

**CITY OF BRECKENRIDGE, TEXAS**

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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**



**GMS**

PROFESSIONAL  
CONSULTANTS

GEORGE | MORGAN | SNEED



**CITY OF BRECKENRIDGE, TEXAS**  
**Annual Financial Report**  
**For the year ended September 30, 2013**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Commission  
City of Breckenridge, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Breckenridge, Texas (the "City"), as of and for the year ended September 30, 2013, 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 units, each major fund, and the aggregate remaining fund information of the City of Breckenridge, TX, as of September 30, 2013, 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 and Texas Municipal Retirement System Schedule of Funding Progress on pages 49 - 51 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 combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.  
Weatherford, Texas  
January 27, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Breckenridge, Texas, we offer readers of The City of Breckenridge's financial statements this narrative overview and analysis of the financial activities of The City of Breckenridge for the fiscal year ended September 30, 2013.

### 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 \$14,269,324 (*net position*) compared to \$12,780,100 for the prior year. Of this amount, \$2,143,011 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,544,130. The City's governmental activities net position increased by \$1,066,767 of which \$656,079 is related to the equity interest increase in the component unit and the business-type activities net position increased \$477,363.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$1,671,360. This compares to an ending fund balance of \$2,265,523 in the prior year. \$1,035,657 of the prior year fund balance was for the Breckenridge Economic Development Corporation which changed to a discretely presented component unit in the current year as compared to a blended presentation in the prior year. More information can be found in the notes to the financial statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$535,859, or 14% of total general fund expenditures.
- During the year the City issued the \$1,680,000 Certificates of Obligation, Series 2012 and received \$704,848 in grants from the Texas Water Development Board for water improvements. \$111,999 of grant money has been expended during the year, leaving \$592,879 in unearned grant revenue. The City also issued \$840,000 Certificates of Obligation, Series 2012 and received \$353,461 in grants from the Texas Water Development Board for wastewater improvements. \$64,585 of the grant money has been expended during the year, leaving \$288,876 in unearned grant revenue.

### 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 distribution and collection in the business-type or proprietary activities.

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

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

#### **Fund financial statements.**

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

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

All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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 and sanitation services.

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

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

The basic fiduciary fund financial statements can be found on Exhibits E-1 and E-2 of this report.

**Notes to the financial statements** provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-48 of this report.

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,269,324 as of September 30, 2013. Below is a summary of the City's Statement of Net Position, which has been restated for accounting changes implemented in 2013.

**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,749,882	\$ 3,716,698	\$ 4,726,120	\$ 1,377,206	\$ 9,476,002	\$ 5,093,904
Capital assets	2,814,468	2,846,915	7,676,216	7,847,971	10,490,684	10,694,886
Total Assets	<u>7,564,350</u>	<u>6,563,613</u>	<u>12,402,336</u>	<u>9,225,177</u>	<u>19,966,686</u>	<u>15,788,790</u>
Deferred outflows of resources	-	-	71,525	-	71,525	-
Current liabilities	71,777	62,722	288,024	286,119	359,801	348,841
Long-term liabilities	145,805	220,890	4,381,526	2,438,959	4,527,331	2,659,849
Total liabilities	<u>217,582</u>	<u>283,612</u>	<u>4,669,550</u>	<u>2,725,078</u>	<u>4,887,132</u>	<u>3,008,690</u>
Deferred inflows of resources	-	-	881,755	-	881,755	-
Net Position:						
Invested in capital assets net of related debt	2,787,468	2,782,026	5,767,660	5,445,592	8,555,128	8,227,618
Restricted	3,571,185	3,342,187	-	241,410	3,571,185	3,583,597
Unrestricted	988,115	155,788	1,154,896	813,097	2,143,011	968,885
Total Net Position	<u>\$ 7,346,768</u>	<u>\$ 6,280,001</u>	<u>\$ 6,922,556</u>	<u>\$ 6,500,099</u>	<u>\$ 14,269,324</u>	<u>\$ 12,780,100</u>

The largest portion of the City's net position (60%) 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 (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,143,011 may be used to meet the government's ongoing obligations to citizens and creditors.

Of the net position of the governmental activities, \$2,813,184 is reported as an equity interest in component unit, which is an asset, and restricted net position for the Breckenridge Economic Development Corporation, a discretely presented component unit of the City.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities and its component unit.

Below is a summary of the City's Statement of Activities, which has been restated for accounting changes implemented in 2013.

### Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 182,057	\$ 622,723	\$ 3,473,616	\$ 3,094,399	\$ 3,655,673	\$ 3,717,122
Operating grants and contributions	121,862	133,543	-	-	121,862	133,543
Capital grants and contributions	31,960	37,470	205,824	-	237,784	37,470
<b>General revenues:</b>						
Property taxes	1,952,172	1,483,264	-	359,613	1,952,172	1,842,877
Sales and use taxes	1,247,295	1,212,786	-	-	1,247,295	1,212,786
Franchise taxes	395,222	424,359	-	-	395,222	424,359
Hotel motel taxes	40,616	43,861	-	-	40,616	43,861
Investment earnings	4,150	2,399	6,548	2,170	10,698	4,569
Component unit increase	656,079	82,560	-	-	656,079	82,560
Other Revenue	86,366	103,879	-	-	86,366	103,879
<b>Total revenues</b>	<b>4,717,779</b>	<b>4,146,844</b>	<b>3,685,988</b>	<b>3,456,182</b>	<b>8,403,767</b>	<b>7,603,026</b>
<b>Expenses</b>						
General government	752,880	753,407	-	-	752,880	753,407
Public Safety	1,909,185	1,892,806	-	-	1,909,185	1,892,806
Public Works	707,155	536,010	-	-	707,155	536,010
Health and sanitation	-	473,631	505,206	-	505,206	473,631
Cemetery	133,771	123,193	-	-	133,771	123,193
Parks	279,365	294,149	-	-	279,365	294,149
Community services	182,435	191,406	-	-	182,435	191,406
Tourism	34,793	27,612	-	-	34,793	27,612
Interest on long-term debt	1,195	5,056	-	-	1,195	5,056
Water and wastewater	-	-	2,353,652	2,277,392	2,353,652	2,277,392
<b>Total expenses</b>	<b>4,000,779</b>	<b>4,297,270</b>	<b>2,858,858</b>	<b>2,277,392</b>	<b>6,859,637</b>	<b>6,574,662</b>
Increase (decrease) in net position before transfers	717,000	(150,426)	827,130	1,178,790	1,544,130	1,028,364
Transfers	349,767	830,260	(349,767)	(830,260)	-	-
Increase (decrease) in net position	1,066,767	679,834	477,363	348,530	1,544,130	1,028,364
Net Position October 1	6,280,001	5,600,167	6,500,099	6,151,569	12,780,100	11,751,736
Prior period adjustment	-	-	(54,906)	-	(54,906)	-
<b>Net Position September 30</b>	<b>\$ 7,346,768</b>	<b>\$ 6,280,001</b>	<b>\$ 6,922,556</b>	<b>\$ 6,500,099</b>	<b>\$ 14,269,324</b>	<b>\$ 12,780,100</b>

