

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED

CITY OF BRECKENRIDGE, TEXAS
Annual Financial Report
For the year ended September 30, 2012

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Independent Auditor's Report

**Members of the City Commission
City of Breckenridge, Texas**

We have audited the accompanying financial statements of the governmental activities, business-type activities, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 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* and should be considered in assessing the results of our audit.

George, Morgan & Sneed, P.C.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 13, budgetary comparison – general fund on page 46, budgetary comparison – Breckenridge Economic Development Corporation on page 47 and Texas Municipal Retirement System Schedule of Funding Progress on page 48 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.

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 nonmajor funds financial 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 and individual nonmajor fund financial 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken 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.



George, Morgan & Sneed, P.C.
Weatherford, Texas
February 8, 2013

FINANCIAL SECTION

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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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Breckenridge exceeded its liabilities at the close of the most recent fiscal year by \$12,780,100 (*net assets*) compared to \$11,751,736 for the prior year. Of this amount, \$1,644,628 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,028,364. The City's governmental activities net assets increased by \$679,834 and the business-type activities net assets increased \$348,530.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$2,265,523. \$1,035,657 of this amount is fund balance of the Breckenridge Economic Development Corporation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$472,303, or 11% of total general fund expenditures.

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 assets 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 assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are 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 and sewer distribution and collection in the business-type or proprietary activities.

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 and Breckenridge Economic Development Corporation, 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 and the Breckenridge Economic Development Corporation 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 fund. The City uses enterprise funds to account for its water and sewer operations.

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 26-45 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,780,100 as of September 30, 2012. Below is a summary of the City's Statement of Net Assets.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,596,524	\$ 2,073,656	\$ 1,377,206	\$ 1,204,342	\$ 3,973,730	\$ 3,277,998
Capital assets	4,427,554	4,422,250	7,847,971	8,180,378	12,275,525	12,602,628
Total Assets	<u>7,024,078</u>	<u>6,495,906</u>	<u>9,225,177</u>	<u>9,384,720</u>	<u>16,249,255</u>	<u>15,880,626</u>
Current liabilities	106,473	142,496	286,119	213,794	392,592	356,290
Long-term liabilities	637,604	753,243	2,438,959	3,019,357	3,076,563	3,772,600
Total liabilities	<u>744,077</u>	<u>895,739</u>	<u>2,725,078</u>	<u>3,233,151</u>	<u>3,469,155</u>	<u>4,128,890</u>
Net Assets:						
Invested in capital assets						
net of related debt	3,903,474	3,769,719	5,445,592	5,296,222	9,349,066	9,065,941
Restricted	1,544,996	1,414,592	241,410	212,726	1,786,406	1,627,318
Unrestricted	831,531	415,856	813,097	642,621	1,644,628	1,058,477
Total Net Assets	<u>\$ 6,280,001</u>	<u>\$ 5,600,167</u>	<u>\$ 6,500,099</u>	<u>\$ 6,151,569</u>	<u>\$ 12,780,100</u>	<u>\$ 11,751,736</u>

The largest portion of the City's net assets (73%) reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure and water and sewer 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 assets (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,644,628) may be used to meet the government's ongoing obligations to citizens and creditors.

Of the net assets of the governmental activities, \$2,157,105 is related to the Breckenridge Economic Development Corporation and \$4,122,896 is related to operations of the City of Breckenridge.

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

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

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 622,723	\$ 624,815	\$ 3,094,399	\$ 3,065,665	\$ 3,717,122	\$ 3,690,480
Operating grants and contributions	133,543	199,561	-	-	133,543	199,561
Capital grants and contributions	37,470	5,000	-	-	37,470	5,000
General revenues:						
Property taxes	1,483,264	1,369,297	359,613	306,127	1,842,877	1,675,424
Sales and use taxes	1,689,696	1,587,722	-	-	1,689,696	1,587,722
Franchise taxes	424,359	434,690	-	-	424,359	434,690
Hotel motel taxes	43,861	39,559	-	-	43,861	39,559
Investment earnings	19,789	20,384	2,170	1,460	21,959	21,844
Other Revenue	103,879	62,717	-	-	103,879	62,717
Gain of sale of capital assets	3,934	-	-	-	3,934	-
Total revenues	4,562,518	4,343,745	3,456,182	3,373,252	8,018,700	7,716,997
Expenses						
General government	753,407	811,018			753,407	811,018
Public Safety	1,892,806	1,889,559			1,892,806	1,889,559
Public Works	536,010	570,434			536,010	570,434
Health and sanitation	473,631	445,197			473,631	445,197
Cemetery	123,193	131,180			123,193	131,180
Parks	294,149	298,555			294,149	298,555
Community services	191,406	194,322			191,406	194,322
Tourism	27,612	25,512			27,612	25,512
Economic development	395,171	283,702			395,171	283,702
Interest on long-term debt	25,559	10,106			25,559	10,106
Water and Sewer			2,277,392	2,307,710	2,277,392	2,307,710
Total expenses	4,712,944	4,659,585	2,277,392	2,307,710	6,990,336	6,967,295
Increase (decrease) in net assets before transfers	(150,426)	(315,840)	1,178,790	1,065,542	1,028,364	749,702
Transfers	830,260	744,200	(830,260)	(744,200)	-	-
Increase (decrease) in net assets	679,834	428,360	348,530	321,342	1,028,364	749,702
Net Assets October 1	5,600,167	5,171,807	6,151,569	5,830,227	11,751,736	11,002,034
Net Assets September 30	\$ 6,280,001	\$ 5,600,167	\$ 6,500,099	\$ 6,151,569	\$ 12,780,100	\$ 11,751,736

