At September 30, 2021, governmental activities and business-type activities bonds payable consisted of the following issues:

	<u>Primary Government</u>
<u>Governmental Activities</u>	
\$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	<u>\$4,071,000</u>
<u>Business-Type Activities</u>	
\$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	1,360,000
\$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%.	665,000
\$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%	2,075,000
\$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	<u>808,000</u>
Total business-type activities	<u>\$4,908,000</u>

At September 30, 2021, component unit bonds payable consisted of the following issues:

	<u>Component Unit</u>
\$310,000 Tax leverages loan dated June 30, 2014, due in annual installments through August 1, 2024, bearing interest at 3.25%.	<u>103,327</u>
Total component unit	<u>\$ 103,327</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: LONG-TERM DEBT (Continued)**

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2021 are as follows:

Primary Government	Certificates of Obligation					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	75,000	103,221	178,221	150,000	129,980	279,980
2027-2031	407,000	483,601	890,601	821,000	587,287	1,408,287
2032-2036	467,000	423,624	890,624	954,000	460,620	1,414,620
2037-2041	535,000	354,819	889,819	1,121,000	299,966	1,420,966
2042-2046	615,000	275,866	890,866	942,000	110,150	1,052,150
2047-2051	706,000	185,158	891,158	140,000	36,712	176,712
2052-2056	810,000	81,098	891,098	160,000	16,088	176,088
2057-2061	176,000	2,420	178,420	35,000	481	35,481
Total debt service requirements	\$ <u>4,071,000</u>	\$ <u>2,342,491</u>	\$ <u>6,413,491</u>	\$ <u>4,908,000</u>	\$ <u>2,195,185</u>	\$ <u>7,103,185</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 \$.28394 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 \$1,421,852 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, 2021.

The annual requirements to amortize the component unit governmental activity bonds as of September 30, 2021 are as follows:

Component Unit	Governmental Activities		
	Principal	Interest	Total
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>103,327</u>	\$ <u>5,114</u>	\$ <u>108,441</u>

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021.

Type of Business	Purpose	Tax Abated	Percent Abated	Abated		
					City	BEDC
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	\$14,810		

**NOTE 11: DEFINED BENEFIT PENSION PLANS**

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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 2020
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	61
Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	54
	168

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.72% and 8.62% in calendar years 2020 and 2021, respectively. The city’s contributions to TMRS for the year ended September 30, 2021, were \$176,634, and were equal to the required contributions.



**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 11: DEFINED BENEFIT PENSION PLANS – (Continued)**

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020, 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, 2021**

**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 12/31/20	\$ 8,543,559	\$ 7,998,537	\$ 545,022
Changes for the year:			
Service cost	207,065	-	207,065
Interest	563,096	-	563,096
Difference between expected and actual experience	(200,387)	-	(200,387)
Changes of assumptions	-	-	-
Contributions-employer	-	186,334	(186,334)
Contributions-employee	-	106,734	(106,734)
Net investment income	-	606,416	(606,416)
Benefit payments, including refunds of employee contributions	(609,861)	(609,861)	-
Administrative expense	-	(3,929)	3,929
Other changes	-	(152)	152
Net changes	(40,087)	285,542	(325,629)
Balance at 12/31/21	\$ 8,503,472	\$ 8,284,079	\$ 219,393

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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	\$ 1,278,229	\$ 219,393	\$ (654,056)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2021, the City recognized pension income of \$107,992.