**Governmental Activities.** Governmental activities increased the City's net position by \$1,066,767 in the current year. \$656,079 of the increase came from the equity interest in the component unit (Breckenridge Economic Development Corporation).

Total governmental activities revenues increased \$570,935 (14%) to \$4,717,779. Key factors contributing to this increase are as follows:

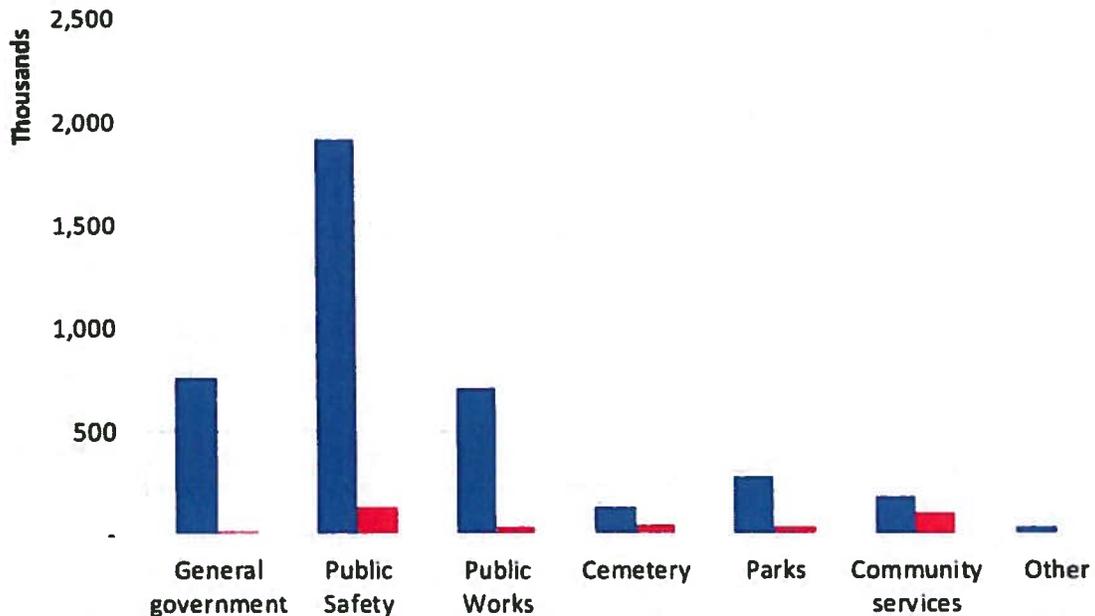
- Decrease in charges for services of \$440,666 due to the health and sanitation department being moved to enterprise fund reporting.
- Increase in property tax revenue due to the creation of a general debt service fund reported in the governmental activities. In the prior year this revenue was reported in the enterprise funds. Property tax rates slightly declined .037/\$100 valuation. Appraised value for property taxes increase 14,563,716 of 8.5%. This all attributed to an increase in property tax revenue of \$468,908.
- Sales tax for the primary government and component unit increased 3% or approximately \$34,500 for the year.
- Change in equity interest of the component unit increased \$573,519 primarily due to an increase in sales tax revenue and a gain on sale of assets held for economic development.

Total governmental activities expenses decreased \$296,491 (7%) to \$4,000,779 from the prior year. Key elements of this increase are as follows.

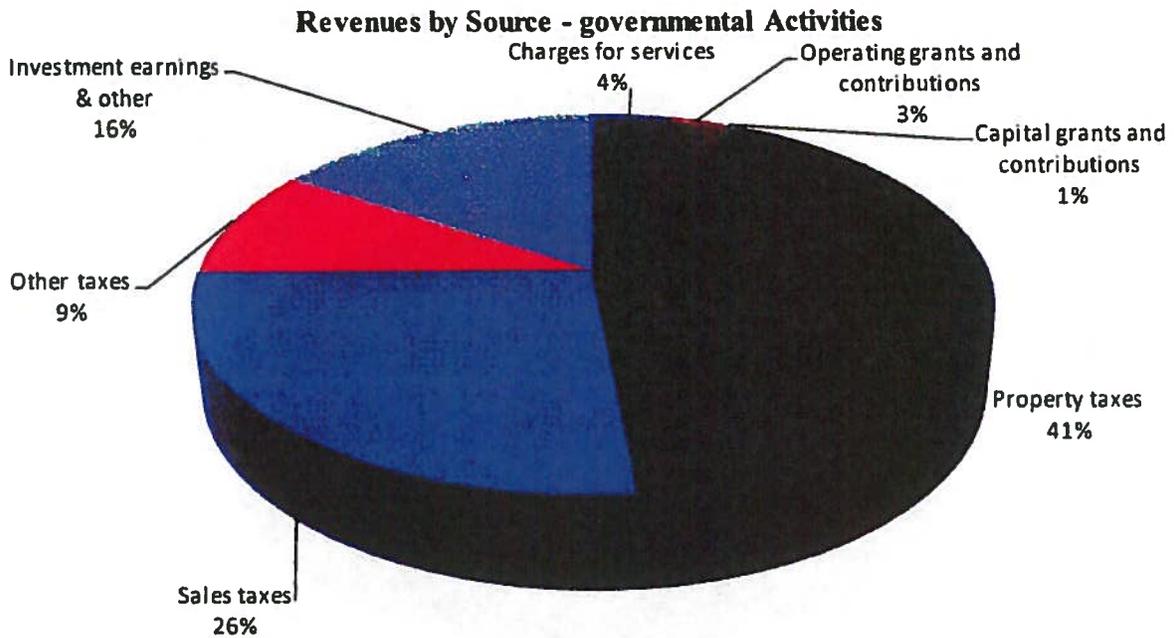
- The City moved the health and sanitation expenses to an enterprise Sanitation Fund, which is no longer reported in the governmental activities. The sanitation fund expenses totaled \$505,206 in the current year.
- Public works expenses increased due to more repairs and maintenance on streets in the current year and the City added a public works director position.