Governmental Activities. Governmental activities increased the City's net assets by \$679,834 in the current year. City operations resulted in an increase of \$597,274 and the operations of the Breckenridge Economic Development Corporation resulted in a \$82,560 increase.

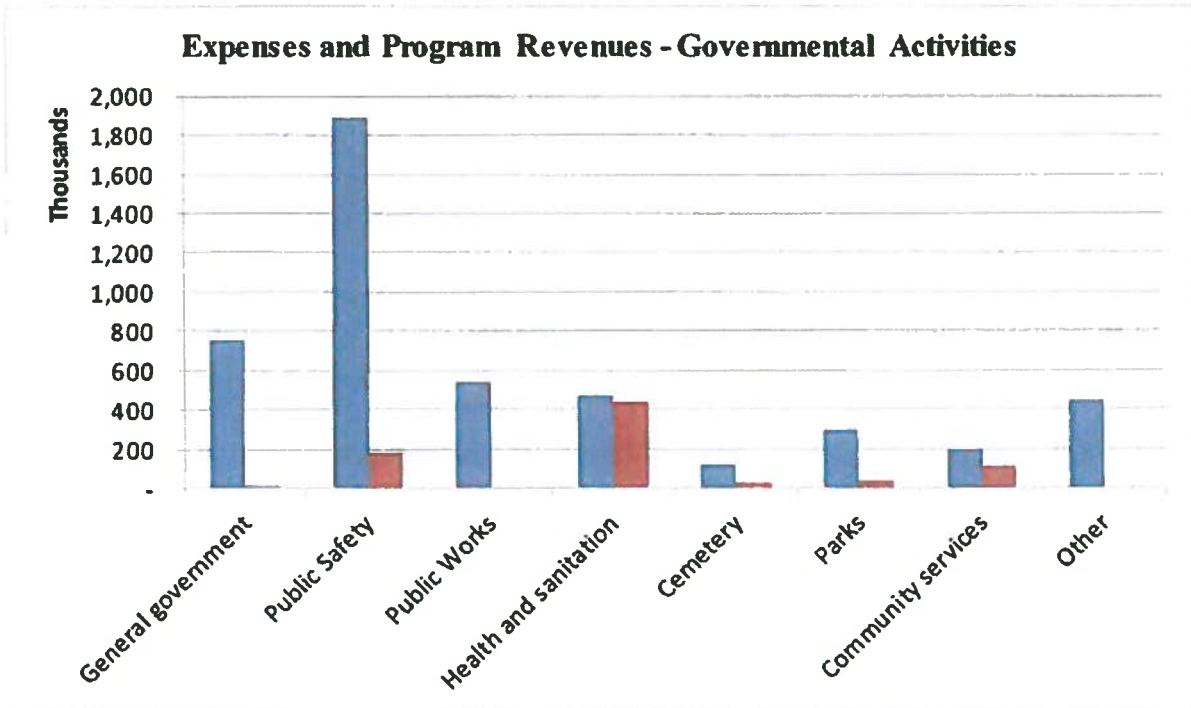
Total governmental activities revenues increased \$218,773 (5%) to \$4,562,518. Key factors contributing to this increase are as follows:

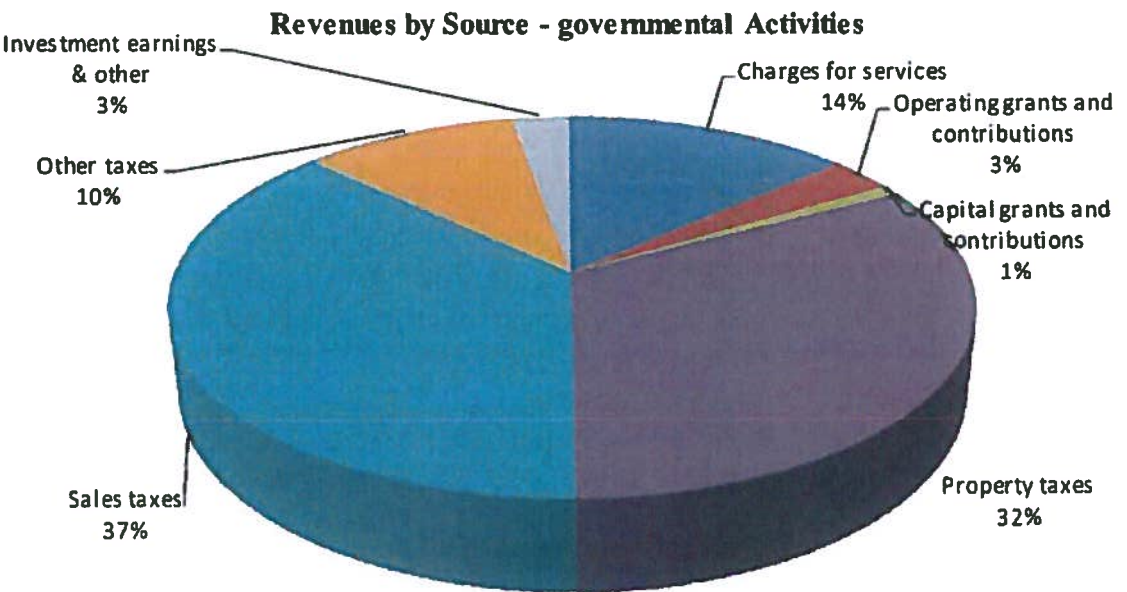
- Sales tax increased by \$101,974 which is primarily due to the recovery of the economy.
- \$113,967 increase in property tax due to the M&O rate increasing \$.0811 per \$100 valuation for \$.8367. Appraised value decreased approximately \$3.7 million.
- Capital grants and contributions increased due to the police department receiving computers for their vehicles at a value of \$24,417.
- Other revenue increased by \$41,162 primarily due to the City receiving insurance money for hail damage on the roof of the old City Hall.
- The City did not replace a position from the Code Compliance department, in which the BEDC was to reimburse expenses, resulting in a decline of approximately \$53,000 in reimbursed income from the BEDC.

Total governmental activities expenses increased \$53,359 (1%) to \$4,712,944 from the prior year. Key elements of this increase are as follows.

- The general government expenses decreased \$57,611 due to the prior City Manager receiving a severance package in the prior year as well as the City being without a City Manager for part of the current year. This resulted in a decrease of \$113,394. Also the City paid for repairs to the old City Hall of \$32,500 for hail damage to the building.
- Public works expenses declined approximately \$30,000 due to a decrease in street maintenance.
- Residential trash billings increased health and sanitation expense by approximately \$30,000.
- Breckenridge Economic Development expenses increased by \$111,469. BEDC projects are based on the local needs and economic development opportunities.

Below are two graphs summarizing governmental revenue and expense:



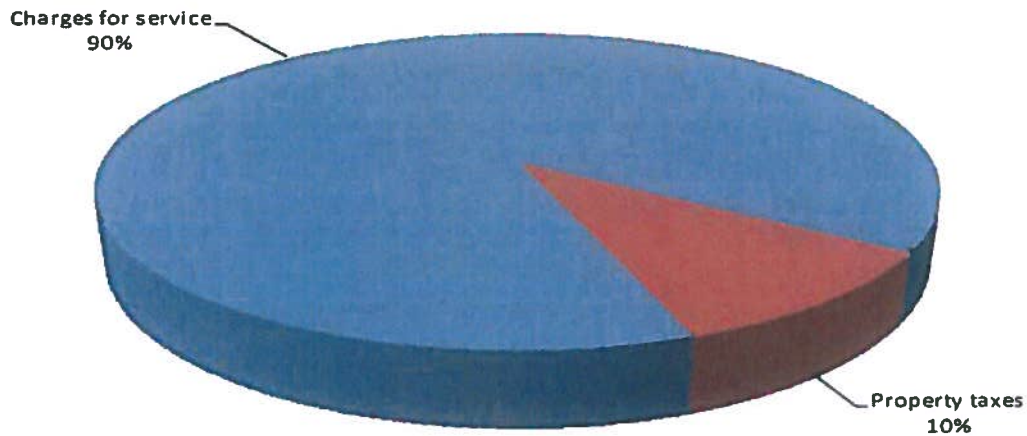


Business-type activities. Business-type activities increased the City's net assets by \$348,530 in the current year compared to an increase in net assets of \$321,342 in the prior year. The business-type activities total revenues increased \$82,930 (2%) to \$3,456,182 and total expenses decreased \$30,318 (1%) and transfers out increased \$86,060. Key elements of these changes are as follows.