At September 30, 2021, 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	\$ 19,891	\$ 173,314
Differences between projected and actual investment earnings		226,032
Contributions subsequent to the measurement date	133,721	-
Total	\$ 153,612	\$ 399,346

\$133,721 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, 2021. 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, 2021**

**NOTE 11: DEFINED BENEFIT PENSION PLANS – (Continued)**

	<u>Net Deferred outflows (inflow of resources</u>
Year ended December 31:	
2021	\$ (171,018)
2022	(50,909)
2023	(144,225)
2024	(13,303)
2025	-
Thereafter	-
	<u><u>\$ (379,455)</u></u>

**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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>61</u>
	102

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2020, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

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

Mortality rates for service retirees were based on the 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 2.00%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

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

*Changes in the OPEB Liability*

		Total OPEB Liability (a)
Balances as of December 31, 2019	\$	218,392
Changes for the year:		
Service cost		10,033
Interest on total OPEB liability		6,120
Effect of plan changes		-
Effect of economic/demographic gains or losses		(6,035)
Effect of assumptions changes or inputs		32,024
Benefit payments		(1,708)
Net changes		40,434
Balances as of December 31, 2020	\$	258,826

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% decrease discount rate 1.00%	Current Discount Rate 2.00%	1% increase discount rate 3.00%
Net Pension Liability	\$ 312,095	\$ 258,826	\$ 217,271

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$23,938

At September 30, 2021, 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, 2021**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,751	\$ 16,662
Changes in assumptions	46,970	5,424
Contributions made subsequent to measurement date	-	-
<b>Total</b>	<b>\$ 50,721</b>	<b>\$ 22,086</b>

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:		
2021	\$	7,785
2022		5,934
2023		7,757
2024		6,650
2025		509
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>28,635</b>

**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.

**CITY OF BRECKENRIDGE, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 25, 2022, which is the date the financial statements were available to be issued.

**NOTE 15: 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**

**EXHIBIT F-1**

CITY OF BRECKENRIDGE, TEXAS

General Fund

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

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 1,520,000	\$ 1,520,000	\$ 1,568,727	48,727
Sales and use tax	1,078,500	1,148,500	1,266,029	117,529
Franchise	461,000	461,000	431,330	(29,670)
Hotel motel taxes	42,000	42,000	52,318	10,318
Charges for service	178,800	196,800	218,560	21,760
Grants and contributions	15,000	126,400	209,261	82,861
Interest income	1,000	1,000	1,596	596
Other revenue	22,000	39,800	43,274	3,474
Total revenues	<u>3,318,300</u>	<u>3,535,500</u>	<u>3,791,095</u>	<u>255,595</u>
Expenditures:				
Current				
General government	1,124,250	1,244,500	1,092,655	151,845
Public Safety	2,020,450	2,099,600	1,828,855	270,745
Public Works	514,900	562,500	570,843	(8,343)
Cemetery	63,950	71,850	61,575	10,275
Parks	370,500	396,300	334,770	61,530
Community services	15,800	15,800	15,406	394
Tourism	42,000	42,000	46,692	(4,692)
Debt service:				
Principal	-	1,900	-	1,900
Total expenditures	<u>4,151,850</u>	<u>4,434,450</u>	<u>3,950,796</u>	<u>483,654</u>
Excess (deficiency) of revenue over (under) expenditures)	\$ <u>(833,550)</u>	\$ <u>(898,950)</u>	\$ <u>(159,701)</u>	<u>739,249</u>
Other financing sources (uses):				
Transfers in	705,000	705,000	545,000	(160,000)
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(27,710)</u>	<u>(2,710)</u>
Net change in fund balances	(153,550)	(218,950)	357,589	576,539
Fund balance, October 1, 2020	<u>242,111</u>	<u>242,111</u>	<u>242,111</u>	<u>-</u>
Fund balance, September 30, 2021	\$ <u><u>88,561</u></u>	\$ <u><u>23,161</u></u>	\$ <u><u>599,700</u></u>	<u><u>576,539</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, 2021