Below are two graphs summarizing governmental revenue and expense:

### Expenses and Program Revenues - Governmental Activities



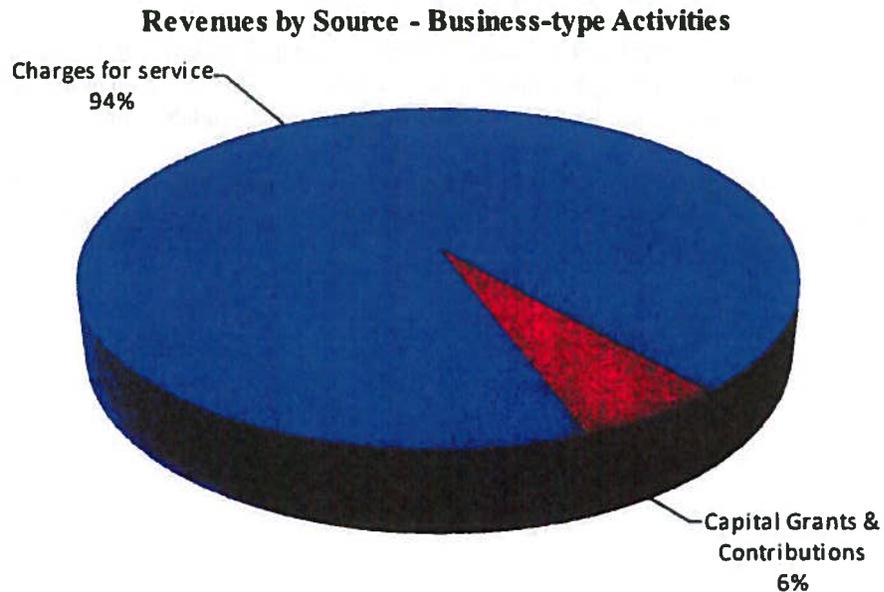
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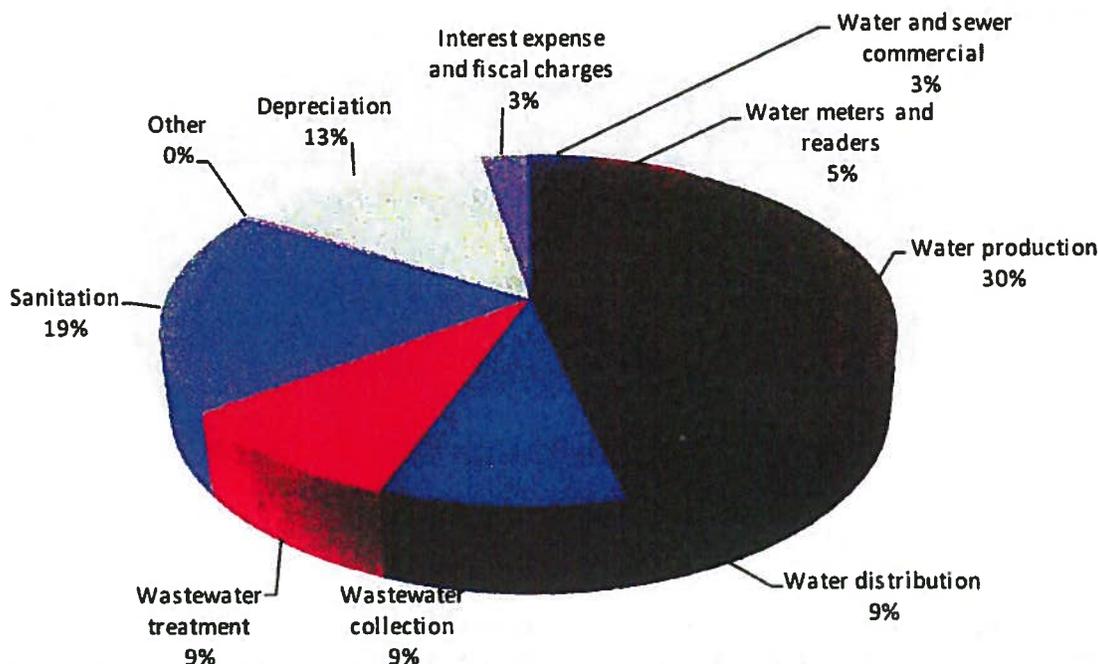
**Business-type activities.** Business-type activities increased the City's net position by \$477,363 in the current year compared to an increase in net position of \$348,530 in the prior year. The business-type activities total revenues increased \$229,806 (7%) to \$3,685,998 and total expenses increased \$581,466 (26%) and transfers out decreased \$480,493. Key elements of these changes are as follows.

- Charges for services and expenses increased due to adding the sanitation fund to the enterprise funds. Property taxes declined due to moving the revenue from enterprise reporting to a general debt service fund.