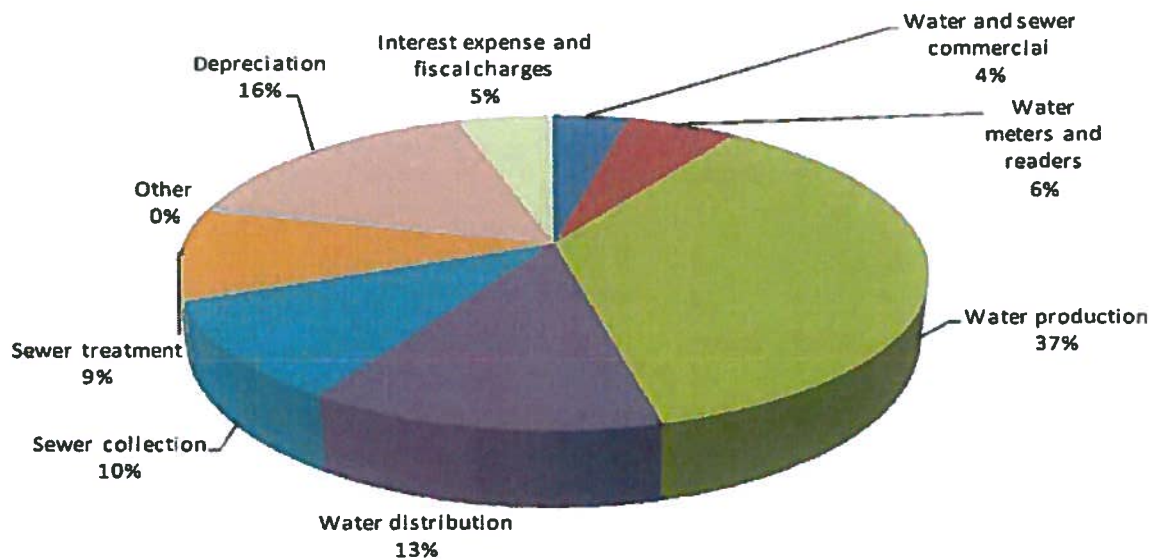
- Charges for services increased \$28,734 due to water the sewer rates increase in November 2011. Consumption of water within the City decreased 11%.

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

Revenues by Source - Business-type Activities



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

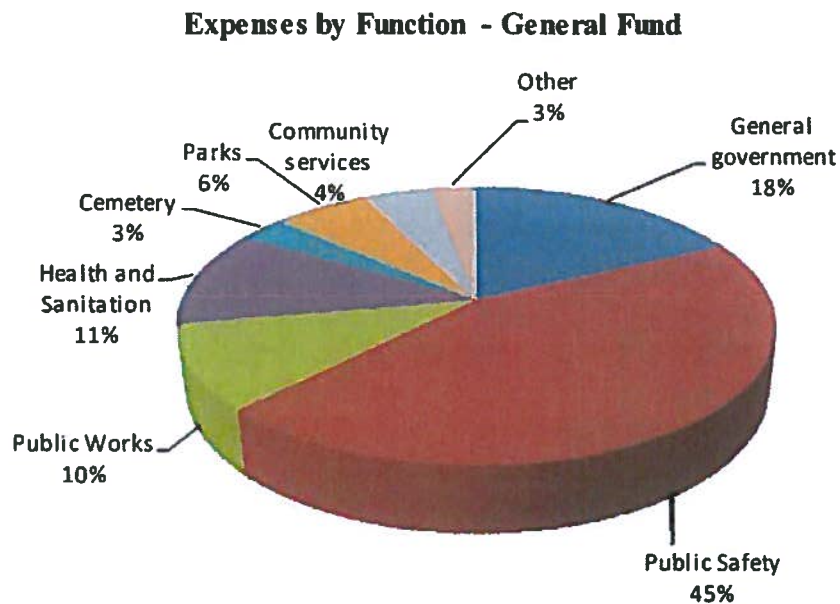
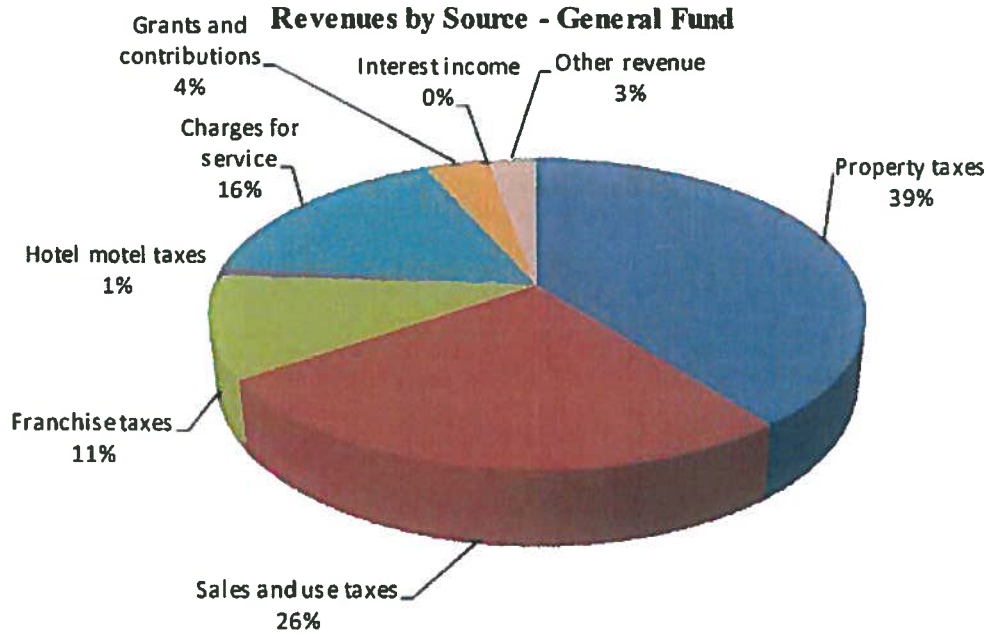
financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$2,265,523. \$472,303 (21%) 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 \$472,303. Below is a comparison of the general fund's net change in fund balance for 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Taxes:				
Property taxes	\$ 1,485,993	\$ 1,360,879	\$ 125,114	9.19%
Sales and use tax	974,331	919,283	55,048	5.99%
Franchise	400,235	421,082	(20,847)	-4.95%
Hotel motel taxes	29,679	22,605	7,074	31.29%
Charges for service	620,363	631,777	(11,414)	-1.81%
Grants and contributions	144,979	192,815	(47,836)	-24.81%
Interest income	1,460	802	658	82.04%
Other revenue	105,092	66,289	38,803	58.54%
Total revenues	<u>3,762,132</u>	<u>3,615,532</u>	<u>146,600</u>	<u>4.05%</u>
Expenditures:				
Current				
General government	742,613	791,705	(49,092)	-6.20%
Public Safety	1,866,827	1,849,220	17,607	0.95%
Public Works	409,396	336,533	72,863	21.65%
Health and Sanitation	470,594	437,245	33,349	7.63%
Cemetery	125,552	126,233	(681)	-0.54%
Parks	259,294	260,677	(1,383)	-0.53%
Community services	187,057	187,744	(687)	-0.37%
Tourism	24,912	22,151	2,761	12.46%
Debt service:				
Principal	89,558	109,901	(20,343)	-18.51%
Interest and fiscal charges	5,056	9,428	(4,372)	-46.37%
Total expenditures	<u>4,180,859</u>	<u>4,130,837</u>	<u>50,022</u>	<u>1.21%</u>
Other financing sources (uses):				
Transfers in	830,260	744,200	86,060	11.56%
Net change in fund balances	<u>\$ 411,533</u>	<u>\$ 228,895</u>	<u>\$ 182,638</u>	<u>\$ 79.79%</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.