<b>Total pension liability</b>	2014	2015	2016	2017	2018	2019	2020
Plan Year							
Service Cost	\$ 180,948	\$ 202,264	\$ 210,034	\$ 208,582	\$ 216,654	\$ 221,658	\$ 207,065
Interest (on the Total Pension Liability)	523,394	529,436	528,297	542,655	544,367	547,074	563,096
Differences between expected and actual experience	(78,389)	9,535	7,317	(186,991)	(211,430)	(23,452)	(200,387)
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)	(609,861)
Net Change in Total Pension Liability	16,149	270,876	231,847	13,613	14,409	305,184	(40,087)
Total Pension Liability-Beginning	\$7,691,481	\$7,707,630	\$7,978,506	\$8,210,353	\$ 8,223,966	\$ 8,238,375	8,543,559
<b>Total Pension Liability-Ending (a)</b>	<b>\$7,707,630</b>	<b>\$7,978,506</b>	<b>\$8,210,353</b>	<b>\$8,223,966</b>	<b>\$ 8,238,375</b>	<b>\$ 8,543,559</b>	<b>8,503,472</b>
<b>Plan Fiduciary Net Position</b>							
Contributions-Employer	\$ 192,605	194,097	190,642	202,916	195,613	199,772	186,334
Contributions-Employee	110,082	111,625	108,714	120,197	112,140	114,375	106,734
Net Investment Income	383,868	10,008	446,397	946,773	(225,809)	1,094,327	606,416
Benefit payments, including refunds of employee contributions	(609,804)	(490,767)	(513,801)	(550,633)	(535,182)	(488,813)	(609,861)
Administrative Expense	(4,008)	(6,097)	(5,039)	(4,905)	(4,367)	(6,189)	(3,929)
Other	(330)	(302)	(272)	(248)	(228)	(187)	(152)
Net Change in Plan Fiduciary Net Position	72,413	(181,436)	226,641	714,100	(457,833)	913,285	285,542
Plan Fiduciary Net Position-Beginning	6,711,368	6,783,781	6,602,345	6,828,986	7,543,086	7,085,253	7,998,537
<b>Plan Fiduciary Net Position-Ending (b)</b>	<b>\$6,783,781</b>	<b>\$6,602,345</b>	<b>\$6,828,986</b>	<b>\$7,543,086</b>	<b>\$ 7,085,253</b>	<b>\$ 7,998,538</b>	<b>8,284,079</b>
<b>Net Pension Liability-Ending (a) - (b)</b>	<b>\$ 923,849</b>	<b>\$ 1,376,161</b>	<b>\$ 1,381,367</b>	<b>\$ 680,880</b>	<b>\$ 1,153,122</b>	<b>\$ 545,021</b>	<b>\$ 219,393</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.01%	82.75%	83.18%	91.72%	86.00%	93.62%	97.42%
Covered Employee Payroll	\$ 2,201,639	\$ 2,232,491	\$ 2,174,270	\$ 2,152,549	\$ 2,242,795	\$ 2,287,492	2,134,687
Net Pension Liability as a Percentage of Covered Employee Payroll	41.96%	61.64%	63.53%	31.63%	51.41%	23.83%	10.28%

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

CITY 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	\$ 174,703	\$ 189,895	\$ (15,192)	\$ 2,112,810	8.99%
2015	178,086	193,572	(15,486)	2,193,754	8.82%
2016	180,812	196,535	(15,723)	2,224,633	8.83%
2017	172,193	187,357	(15,164)	2,174,270	8.62%
2018	176,428	194,107	(17,679)	2,222,130	8.74%
2019	173,077	198,814	(25,737)	2,285,528	8.70%
2020	159,687	197,208	(37,521)	2,260,850	8.72%
2021	142,074	176,634	(34,560)	2,043,408	8.64%

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

**EXHIBIT F-4**

CITY OF BRECKENRIDGE  
 Schedule of Changes in Total OPEB Liability and Related Ratios  
 September 30, 2021

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

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, 2021

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

Public works and tourism expenditures exceeded budget in the general fund. Total expenditures were \$483,654 less than budgeted.