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



### Expenses by Function - Business-type Activities



### Financial Analysis of the Government's Funds

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

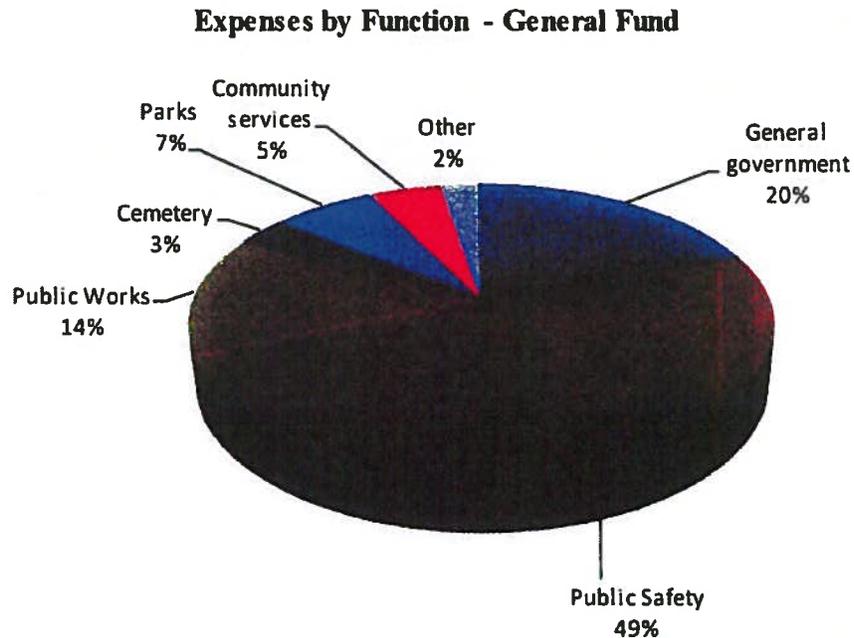
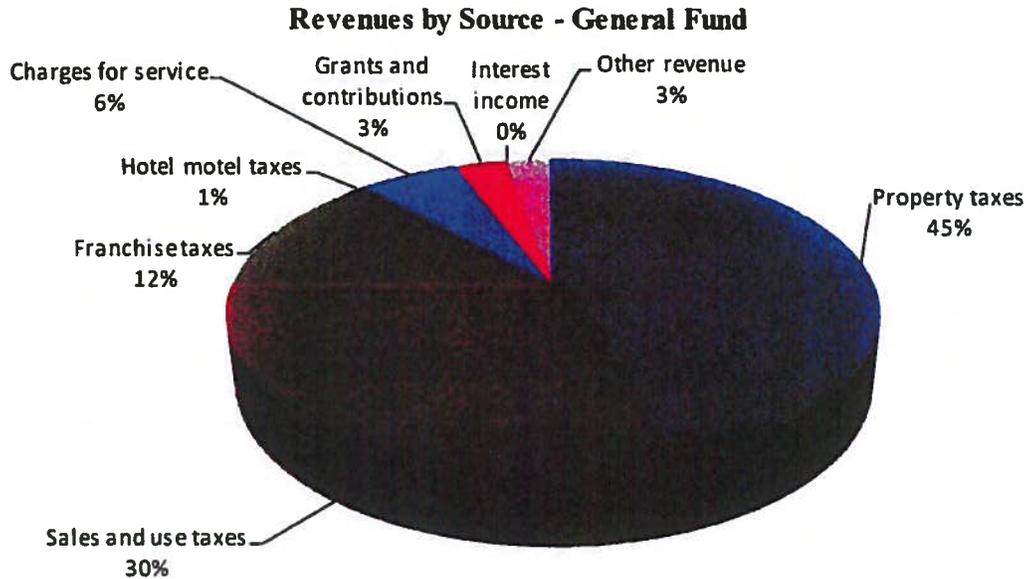
**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure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

At year end, the City's governmental funds reported combined ending fund balances of \$1,671,360. \$535,859 (32%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either assigned, nonspendable, or restricted.

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 \$535,859. Below is a comparison of the general fund's net change in fund balance for 2013 and 2012.

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 1,512,505	\$ 1,485,993	\$ 26,512	1.78%
Sales and use tax	998,390	974,331	24,059	2.47%
Franchise	407,134	400,235	6,899	1.72%
Hotel motel taxes	40,616	29,679	10,937	36.85%
Charges for service	193,849	620,363	(426,514)	-68.75%
Grants and contributions	103,697	144,979	(41,282)	-28.47%
Interest income	2,605	1,460	1,145	78.42%
Other revenue	86,446	105,092	(18,646)	-17.74%
<b>Total revenues</b>	<b><u>3,345,242</u></b>	<b><u>3,762,132</u></b>	<b><u>(416,890)</u></b>	<b><u>-11.08%</u></b>
<b>Expenditures:</b>				
Current				
General government	743,496	742,613	883	0.12%
Public Safety	1,811,839	1,866,827	(54,988)	-2.95%
Public Works	514,205	409,396	104,809	25.60%
Health and Sanitation	-	470,594	(470,594)	-100.00%
Cemetery	131,450	125,552	5,898	4.70%
Parks	251,334	259,294	(7,960)	-3.07%
Community services	179,638	187,057	(7,419)	-3.97%
Tourism	29,793	24,912	4,881	19.59%
Debt service:				
Principal	63,194	89,558	(26,364)	-29.44%
Interest and fiscal charges	1,195	5,056	(3,861)	-76.36%
<b>Total expenditures</b>	<b><u>3,726,144</u></b>	<b><u>4,180,859</u></b>	<b><u>(454,715)</u></b>	<b><u>-10.88%</u></b>
<b>Other financing sources (uses):</b>				
Proceeds from capital lease	27,000	-	27,000	0.00%
Transfers in	600,000	830,260	(230,260)	-27.73%
Transfers out	(53,266)	-	(53,266)	0.00%
<b>Net change in fund balances</b>	<b><u>\$ 192,832</u></b>	<b><u>\$ 411,533</u></b>	<b><u>\$ (218,701)</u></b>	<b><u>\$ -53.14%</u></b>

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, and Sanitation Fund at the end of the year amounted to \$1,154,896. The total change in net position was \$477,363. 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 fiscal year the City amended its budget twice. General fund budgeted expenditure appropriations were increased \$28,600 and revenue was decreased \$300. Actual expenditures of the general fund were \$292,796 less than budgeted.

## Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2013, amounts to \$10,490,684 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

### Governmental Activities:

- Street improvements totaled \$148,434.
- A Dura truck with accessories for \$43,727 funded in part by a capital lease.
- The City purchased a truck for public works for \$25,000.