General Fund Budgetary Highlights

During the fiscal year the City amended its budget twice. General fund budgeted expenditure appropriations were increased \$83,871 and revenue was increased \$90,850. Actual expenditures of the general fund were \$411,292 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$12,275,525 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- The City received computers for police cars through a capital grant for a fair value of \$24,417.
- The City purchased two vehicles for a total of \$37,653.
- The City purchased a Lawn Mower for \$6,200 and a Handicap Lift for \$6,100.
- The City purchased Air packs for the fire department for 18,766.

Business-type activities:

- \$29,409 for the purchase of a vehicle through a capital lease.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 725,388	\$ 525,514	\$ 144,146	\$ 144,146	\$ 869,534	\$ 669,660
Construction in progress	-	-	-	-	-	-
Land Improvements	-	-	11,386	12,145	11,386	12,145
Buildings and improvements	1,853,054	1,978,301	335,551	356,976	2,188,605	2,335,277
Water and sewer systems	-	-	7,003,178	7,300,413	7,003,178	7,300,413
Infrastructure	1,133,456	1,181,044	-	-	1,133,456	1,181,044
Vehicles and equipment	715,656	737,391	353,710	366,698	1,069,366	1,104,089
Total	\$ 4,427,554	\$ 4,422,250	\$ 7,847,971	\$ 8,180,378	\$ 12,275,525	\$ 12,602,628

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	
	2012	2011	2012	2011	2012	2011
Capital leases payable	\$ 64,889	\$ 154,447	\$ 271,700	\$ 290,664	\$ 336,589	\$ 445,111
BEDC sales tax revenue note	459,191	498,084	-	-	459,191	498,084
Certificates of Obligation	-	-	405,000	460,000	405,000	460,000
Tax & Revenue Ref. Bonds	-	-	1,750,000	2,265,000	1,750,000	2,265,000
Total	\$ 524,080	\$ 652,531	\$ 2,426,700	\$ 3,015,664	\$ 2,950,780	\$ 3,668,195