CITY OF BRECKENRIDGE  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2021

Schedule of Contributions

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Poste retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes 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, 2021

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
<b>Assets:</b>				
Cash	\$ 7,904	\$ 8,879	\$ 10,109	\$ 26,892
Investments	-	-	-	-
Receivables (Net of allowances)				
Other taxes	-	-	-	-
<b>Total assets</b>	<b>\$ 7,904</b>	<b>\$ 8,879</b>	<b>\$ 10,109</b>	<b>\$ 26,892</b>
<b>Liabilities and fund balance:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 221	\$ -	\$ -	\$ 221
<b>Total liabilities</b>	<b>221</b>	<b>-</b>	<b>-</b>	<b>221</b>
<b>Fund Balances:</b>				
Restricted fund balance	\$ 7,683	\$ 8,879	\$ 10,109	\$ 26,671
Committed fund balance	-	-	-	-
<b>Total fund balance</b>	<b>7,683</b>	<b>8,879</b>	<b>10,109</b>	<b>26,671</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,904</b>	<b>\$ 8,879</b>	<b>\$ 10,109</b>	<b>\$ 26,892</b>

EXHIBIT G-1

Capital Project Funds				Permanent Fund	
Equipment Replacement	Street Maintenance Fund	General Capital Projects	Total Capital Projects Funds	Cemetery Fund	Total Nonmajor Funds
\$ 80,536	\$ 553,507	\$ -	\$ 634,043	\$ -	\$ 660,935
-	-	-	-	651,108	651,108
-	46,375	-	46,375	-	46,375
<u>\$ 80,536</u>	<u>\$ 599,882</u>	<u>\$ -</u>	<u>\$ 680,418</u>	<u>\$ 651,108</u>	<u>\$ 1,358,418</u>
\$ -	\$ 5,628	\$ -	\$ 5,628	\$ -	\$ 5,849
-	5,628	-	5,628	-	5,849
\$ -	\$ 594,254	\$ -	\$ 594,254	\$ 651,108	\$ 1,272,033
80,536	-	-	80,536	-	80,536
<u>80,536</u>	<u>594,254</u>	<u>-</u>	<u>674,790</u>	<u>651,108</u>	<u>1,352,569</u>
<u>\$ 80,536</u>	<u>\$ 599,882</u>	<u>\$ -</u>	<u>\$ 680,418</u>	<u>\$ 651,108</u>	<u>\$ 1,358,418</u>

CITY OF BRECKENRIDGE, TEXAS  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the year ended September 30, 2021

	Special Revenue Funds			
	Fire Department	Park	Police Department	Total Special Revenue Funds
Revenues:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Grants and contributions	850	268	9,046	10,164
Interest	22	22	23	67
Other revenue	-	-	-	-
Total revenue	<u>872</u>	<u>290</u>	<u>9,069</u>	<u>10,231</u>
Expenditures:				
Current:				
Public Safety	1,621	-	8,325	9,946
Public Works	-	-	-	-
Cemetery	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,621</u>	<u>-</u>	<u>8,325</u>	<u>9,946</u>
Excess (deficiency) of revenue over (under) expenditures)	<u>(749)</u>	<u>290</u>	<u>744</u>	<u>285</u>
Other financing sources (uses):				
Gain on Sale of Assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	(749)	290	744	285
Fund Balance, October 1, 2020 - Restated	<u>8,432</u>	<u>8,589</u>	<u>9,365</u>	<u>26,386</u>
Fund Balance, September 30, 2021	<u>\$ 7,683</u>	<u>\$ 8,879</u>	<u>\$ 10,109</u>	<u>\$ 26,671</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	
\$ -	\$ 252,765	\$ -	\$ 252,765	\$ -	\$ 252,765
30,000	-	-	30,000	-	40,164
298	1,340	-	1,638	51,621	53,326
-	-	-	-	6,411	6,411
<u>30,298</u>	<u>254,105</u>	<u>-</u>	<u>284,403</u>	<u>58,032</u>	<u>352,666</u>
-	-	-	-	-	9,946
-	144,760	-	144,760	-	144,760
-	-	-	-	19,631	19,631
40,001	-	-	40,001	-	40,001
-	-	-	-	-	-
60,450	-	-	60,450	-	60,450
<u>5,843</u>	<u>-</u>	<u>-</u>	<u>5,843</u>	<u>-</u>	<u>5,843</u>
<u>106,294</u>	<u>144,760</u>	<u>-</u>	<u>251,054</u>	<u>19,631</u>	<u>280,631</u>
<u>(75,996)</u>	<u>109,345</u>	<u>-</u>	<u>33,349</u>	<u>38,401</u>	<u>72,035</u>
1,800	-	-	1,800	-	1,800
135,000	-	-	135,000	-	135,000
<u>(72,459)</u>	<u>-</u>	<u>-</u>	<u>(72,459)</u>	<u>-</u>	<u>(72,459)</u>
(11,655)	109,345	-	97,690	38,401	136,376
<u>92,191</u>	<u>484,909</u>	<u>-</u>	<u>577,100</u>	<u>612,707</u>	<u>1,216,193</u>
<u>\$ 80,536</u>	<u>\$ 594,254</u>	<u>\$ -</u>	<u>\$ 674,790</u>	<u>\$ 651,108</u>	<u>\$ 1,352,569</u>