### Business-type activities:

- The City purchased a sewer camera with a metal detector for \$14,031 and a submersible pump for the wastewater system for \$13,365.
- The City had construction in progress for engineering on a water and wastewater project for \$130,735.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 181,275	\$ 220,035	\$ 183,146	\$ 144,146	\$ 364,421	\$ 364,181
Construction in progress	-	-	130,735	-	130,735	-
Land Improvements	-	-	10,627	11,386	10,627	11,386
Buildings and improvements	743,323	778,402	314,721	335,551	1,058,044	1,113,953
Water and sewer systems	-	-	6,733,126	7,003,178	6,733,126	7,003,178
Infrastructure	1,232,973	1,133,456	-	-	1,232,973	1,133,456
Vehicles and equipment	656,897	715,022	303,861	353,710	960,758	1,068,732
<b>Total</b>	<b>\$ 2,814,468</b>	<b>\$ 2,846,915</b>	<b>\$ 7,676,216</b>	<b>\$ 7,847,971</b>	<b>\$ 10,490,684</b>	<b>\$ 10,694,886</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	
	2013	2012	2013	2012	2013	2012
Capital leases payable	\$ 27,000	\$ 64,889	\$ 216,764	\$ 271,700	\$ 243,764	\$ 336,589
Certificates of Obligation	-	-	2,865,000	405,000	2,865,000	405,000
Tax & Revenue Ref. Bonds	-	-	1,210,000	1,750,000	1,210,000	1,750,000
<b>Total</b>	<b>\$ 27,000</b>	<b>\$ 64,889</b>	<b>\$ 4,291,764</b>	<b>\$ 2,426,700</b>	<b>\$ 4,318,764</b>	<b>\$ 2,491,589</b>

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter. More detailed information about the City's debt is presented in the notes to the Financial Statements.

### **Economic factors and the Next Year's Budgets and Rates**

- Net Assessed Property values used for the 2013-14 budget preparation are up \$5,514,039 or 2.94% partially due to increased valuations. New improvements for 2014 are up \$2,598,340. The tax rate decreased from \$1.01 in the 2012-13 Budget to \$0.89 in the 2013-14 Budget due to a successful sales tax election to increase the sales tax rate by ¼ cent.
- As a result of the sales tax rate increase, sales tax revenue is projected to increase by \$142,500 or 15.4% over the 2012-13 Budget and \$10,100 or 1.0% over estimated 2012-13 year end collections.
- General Fund disbursements in 2013-14 are budgeted to decrease \$48,240 or 1.2% under 2012-13 even with a \$100,000 transfer to the new Equipment Replacement Fund. A majority of the decrease came from negotiating lower health insurance rates.
- Sanitation rates were increased in 2013-14 to cover losses and additional community clean-up costs.
- Water and Wastewater rates were not increased in the 2013-14 Budget, but, depending on the drought, may be raised before year-end if the City goes into stage 3 drought.
- Water Fund revenue dropped \$330,000 due to loss of SRSUD water sales. Water Fund expenditures increased by \$120,913 due to additional engineering costs for Lake Daniels and additional capital costs for equipment in Water Distribution. The transfer to General Fund continues to decline from \$600,000 to \$400,000, but an additional transfer of \$50,000 to Equipment Replacement Fund adds to the amount of transfers.
- Wastewater Fund revenues for 2013-14 remain essentially the same as last year. The item having the greatest impact is that \$455,229 in debt service is being paid from the Wastewater Fund instead of the Water Fund as in prior years, and the \$50,000 transfer to the new Equipment Replacement Fund.
- The two capital projects totaling \$3.6 million planned in 2012-13 for the Water Treatment Plant and Wastewater Treatment Plant have been funded and are in the design stage. An additional \$2.38 million project to acquire water from Lake Daniels, for replacing water distribution lines, and for a water model study has been approved by the TWDB and will fund in February 2014. Street projects are budgeted at \$500,000 for 2013-14.
- Staffing levels have remained the same with an approximate reduction of \$120,000 in health insurance benefit costs due to changing carriers. Raises are budgeted again this year for all employees at 3% except for Police which will receive 6%.
- Debt service requirements for 2013-14 remain level from 2012-13, but reserve levels will improve by \$195,540.

### **Request for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

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CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Breckenridge Economic Development
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,453,777	\$ 693,010	\$ 2,146,787	\$ 1,043,013
Receivables (Net of allowances for uncollectibles)				
Property taxes	111,848	-	111,848	-
Other taxes	301,843	-	301,843	78,832
Accounts	43,492	307,428	350,920	-
Miscellaneous	14,498	-	14,498	-
Due from Other Governments	11,240	-	11,240	-
Supplies inventory	-	172,502	172,502	-
Restricted assets:				
Cash and cash equivalents	-	3,553,180	3,553,180	-
Notes receivable	-	-	-	1,403,357
Equity interest in component unit	2,813,184	-	2,813,184	-
Capital assets (net of accumulated depreciation):				
Land	181,275	183,146	364,421	47,880
Construction in progress	-	130,735	130,735	-
Land Improvements	-	10,627	10,627	-
Buildings and improvements	743,323	314,721	1,058,044	198,720
Water and wastewater systems	-	6,733,126	6,733,126	-
Infrastructure	1,232,973	-	1,232,973	-
Vehicles and equipment	656,897	303,861	960,758	253
Land held for economic development, at cost				452,697
<b>Total Assets</b>	<u>7,564,350</u>	<u>12,402,336</u>	<u>19,966,686</u>	<u>3,224,752</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amount on refunding	-	71,525	71,525	-
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>71,525</u>	<u>71,525</u>	<u>-</u>
<b>LIABILITIES:</b>				
Accounts Payable	32,582	91,178	123,760	1,521
Accrued Payroll	26,496	8,437	34,933	-
Due to other governments	12,699	-	12,699	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	-	3,201	3,201	-
Customer deposits	-	185,208	185,208	-
Noncurrent liabilities				
Due within one year	8,501	672,470	680,971	44,723
Due in more than one year	137,304	3,709,056	3,846,360	365,324
<b>Total Liabilities</b>	<u>217,582</u>	<u>4,669,550</u>	<u>4,887,132</u>	<u>411,568</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows	-	881,755	881,755	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>881,755</u>	<u>881,755</u>	<u>-</u>
<b>NET POSITION:</b>				
Investments in Capital Assets, Net of Debt	2,787,468	5,767,660	8,555,128	246,853
Restricted Net Position (Expendable)				
Note receivable - BEDC	-	-	-	361,402
Debt service	250,427	-	250,427	-
Economic development	2,813,184	-	2,813,184	2,204,929
Construction	370,686	-	370,686	-
Public safety	15,762	-	15,762	-
Parks	20,698	-	20,698	-
Community services	13,963	-	13,963	-
Tourism	86,465	-	86,465	-
Unrestricted Net Position	988,115	1,154,896	2,143,011	-
<b>Total Net Position</b>	<u>\$ 7,346,768</u>	<u>\$ 6,922,556</u>	<u>\$ 14,269,324</u>	<u>\$ 2,813,184</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 752,880	\$ 11,637	\$ -	\$ -
Public Safety	1,909,185	108,008	17,946	-
Public Works	707,155	-	-	31,960
Cemetery	133,771	31,530	6,842	-
Parks	279,365	30,882	219	-
Community services	182,435	-	96,855	-
Tourism	34,793	-	-	-
Interest on long-term debt	1,195	-	-	-
<b>Total governmental activities</b>	<b>4,000,779</b>	<b>182,057</b>	<b>121,862</b>	<b>31,960</b>
Business-type activities:				
Water and wastewater	2,353,652	2,978,804	-	144,624
Sanitation	505,206	494,812	-	61,200
<b>Total business-type activities</b>	<b>2,858,858</b>	<b>3,473,616</b>	<b>-</b>	<b>205,824</b>
<b>Total primary government</b>	<b>\$ 6,859,637</b>	<b>\$ 3,655,673</b>	<b>\$ 121,862</b>	<b>\$ 237,784</b>
<b>Component Unit</b>				
Governmental activities:				
Economic development	\$ 244,558	\$ -	\$ -	\$ -
<b>Total component unit</b>	<b>\$ 244,558</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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  
Change in net position of component unit  
Other Revenue  
Gain on sales of assets held for economic development  
Transfers  
Total General Revenues and Transfers