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

- Property values used for the 2012-13 budget preparation are up \$20.3 million or 10.7% primarily due to increased valuations. New improvements for 2013 are up \$154,040. The tax rate decreased from \$1.0473 in the 2011-12 budget to \$1.01 in the 2012-13 budget.
- City Sales Tax is budgeted to increase by 5.0% over last year's budget. An election for the remaining 1/4 cent sales tax is planned for May 2013 which will generate an additional \$240,000 to be used for reduction of property taxes and should decrease the tax rate by about \$0.12.
- General Fund disbursements are budgeted to decrease from \$5,108,130 in 2011-12 to \$4,452,840 in 2012-13, a decrease of \$655,290 or 12.8% primarily due to moving the Sanitation Department into a newly established Sanitation Fund.
- Sanitation Fund rates have been raised for 2012-13 to cover losses and should now break even.
- The System Fund which contained the Water and Wastewater functions has been separated for 2012-13 into a separate Water Fund and Wastewater Fund.
- Water Fund expenditures are budgeted to decrease in 2012-13 by \$176,083 or 7.5%. Water rates have been increased by 10% on volume rates.
- Wastewater Fund expenditures are budgeted to decrease in 2012-13 by \$54,190 or 7.3%. Wastewater rates have been increased by 10% on volume rates with an increase in the cap.
- Capital projects are planned for Water Treatment Plant and the Wastewater Treatment Plant at \$2.4 million and \$1.2 million respectively. Street projects are budgeted at \$240,000.
- Staffing will be decreased by 6.0% in 2012-13 or 5.1 positions through attrition with no layoffs. Raises are planned for employees at 3% for all employees except Police which will receive a 6% increase.
- General Debt Service and Revenue Debt Service Funds have been established. Debt Service has increased due to the \$3.6 million in Water and Wastewater capital projects.

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.

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BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,267,172	\$ 409,974	\$ 1,677,146
Receivables (Net of allowances for uncollectibles)			
Property taxes	119,111	29,513	148,624
Other taxes	415,574	-	415,574
Accounts	56,752	295,771	352,523
Due from Other Governments	4,707	-	4,707
Internal Balances	6,011	(6,011)	-
Supplies inventory	-	172,502	172,502
Restricted assets:			
Cash and cash equivalents	359,914	420,551	780,465
Notes receivable	367,283		367,283
Deferred Charges	-	54,906	54,906
Capital assets (net of accumulated depreciation):			
Land	725,388	144,146	869,534
Land Improvements	-	11,386	11,386
Buildings and improvements	1,853,054	335,551	2,188,605
Water and sewer systems	-	7,003,178	7,003,178
Infrastructure	1,133,456	-	1,133,456
Vehicles and equipment	715,656	353,710	1,069,366
Total Assets	7,024,078	9,225,177	16,249,255
LIABILITIES:			
Accounts Payable	66,353	95,023	161,376
Accrued Payroll	32,534	8,754	41,288
Due to other governments	7,586	-	7,586
Current Liabilities Payable from Restricted Assets:			
Interest payable	-	3,201	3,201
Customer deposits	-	179,141	179,141
Noncurrent liabilities:			
Due within one year	107,366	654,942	762,308
Due in more than one year	530,238	1,784,017	2,314,255
Total Liabilities	744,077	2,725,078	3,469,155
NET ASSETS:			
Investments in Capital Assets, Net of Debt	3,903,474	5,445,592	9,349,066
Restricted Net Assets (Nonexpendable)			
Note receivable - BEDC	37,682		37,682
Restricted Net Assets (Expendable)			
Debt service		241,410	241,410
Economic development	997,975		997,975
Construction	367,363		367,363
Public safety	12,896		12,896
Parks	23,908		23,908
Community services	13,928		13,928
Tourism	91,244		91,244
Unrestricted Net Assets	831,531	813,097	1,644,628
Total Net Assets	\$ 6,280,001	\$ 6,500,099	\$ 12,780,100

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 753,407	\$ 11,615	\$ -	\$ -
Public Safety	1,892,806	118,495	20,244	37,470
Public Works	536,010	760	-	-
Health and sanitation	473,631	438,111	-	-
Cemetery	123,193	19,760	7,553	-
Parks	294,149	33,982	404	-
Community services	191,406	-	105,342	-
Tourism	27,612	-	-	-
Economic development	395,171	-	-	-
Interest on long-term debt	25,559	-	-	-
Total governmental activities	4,712,944	622,723	133,543	37,470
Business-type activities:				
Water and Sewer	2,277,392	3,094,399	-	-
Total business-type activities	2,277,392	3,094,399	-	-
Total primary government	\$ 6,990,336	\$ 3,717,122	\$ 133,543	\$ 37,470

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

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets October 1, 2011

Net Assets September 30, 2012

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

EXHIBIT B-1

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (741,792)	\$	\$ (741,792)
(1,716,597)		(1,716,597)
(535,250)		(535,250)
(35,520)		(35,520)
(95,880)		(95,880)
(259,763)		(259,763)
(86,064)		(86,064)
(27,612)		(27,612)
(395,171)		(395,171)
(25,559)		(25,559)
<u>(3,919,208)</u>	<u>-</u>	<u>(3,919,208)</u>
	817,007	817,007
<u>-</u>	<u>817,007</u>	<u>817,007</u>
\$ <u>(3,919,208)</u>	\$ <u>817,007</u>	\$ <u>(3,102,201)</u>
\$ 1,483,264	\$ -	\$ 1,483,264
-	359,613	359,613
1,689,696	-	1,689,696
424,359	-	424,359
43,861		43,861
19,789	2,170	21,959
103,879		103,879
3,934		3,934
830,260	(830,260)	-
<u>4,599,042</u>	<u>(468,477)</u>	<u>4,130,565</u>
679,834	348,530	1,028,364
<u>5,600,167</u>	<u>6,151,569</u>	<u>11,751,736</u>
\$ <u>6,280,001</u>	\$ <u>6,500,099</u>	\$ <u>12,780,100</u>

