



January 27, 2026

Honorable Mayor and City Commission Members  
City of Breckenridge

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Breckenridge, Texas for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 30, 2025. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Breckenridge, Texas are described in Note 1 to the financial statements. The City changed accounting policies related to compensated absences by adopting Statement of Governmental Standards (GASB Statement) No. 101 Compensated Absences, in 2025 as described in Note 16 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated key factors and assumptions used to develop estimates in determining it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. The attached list of misstatements detected as a result of audit procedures were corrected by management.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the City's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 27, 2026.

### *Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of Changes in Net Pension Liability and Related ratios – Texas Municipal Retirement System, Schedule of Contributions – Texas Municipal Retirement System, and Schedule of Changes in Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

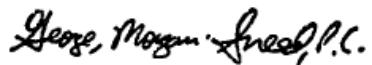
We were engaged to report on the combining fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. Such 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 it.

Restriction on Use

This information is intended solely for the use of the City Commission and management of the City of Breckenridge, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



GEORGE, MORGAN & SNEED, P.C.

**Client:** CITY OF BRECKENRIDGE  
**Engagement:** City of Breckenridge 2025  
**Current Period:** 09/30/2025  
**Workpaper:** proposed audit adjustments

Account	Description	Debit	Credit	Net Income Effect
<b>GMS01</b>				
To adjust opeb liabilities at year end				
102-1-00-1914	DEFFERRED OUTFLOW-TMRS OPEB	0.00	2,411.00	
102-2-00-2083	Deferred Inflow-TMRS OPEB	0.00	771.00	
102-2-00-2082	TMRS OPEB LIABILITY	0.00	6,073.00	
102-5-70-5210	Retirement	1,024.00	0.00	
102-5-71-5210	Retirement	533.00	0.00	
102-5-73-5210	Retirement	2,601.00	0.00	
102-5-74-5210	Retirement	5,097.00	0.00	
103-1-00-1914	DEFERRED OUTFLOW-TMRS OPEB	0.00	1,412.00	
103-2-00-2083	Deferred Inflow-TMRS OPEB	2,400.00	0.00	
103-2-00-2082	TMRS OPEB LIABILITY	7,497.00	0.00	
103-5-77-5210	Retirement	0.00	8,485.00	
104-1-00-1914	Deferred Outflow - TMRS OPEB	39.00	0.00	
104-2-00-2083	Deferred Inflow - TMRS OPEB	0.00	132.00	
104-2-00-2082	TMRS OPEB Liability	0.00	478.00	
104-5-42-5210	Retirement	571.00	0.00	
<b>Total</b>		<b>19,762.00</b>	<b>19,762.00</b>	<b>(1,341.00)</b>

### GMS02

To adjust net pension liability at year end

102-1-00-1913	Deferred Outflow-Investment Ex	0.00	34,982.00
102-2-00-2080	Deferred Inflow-Actual Experi	0.00	12,958.00
102-2-00-2081	Net Pension Liability	18,188.00	0.00
102-5-70-5210	Retirement	3,290.00	0.00
102-5-71-5210	Retirement	1,715.00	0.00
102-5-73-5210	Retirement	8,361.00	0.00
102-5-74-5210	Retirement	16,386.00	0.00
103-1-00-1913	Deferred Outflow-Investment Ex	0.00	21,848.00
103-2-00-2080	Deferred Inflow-Actual Experi	652.00	0.00
103-2-00-2081	Net Pension Liability	26,828.00	0.00
103-5-77-5210	Retirement	0.00	5,632.00
104-1-00-1913	Deferred Outflow-Investment Ex	460.00	0.00
104-2-00-2080	Deferred Inflow-Actual Experi	0.00	270.00
104-2-00-2081	Net Pension Liability	0.00	1,018.00
104-5-42-5210	Retirement	828.00	0.00
102-1-00-1912	Deferred Outflow of ResoucesCo	0.00	938.00
102-5-70-5210	Retirement	104.00	0.00
102-5-71-5210	Retirement	54.00	0.00
102-5-73-5210	Retirement	263.00	0.00
102-5-74-5210	Retirement	517.00	0.00
103-1-00-1912	Deferred Outflow of ResoucesCo	29.00	0.00
103-5-77-5210	Retirement	0.00	29.00
104-1-00-1912	Deferred Outflow of ResoucesCo	1,405.00	0.00
104-5-42-5210	Retirement	0.00	1,405.00

<b>Total</b>	<b>79,080.00</b>	<b>79,080.00</b>	<b>(24,452.00)</b>
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#### **GMS03**

To adjust property tax receivable to current year amount.

101-1-00-1207	CURRENT TAXES RECEIVABLE	0.00	116,875.99
101-1-00-1209	DELINQUENT TAXES RECEIVABLE	119,709.42	0.00
101-2-00-2051	ALLOW.- UNCOLLECTABLE PROP.	0.00	2,484.53
101-2-00-2055	DEFERRED TAX REVENUE	0.00	348.90
198-1-00-1207	Current Taxes Receivable	0.00	38,939.00
198-1-00-1209	Delinquent Taxes Receivable	36,105.57	0.00
198-2-00-2051	Allow. for Uncollectable Propre	0.00	783.61
198-2-00-2055	Deferred Tax Revenue	3,617.04	0.00
<b>Total</b>		<b>159,432.03</b>	<b>159,432.03</b>
			<b>0.00</b>

#### **GMS04**

To adjust allowances for doubtful accounts.