Change in Net Position

Net Position October 1, 2012

Prior period adjustment

Net Position September 30, 2013

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
\$ (741,243)	\$ -	\$ (741,243)	\$ -
(1,783,231)	-	(1,783,231)	-
(675,195)	-	(675,195)	-
(95,399)	-	(95,399)	-
(248,264)	-	(248,264)	-
(85,580)	-	(85,580)	-
(34,793)	-	(34,793)	-
(1,195)	-	(1,195)	-
<u>(3,664,900)</u>	<u>-</u>	<u>(3,664,900)</u>	<u>-</u>
-	769,776	769,776	-
-	50,806	50,806	-
<u>-</u>	<u>820,582</u>	<u>820,582</u>	<u>-</u>
\$ <u>(3,664,900)</u>	\$ <u>820,582</u>	\$ <u>(2,844,318)</u>	\$ <u>-</u>
\$ -	\$ -	\$ -	\$ (244,558)
\$ -	\$ -	\$ -	\$ (244,558)
\$ 1,504,993	\$ -	\$ 1,504,993	\$ -
447,179	-	447,179	-
1,247,295	-	1,247,295	-
395,222	-	395,222	497,719
40,616	-	40,616	-
4,150	6,548	10,698	32,871
656,079	-	656,079	-
86,366	-	86,366	-
-	-	-	370,047
349,767	(349,767)	-	-
<u>4,731,667</u>	<u>(343,219)</u>	<u>4,388,448</u>	<u>900,637</u>
1,066,767	477,363	1,544,130	656,079
6,280,001	6,500,099	12,780,100	2,157,105
-	(54,906)	(54,906)	-
\$ <u>7,346,768</u>	\$ <u>6,922,556</u>	\$ <u>14,269,324</u>	\$ <u>2,813,184</u>

CITY OF BRECKENRIDGE, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2013

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Assets:				
Cash and cash equivalents	\$ 734,089	\$ 250,427	\$ 469,261	\$ 1,453,777
Receivables (Net of allowances)				
Property taxes	87,601	24,247	-	111,848
Other taxes	262,389	-	39,454	301,843
Accounts	43,492	-	-	43,492
Miscellaneous	14,498	-	-	14,498
Due from other governments	11,240	-	-	11,240
	<u>1,153,309</u>	<u>274,674</u>	<u>508,715</u>	<u>1,936,698</u>
Total assets	\$ <u>1,153,309</u>	\$ <u>274,674</u>	\$ <u>508,715</u>	\$ <u>1,936,698</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 31,441	\$ -	\$ 1,141	\$ 32,582
Accrued payroll	26,496	-	-	26,496
Due to other governments	12,699	-	-	12,699
	<u>70,636</u>	<u>-</u>	<u>1,141</u>	<u>71,777</u>
Total liabilities	70,636	-	1,141	71,777
Deferred inflows of resources:				
Deferred property tax	87,601	24,247	-	111,848
Other deferred revenue	81,713	-	-	81,713
	<u>169,314</u>	<u>24,247</u>	<u>-</u>	<u>193,561</u>
Total deferred inflows of resources	169,314	24,247	-	193,561
Fund Balances:				
Restricted fund balance		250,427	507,574	758,001
Assigned fund balance	377,500			377,500
Unassigned Fund Balance	535,859			535,859
	<u>913,359</u>	<u>250,427</u>	<u>507,574</u>	<u>1,671,360</u>
Total fund balances	913,359	250,427	507,574	1,671,360
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>1,153,309</u>	\$ <u>274,674</u>	\$ <u>508,715</u>	\$ <u>1,936,698</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, 2013**

Total Fund Balances - Governmental Funds	1,671,360
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$6,096,854 and the accumulated depreciation was \$3,282,386.	2,814,468
Long-term liabilities, including \$27,000 capital leases payable and net pension obligation of \$118,805 are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(145,805)
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.	193,561
Equity interest in the City's component unit is not a current financial resource and therefore is not reported in the governmental funds. The equity interest for the City's component unit was \$2,813,184.	2,813,184
Net Position of Governmental Activities	<u><u>7,346,768</u></u>