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

**CITY OF BRECKENRIDGE, TEXAS**

Schedule of Delinquent Property Taxes Receivable  
For the fiscal year ended September 30, 2021

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2012 and prior	0.8367	0.2106	188,634,444	29,327
2013	0.7557	0.2543	204,984,229	6,493
2014	0.6282	0.2618	192,875,823	8,604
2015	0.5652	0.2966	201,105,727	11,750
2016	0.6148	0.3252	196,762,440	17,136
2017	0.6588	0.3812	184,686,029	25,485
2018	0.6846	0.3519	185,111,143	35,996
2019	0.7330	0.2870	186,178,825	58,131
2020	0.7850	0.2850	186,070,474	106,998
2021( Year under audit)	0.8384	0.2839	180,018,850	
TOTALS				<u>\$ 299,920</u>

**EXHIBIT G-3**

Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30
	(407)	(102)	(1,072)	27,746
	(369)	(124)	(250)	5,750
	(755)	(314)	(336)	7,199
	(1,544)	(811)	(359)	9,036
	(3,084)	(1,631)	(322)	12,099
	(4,968)	(2,875)	(441)	17,201
	(7,680)	(3,949)	(848)	23,519
-	(14,260)	(5,583)	(652)	37,636
-	(38,204)	(13,872)	(2,002)	52,920
2,045,045	(1,441,035)	(488,063)	(23,614)	92,333
<u>\$ 2,045,045</u>	<u>\$ (1,512,306)</u>	<u>\$ (517,324)</u>	<u>\$ (29,896)</u>	<u>\$ 285,439</u>

**EXHIBIT G-4**

City of Breckenridge, Texas  
 Statistics - Water and Wastewater Fund  
 For the year ended September 30, 2021  
 (Unaudited)

Number of water connections at end of year	2,334
Number of wastewater connections at end of year	2,035
Gallons of water billed through the system during the fiscal year	160,260,353

	2021	2020
<u>Outstanding Bonds and Certificates:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2012	\$ 1,360,000	\$ 1,410,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	665,000	690,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,075,000	2,130,000
Combination Tax and Revenue Certificates of Obligation, Series 2017A	808,000	821,000
	\$ 4,908,000	\$ 5,051,000

<u>Water and Wastewater Operating Income Available for Debt Retirement:</u>		
Net Operating Income	\$ 514,876	\$ 486,651
Net Nonoperating Interest Income	1,392	3,238
Add Depreciation Expense	695,343	628,401
	\$ 1,211,611	\$ 1,118,290