CITY OF BRECKENRIDGE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General</u>	<u>Breckenridge Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Assets:				
Cash and cash equivalents	\$ 566,533	\$ 584,718	\$ 475,835	\$ 1,627,086
Receivables (Net of allowances)				
Property taxes	119,111	-	-	119,111
Other taxes	288,140	84,930	42,504	415,574
Accounts	30,462	-	-	30,462
Miscellaneous	26,290			26,290
Due from other funds	6,011			6,011
Due from other governments	4,707	-	-	4,707
Notes Receivable		367,283		367,283
	<u>1,041,254</u>	<u>1,036,931</u>	<u>518,339</u>	<u>2,596,524</u>
Total assets	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 57,353	\$ -	\$ 9,000	\$ 66,353
Accrued payroll	31,260	1,274	-	32,534
Due to other governments	7,586	-	-	7,586
Deferred revenue	224,528	-	-	224,528
	<u>320,727</u>	<u>1,274</u>	<u>9,000</u>	<u>331,001</u>
Total liabilities				
Fund Balances:				
Nonspendable fund balance		37,682		37,682
Restricted fund balance		997,975	509,339	1,507,314
Assigned fund balance	248,224			248,224
Unassigned Fund Balance	472,303			472,303
	<u>720,527</u>	<u>1,035,657</u>	<u>509,339</u>	<u>2,265,523</u>
Total fund balances				
Total liabilities and fund balances	\$ <u>1,041,254</u>	\$ <u>1,036,931</u>	\$ <u>518,339</u>	\$ <u>2,596,524</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 Assets
September 30, 2012

Total Fund Balances - Governmental Funds	2,265,523
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 \$7,550,701 and the accumulated depreciation was \$3,123,147.	4,427,554
Long-term liabilities, including \$64,889 capital leases payable, \$459,191 notes payable, and net pension obligation of \$113,524 are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(637,604)
Property taxes and franchise taxes receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	198,238
Fines and fees receivable are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements.	26,290
Net Assets of Governmental Activities	<u><u>6,280,001</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, 2012

	<u>General</u>	<u>Breckenridge Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Property taxes	\$ 1,485,993	\$ -	\$ -	1,485,993
Sales and use tax	974,331	476,910	238,455	1,689,696
Franchise	400,235	-	6,801	407,036
Hotel motel taxes	29,679	-	14,182	43,861
Charges for service	620,363	-	-	620,363
Grants and contributions	144,979	-	1,617	146,596
Interest income	1,460	17,390	939	19,789
Other revenue	105,092	-	-	105,092
Total revenues	<u>3,762,132</u>	<u>494,300</u>	<u>261,994</u>	<u>4,518,426</u>
Expenditures:				
Current				
General government	742,613		-	742,613
Public Safety	1,866,827		2,411	1,869,238
Public Works	409,396		57,000	466,396
Health and Sanitation	470,594		-	470,594
Cemetery	125,552			125,552
Parks	259,294		3,888	263,182
Community services	187,057		-	187,057
Tourism	24,912		2,700	27,612
Economic Development		506,929		506,929
Debt service:				
Principal	89,558	38,893	-	128,451
Interest and fiscal charges	5,056	20,503	-	25,559
Total expenditures	<u>4,180,859</u>	<u>566,325</u>	<u>65,999</u>	<u>4,813,183</u>
Excess (deficiency) of revenue over (under) expenditures)	<u>\$ (418,727)</u>	<u>\$ (72,025)</u>	<u>\$ 195,995</u>	<u>(294,757)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets		6,434		6,434
Transfers in	830,260	-	-	830,260
Net change in fund balances	411,533	(65,591)	195,995	541,937
Fund balance, October 1, 2011	<u>308,994</u>	<u>1,101,248</u>	<u>313,344</u>	<u>1,723,586</u>
Fund balance, September 30, 2012	<u>\$ 720,527</u>	<u>\$ 1,035,657</u>	<u>\$ 509,339</u>	<u>2,265,523</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, 2012

Total Net Change in Fund Balances - Governmental Funds	541,937
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 \$211,900 of capital outlays and \$128,451 of debt principal payments is to increase net assets.	340,351
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net assets.	(3,713)
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 assets.	(202,883)
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 \$12,812 increase in net pension obligation decreases net assets.	(12,812)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,954
Change in Net Assets of Governmental Activities	<u><u>679,834</u></u>

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

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Assets
Water Works and Sewer System - Proprietary Fund
September 30, 2012

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 409,974
Receivables (Net of allowances):	
Property taxes	29,513
Accounts	295,771
Supplies inventory	172,502
Restricted Assets:	
Cash and cash equivalents	420,551
Total current assets	<u>1,328,311</u>

Noncurrent Assets:

Deferred Charges	54,906
Capital assets, at cost:	
Land and land improvements	167,542
Buildings and improvements	1,039,341
Water and sewer system	13,511,212
Vehicles and equipment	772,680
Less: accumulated depreciation	<u>(7,642,804)</u>
Capital assets, net	<u>7,847,971</u>
Total noncurrent assets	<u>7,902,877</u>

Total assets	<u>9,231,188</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	95,023
Accrued payroll	8,754
Due to other funds	6,011

Current Liabilities Payable from Restricted Assets:

Current portion of long-term debt	654,942
Interest payable	3,201
Customer deposits payable	179,141
Total current liabilities	<u>947,072</u>

Noncurrent Liabilities:

Net pension obligation	36,580
Long-term portion of bonds payable	1,530,679
Long-term portion of capital leases payable	216,758
Total noncurrent liabilities	<u>1,784,017</u>

Total liabilities	<u>2,731,089</u>
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NET ASSETS:

Investment in capital assets, net of debt	5,445,592
Restricted for debt service (Expendable)	241,410
Unrestricted	813,097
Total net assets	<u>\$ 6,500,099</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 Assets
Water Works and Sewer System - Proprietary Fund
For the year ended September 30, 2012

Operating revenues:	
Charges for sales and services:	
Water service	\$ 2,266,097
Sewer service	775,667
Miscellaneous	52,635
Total operating revenue	<u>3,094,399</u>
Operating expenses:	
Water and sewer commercial	88,377
Water meters and readers	127,810
Lake Daniel	11,293
Water production	835,917
Water distribution	292,409
Sewer collection	232,951
Sewer treatment	213,068
Non-departmental	613
Depreciation	361,816
Total operating expenses	<u>2,164,254</u>
Operating income	<u>930,145</u>
Nonoperating revenues (expenses):	
Property taxes - debt service	359,613
Interest revenue	2,170
Interest expense and fiscal charges	<u>(113,138)</u>
Total nonoperating revenues (expenses)	<u>248,645</u>
Income before transfers	<u>1,178,790</u>
Transfers (to) from other funds:	
Transfers out	<u>(830,260)</u>
Change in Net Assets	348,530
Net Assets, October 1, 2011	<u>6,151,569</u>
Net Assets, September 30, 2012	<u>\$ 6,500,099</u>

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

EXHIBIT D-3

CITY OF BRECKENRIDGE, TEXAS
 Statement of Cash Flows
 Water Works and Sewer System - Proprietary Fund
 For the year ended September 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 3,066,695
Cash paid to suppliers	(946,172)
Cash paid to employees	(716,342)
Net cash provided by operating activities	<u>1,404,181</u>
Cash flow from noncapital financing activities:	
Property taxes	360,383
Due from other funds	6,011
Transfers out	(830,260)
Net cash provided (used) by noncapital financing activities	<u>(463,866)</u>
Cash flow from capital and related financing activities:	
Principal payments on long-term debt	(618,373)
Interest paid on bonds	(99,501)
Net cash (used) by capital and related financing activities	<u>(717,874)</u>
Cash flow from investing activities:	
Interest received	2,170
Net cash provided by investing activities	<u>2,170</u>
Net increase (decrease) in cash and cash equivalents	224,611
Cash and cash equivalents, October 1, 2011	<u>605,914</u>
Cash and cash equivalents, September 30, 2012	<u>\$ 830,525</u>
Reconciliation of Operating Income to	
Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 930,145
Adjustments to reconcile operating income to	
net cash provided (used) by operating activities:	
Depreciation expense	361,816
(Increase) decrease in accounts receivable	34,983
Increase (decrease) in accounts payable	62,687
Increase (decrease) in accrued payroll	1,803
Increase (decrease) in net pension obligation	4,143
Increase (decrease) in customer meter deposits	8,604
Total adjustments	<u>474,036</u>
Net cash provided by operating activities	<u>\$ 1,404,181</u>
Noncash Investing, Capital and Financial Activities	
Capital assets purchased with proceeds from a capital lease	\$ 29,409
	<u>\$ 29,409</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 Assets
Cemetery Trust Fund
September 30, 2012

ASSETS:	
Investments	\$ <u>499,245</u>
Total assets	<u>499,245</u>
NET ASSETS:	
Held in trust for cemetery care	<u>499,245</u>
Total net assets	\$ <u><u>499,245</u></u>

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 Assets
Cemetery Trust Fund
For the year ended September 30, 2012

Additions:	
Contributions	
Sale of lots	\$ 6,148
Investment Income	14,728
Net increase (decrease) in the fair value of investments	<u>36,777</u>
Total additions	<u>57,653</u>
Deductions:	
Benefits to Breckenridge Cemetery	8,577
Trust Fees	<u>5,832</u>
Total deductions	<u>14,409</u>
Change in Net Assets	43,244
Net Assets, October 1, 2011	<u>456,001</u>
Net Assets, September 30, 2012	<u><u>\$ 499,245</u></u>

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