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, 2013

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 1,512,505	\$ 446,930	\$ -	1,959,435
Sales and use tax	998,390	-	248,905	1,247,295
Franchise	407,134	-	-	407,134
Hotel motel taxes	40,616	-	-	40,616
Charges for service	193,849	-	-	193,849
Grants and contributions	103,697	-	18,165	121,862
Interest income	2,605	464	1,081	4,150
Other revenue	86,446	-	-	86,446
<b>Total revenues</b>	<u>3,345,242</u>	<u>447,394</u>	<u>268,151</u>	<u>4,060,787</u>
<b>Expenditures:</b>				
<b>Current</b>				
General government	743,496	-	-	743,496
Public Safety	1,811,839	-	15,104	1,826,943
Public Works	514,205	-	246,327	760,532
Cemetery	131,450	-	-	131,450
Parks	251,334	-	3,485	254,819
Community services	179,638	-	-	179,638
Tourism	29,793	-	5,000	34,793
Economic Development	-	-	-	-
<b>Debt service:</b>				
Principal	63,194	-	-	63,194
Interest and fiscal charges	1,195	-	-	1,195
<b>Total expenditures</b>	<u>3,726,144</u>	<u>-</u>	<u>269,916</u>	<u>3,996,060</u>
<b>Excess (deficiency) of revenue over (under) expenditures)</b>	<u>\$ (380,902)</u>	<u>\$ 447,394</u>	<u>\$ (1,765)</u>	<u>64,727</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital leases	27,000	-	-	27,000
Transfers in	600,000	242,393	-	842,393
Transfers out	(53,266)	(439,360)	-	(492,626)
<b>Net change in fund balances</b>	192,832	250,427	(1,765)	441,494
<b>Fund balance, October 1, 2012</b>	<u>720,527</u>	<u>-</u>	<u>509,339</u>	<u>1,229,866</u>
<b>Fund balance, September 30, 2013</b>	<u>\$ 913,359</u>	<u>\$ 250,427</u>	<u>\$ 507,574</u>	<u>1,671,360</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, 2013**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>441,494</b>
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 \$229,574 of capital outlays and \$64,889 of debt principal payments is to increase net position.	294,463
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.	(29,320)
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.	(232,701)
Current year net pension obligation of the governmental funds are not due and payable in the current period and, therefore are not reported as liabilities or assets in the funds. The \$5,281 increase in net pension obligation decreases net position.	(5,281)
Current year capital leases are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(27,000)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(30,967)
Current year change in net position of the component unit in which the City has an equity interest in do not provide current financial resources and are not reported as revenues in the funds.	656,079
<b>Change in Net Position of Governmental Activities</b>	<u><u>1,066,767</u></u>

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

CITY OF BRECKENRIDGE, TEXAS  
Statement of Net Position  
Proprietary Funds  
September 30, 2013

	Enterprise Funds			Totals
	Water Fund	Wastewater Fund	Sanitation Fund	
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 339,300	\$ 313,058	\$ 40,652	\$ 693,010
Receivables (Net of allowances):				
Accounts	182,640	100,255	24,533	307,428
Due from other funds	-	5,338	-	5,338
Supplies inventory	172,502	-	-	172,502
<b>Restricted Assets:</b>				
Cash and cash equivalents	2,449,437	1,103,743	-	3,553,180
Total current assets	<u>3,143,879</u>	<u>1,522,394</u>	<u>65,185</u>	<u>4,731,458</u>
<b>Noncurrent Assets:</b>				
<b>Capital assets, at cost:</b>				
Land and land improvements	165,068	2,474	39,000	206,542
Construction in progress	66,150	64,585	-	130,735
Buildings and improvements	978,978	60,363	-	1,039,341
Water system	8,539,142	4,999,466	-	13,538,608
Wastewater system				
Vehicles and equipment	313,571	411,520	78,107	803,198
Less: accumulated depreciation	<u>(5,489,513)</u>	<u>(2,494,988)</u>	<u>(57,707)</u>	<u>(8,042,208)</u>
Capital assets, net	<u>4,573,396</u>	<u>3,043,420</u>	<u>59,400</u>	<u>7,676,216</u>
Total noncurrent assets	<u>4,573,396</u>	<u>3,043,420</u>	<u>59,400</u>	<u>7,676,216</u>
<b>Total assets</b>	<u>7,717,275</u>	<u>4,565,814</u>	<u>124,585</u>	<u>12,407,674</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amount on refunding	<u>46,491</u>	<u>25,034</u>	<u>-</u>	<u>71,525</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	49,586	41,553	39	91,178
Accrued payroll	4,645	3,435	357	8,437
Due to other funds	5,338	-	-	5,338
<b>Current Liabilities Payable from Restricted Assets:</b>				
Current portion of long-term debt	416,645	255,825	-	672,470
Interest payable	3,201	-	-	3,201
Customer deposits payable	185,208	-	-	185,208
Total current liabilities	<u>664,623</u>	<u>300,813</u>	<u>396</u>	<u>965,832</u>
<b>Noncurrent Liabilities:</b>				
Net pension obligation	37,567	497	73	38,137
Long-term portion of bonds payable	2,324,556	1,187,069	-	3,511,625
Long-term portion of capital leases payable	53,797	105,497	-	159,294
Total noncurrent liabilities	<u>2,415,920</u>	<u>1,293,063</u>	<u>73</u>	<u>3,709,056</u>
<b>Total liabilities</b>	<u>3,080,543</u>	<u>1,593,876</u>	<u>469</u>	<u>4,674,888</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows	<u>592,879</u>	<u>288,876</u>	<u>-</u>	<u>881,755</u>
<b>NET POSITION:</b>				
Investment in capital assets, net of debt	3,424,167	2,284,093	59,400	5,767,660
Unrestricted	666,177	424,003	64,716	1,154,896
Total net position	<u>\$ 4,090,344</u>	<u>\$ 2,708,096</u>	<u>\$ 124,116</u>	<u>\$ 6,922,556</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, 2013