<u>Annual Debt Service Requirements and Coverage:</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2003	\$ -	\$ -
General Obligation Refunding Bonds, Series 2010	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2012	76,712	72,126
Combination Tax and Revenue Certificates of Obligation, Series 2013	37,798	37,970
Combination Tax and Revenue Certificates of Obligation, Series 2014	138,847	135,113
Combination Tax and Revenue Certificates of Obligation, Series 2017A	35,399	35,756
	288,756	280,965
Total Debt Service Requirements		
Less Paid by Property Taxes	(288,756)	(280,965)
	\$ -	\$ -
Net System Fund Requirements		
Coverage of Total System Fund Debt Service	not applicable	not applicable

<u>Cash Available in Bond Sinking Funds</u>		
General Debt Service	\$ 1,421,851	\$ 1,371,949
Revenue Debt Service	-	-
	\$ 1,421,851	\$ 1,371,949



## CITY OF BRECKENRIDGE, TEXAS

Insurance in Force  
September 30, 2021  
(Unaudited)

	<u>Coverage</u>	<u>Premium</u>
Flood, Fire and Extended Coverage Buildings and Contents	\$ 15,269,576	\$ 35,840
Errors & Omission Liability		
Each Wrongful Act	1,000,000	7,122
Aggregate	2,000,000	
Commercial General Liability		
Per Occurrence	1,000,000	4,172
Aggregate	2,000,000	
Law Enforcement Personal Liability		
Each Wrongful Act	1,000,000	7,115
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	25,416
Combined Single Limit	25,000	
Heavy Equipment		
Physical Damage	890,397	3,932
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

<u>Company</u>	<u>Insurance Type</u>	<u>Expiration</u>
Texas Municipal League	Fire - Buildings and Contents	10/1/2021
Texas Municipal League	Commercial Auto	10/1/2021
Texas Municipal League	Flood	10/1/2021
Texas Municipal League	Public Officials Liability	10/1/2021
Texas Municipal League	Law Enforcement Liability	10/1/2021
CNA Surety Corporation	Fidelity Bond - City Secretary	9/6/2022
CNA Surety Corporation	Fidelity Bond - Assistant City Secretary	10/1/2022
CNA Surety Corporation	City Manager & Other Public Employees	1/23/2022
Texas Municipal League	Heavy Equipment	10/1/2021

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the City Commission  
City of Breckenridge, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Breckenridge, Texas (the “City”) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 25, 2022.

**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.

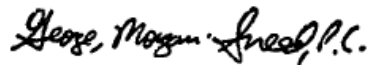
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
February 25, 2022



## 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, 2021. 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, 2021.

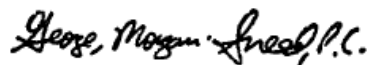
## Report on Internal Control over Compliance

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  
February 25, 2022

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

**CITY OF BRECKENRIDGE, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**YEAR ENDED SEPTEMBER 30, 2021**

Contact for Corrective Action Plan:

Erika McComis  
City Manager

Financial Statement Findings

None.

Federal Award Findings

None.

**CITY OF BRECKENRIDGE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 Justice</u>				
<u>Pass-through Texas Office of Governor</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ 4065801	\$ -	\$ 30,000
Total U.S. Department of Justice			-	30,000
<u>U.S. Department of Treasury</u>				
Pass-through from Texas Department Emergency Management				
Coronavirus Relief Fund	21.019	2020	-	196,135
Total U.S. Department of Justice			-	196,135
<u>U.S. Department of Transportation</u>				
Pass-through Texas Department of Transportation				
DOT Highway Planning and Construction*	20.205	0404-02-036	-	725,085
DOT Highway Planning and Construction*	20.205	0404-02-040	-	1,645,596
Total CFDA Number 20.205			-	2,370,681
Total U.S. Department of Transportation			-	2,370,681
<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	-	16,942
Total U.S. General Services Administration			-	16,942
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 2,613,758</b>

\* Clustered Programs as required by the Compliance Supplement

The accompanying notes are an integral part of this schedule.

**CITY OF BRECKENRIDGE, TEXAS**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.