	Enterprise Funds			Totals
	Water Fund	Wastewater Fund	Sanitation Fund	
Operating revenues:				
Charges for sales and services	\$ 2,012,207	\$ 932,583	\$ 494,128	\$ 3,438,918
Miscellaneous	33,105	909	684	34,698
Total operating revenue	<u>2,045,312</u>	<u>933,492</u>	<u>494,812</u>	<u>3,473,616</u>
Operating expenses:				
Water and sewer commercial	92,865	-	-	92,865
Water meters and readers	132,914	-	-	132,914
Lake Daniel	11,430	-	-	11,430
Water production	793,029	-	-	793,029
Water distribution	230,432	-	-	230,432
Sewer collection	-	247,022	-	247,022
Sewer treatment	-	247,518	-	247,518
Solid waste	-	-	503,406	503,406
Non-departmental	3,695	-	-	3,695
Depreciation	215,713	141,613	1,800	359,126
Total operating expenses	<u>1,480,078</u>	<u>636,153</u>	<u>505,206</u>	<u>2,621,437</u>
Operating income (loss)	<u>565,234</u>	<u>297,339</u>	<u>(10,394)</u>	<u>852,179</u>
Nonoperating revenues (expenses):				
Interest revenue	5,323	1,181	44	6,548
Interest expense and fiscal charges	(66,067)	(37,031)	-	(103,098)
Debt issuance costs	(82,817)	(51,506)	-	(134,323)
Total nonoperating revenues (expenses)	<u>(143,561)</u>	<u>(87,356)</u>	<u>44</u>	<u>(230,873)</u>
Income (loss) before contributions and transfers	<u>421,673</u>	<u>209,983</u>	<u>(10,350)</u>	<u>621,306</u>
Transfers (to) from other funds and contributions:				
Capital Grants & Contributions	80,039	64,585	61,200	205,824
Transfers in	265,509	153,851	73,266	492,626
Transfers out	(842,393)	-	-	(842,393)
Change in Net Position	(75,172)	428,419	124,116	477,363
Net Position, October 1, 2012	<u>4,201,205</u>	<u>2,298,894</u>	<u>-</u>	<u>6,500,099</u>
Prior period adjustment	<u>(35,689)</u>	<u>(19,217)</u>	<u>-</u>	<u>(54,906)</u>
Net Position, September 30, 2013	<u>\$ 4,090,344</u>	<u>\$ 2,708,096</u>	<u>\$ 124,116</u>	<u>\$ 6,922,556</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, 2013

	Enterprise Funds			Totals
	Water Fund	Wastewater Fund	Sanitation Fund	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,063,219	\$ 881,344	\$ 470,748	\$ 3,415,311
Cash paid to suppliers	(824,038)	(284,214)	(466,657)	(1,574,909)
Cash paid to employees	(440,327)	(210,326)	(36,749)	(687,402)
Net cash provided by operating activities	<u>798,854</u>	<u>386,804</u>	<u>(32,658)</u>	<u>1,153,000</u>
<b>Cash flow from noncapital financing activities:</b>				
Due to/from other funds	(673)	(5,338)	-	(6,011)
Transfers in	265,509	153,851	73,266	492,626
Transfers out	(812,880)	-	-	(812,880)
Net cash provided (used) by noncapital financing activities	<u>(548,044)</u>	<u>148,513</u>	<u>73,266</u>	<u>(326,265)</u>
<b>Cash flow from capital and related financing activities:</b>				
Capital expenditures	(41,625)	(66,397)	-	(108,022)
Proceeds from issuance of certificate of obligation bonds	1,680,000	840,000	-	2,520,000
Capital grants received	704,878	353,461	-	1,058,339
Principal payments on long-term debt	(406,152)	(248,784)	-	(654,936)
Interest paid on bonds	(63,195)	(35,481)	-	(98,676)
Debt issuance costs	(82,817)	(51,506)	-	(134,323)
Net cash (used) by capital and related financing activities	<u>1,791,089</u>	<u>791,293</u>	<u>-</u>	<u>2,582,382</u>
<b>Cash flow from investing activities:</b>				
Interest received	5,323	1,181	44	6,548
Net cash provided by investing activities	<u>5,323</u>	<u>1,181</u>	<u>44</u>	<u>6,548</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,047,222</b>	<b>1,327,791</b>	<b>40,652</b>	<b>3,415,665</b>
<b>Cash and cash equivalents, October 1, 2012</b>	<b>741,515</b>	<b>89,010</b>	<b>-</b>	<b>830,525</b>
<b>Cash and cash equivalents, September 30, 2013</b>	<b>\$ <u>2,788,737</u></b>	<b>\$ <u>1,416,801</u></b>	<b>\$ <u>40,652</u></b>	<b>\$ <u>4,246,190</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating income	\$ 565,234	\$ 297,339	\$ (10,394)	\$ 852,179
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation expense	215,713	141,613	1,800	359,126
(Increase) decrease in accounts receivable	66,763	(53,887)	(24,533)	(11,657)
Increase (decrease) in accounts payable	(54,013)	19	39	(53,955)
Increase (decrease) in accrued payroll	(1,897)	1,223	357	(317)
Increase (decrease) in net pension obligation	987	497	73	1,557
Increase (decrease) in customer meter deposits	6,067	-	-	6,067
Total adjustments	<u>233,620</u>	<u>89,465</u>	<u>(22,264)</u>	<u>300,821</u>
<b>Net cash provided by operating activities</b>	<b>\$ <u>798,854</u></b>	<b>\$ <u>386,804</u></b>	<b>\$ <u>(32,658)</u></b>	<b>\$ <u>1,153,000</u></b>
<b>Noncash Investing, Capital and Financial Activities</b>				
Interfund transfer of capital assets	\$ (31,960)	\$ -	\$ 61,200	\$ 29,240
	<u>\$ (31,960)</u>	<u>\$ -</u>	<u>\$ 61,200</u>	<u>\$ 29,240</u>

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

**EXHIBIT E-1**

**CITY OF BRECKENRIDGE, TEXAS**  
**Statement of Fiduciary Net Position**  
**Cemetery Trust Fund**  
**September 30, 2013**

**ASSETS:**

Investments \$ 513,566

Total assets 513,566

**NET POSITION:**

Held in trust for cemetery care 513,566

Total net position \$ 513,566

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

**EXHIBIT E-2**

**CITY OF BRECKENRIDGE, TEXAS**  
**Statement of Changes in Fiduciary Net Position**  
**Cemetery Trust Fund**  
**Year Ended September 30, 2013**

<b>Additions:</b>	
Contributions	
Sale of lots	\$ 8,248
Investment Income	13,231
Net increase (decrease) in the fair value of investments	<u>5,846</u>
 Total additions	 <u>27,325</u>
 <b>Deductions:</b>	
Benefits to Breckenridge Cemetery	5,286
Trust Fees	<u>7,718</u>
 Total deductions	 <u>13,004</u>
 Change in Net Position	 14,321
 Net Position, October 1, 2012	 <u>499,245</u>
 Net Position, September 30, 2013	 \$ <u><u>513,566</u></u>

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