102-1-00-1290	Allowance for Doubtful Account	0.00	10,245.08
102-4-00-4201	Water Sales - Metered	10,245.08	0.00
103-1-00-1290	Allowance for Doubtful Account	0.00	9,125.41
103-4-00-4209	Waste Water Services	9,125.41	0.00
104-1-00-1290	Allowance for Doubtful Account	0.00	3,372.29
104-4-00-4215	Residential/Poly Cart	3,372.29	0.00
<b>Total</b>		<b>22,742.78</b>	<b>22,742.78</b>
			<b>(22,742.78)</b>

#### **GMS05**

To balance transfers.

103-1-00-1517	Construction in Progress	152,000.00	0.00
103-4-00-4915	Operating Transfers In	0.00	152,000.00
<b>Total</b>		<b>152,000.00</b>	<b>152,000.00</b>
			<b>152,000.00</b>

#### **GMS06**

To adjust accrued interest to current year amount.

102-2-00-2029	Accrued Interest Payable Bond	301.23	0.00
102-5-90-7492	Interest Expense	0.00	301.23
103-2-00-2029	Accrued Interest Payable Bond	1,095.76	0.00
103-5-90-7614	Interest Expense	0.00	1,095.76
<b>Total</b>		<b>1,396.99</b>	<b>1,396.99</b>
			<b>1,396.99</b>

#### **GMS07**

To reclassify copier lease payments according to GASB 87.

103-2-00-2137	Lease Financing Liability	250.49	0.00
103-2-00-2138	Long Term Lease Financing Liab	542.40	0.00
103-5-77-7105	Rentals	0.00	823.08
103-5-77-7135	Lease Financing Interest	30.19	0.00
102-2-00-2137	Lease Financing Liability	0.00	2,662.79
102-2-00-2138	Long Term Lease Financing Liab	3,455.68	0.00
102-5-73-7105	Rentals	0.00	823.08
102-5-73-7135	Lease Financing Interest	30.19	0.00
101-5-18-7145	Lease Financing Principal	6,255.48	0.00
101-5-18-7135	Lease Financing Interest	238.20	0.00

101-5-18-7105	Rentals	0.00	6,493.68
101-5-20-7145	Lease Financing Principal	5,113.03	0.00
101-5-20-7135	Lease Financing Interest	194.69	0.00
101-5-20-7105	Rentals	0.00	5,307.72
101-5-24-7145	Lease Financing Principal	2,731.24	0.00
101-5-24-7135	Lease Financing Interest	104.00	0.00
101-5-24-7105	Rentals	0.00	2,835.24
125-1-00-1560	Accum Amort:Right-of-Use Asset	0.00	13,611.00
125-3-00-3111	Investment in GFA General Fund	13,611.00	0.00
<b>Total</b>		<b><u>32,556.59</u></b>	<b><u>32,556.59</u></b>
			<b><u>1,585.78</u></b>

#### GMS08

To adjust earned but unbilled utility revenue to current year amount.

102-4-00-4201	Water Sales - Metered	322.09	0.00
102-4-00-4206	Water Sales - TDCJ	3,715.20	0.00
102-4-00-4212	Water Sales High Mesa	90.00	0.00
102-4-00-4202	Water Sales - Raw - at Plant	2,280.00	0.00
102-1-00-1220	Unbilled Water/WasteWater Rece	0.00	6,407.29
103-4-00-4209	Waste Water Services	19,027.99	0.00
103-4-00-4207	Waste Water Services - TDCJ	2,181.60	0.00
103-1-00-1220	Unbilled Water/WasteWater Rece	0.00	21,209.59
<b>Total</b>		<b><u>27,616.88</u></b>	<b><u>27,616.88</u></b>
			<b><u>(27,616.88)</u></b>

#### GMS09

To adjust court receivable to current year amount.

101-1-00-1235	ACCOUNTS RECEIVABLE COURT	59,050.00	0.00
101-1-00-1236	ALLOWANCE FOR COURT COST	0.00	29,525.00
101-2-00-2064	DEFERRED COURT COSTS	0.00	29,525.00
<b>Total</b>		<b><u>59,050.00</u></b>	<b><u>59,050.00</u></b>
			<b><u>0.00</u></b>

#### GMS10

To adjust accounts payable

101-2-00-2008	RESTRAINT FINES PAYABLE	81.50	0.00
101-2-00-2007	COURT COST PAYABLE	13,631.58	0.00
197-5-43-7231	Street Improvement Purchase	26,100.00	0.00
102-5-74-5524	Lift Stations Repair By Contra	8,442.50	0.00
101-5-24-5568	Legal Fees	2,203.25	0.00
101-5-90-5567	Attorney	4,335.04	0.00
101-5-20-5718	Law Enforcement Center Utiliti	10,797.25	0.00
102-5-73-5536	WCTMWD Water	27,378.30	0.00
101-5-21-5327	Euthanasia Supplies	14.47	0.00
101-5-21-5333	Minor Equip	19.98	0.00
101-5-16-5333	Minor Equipment	39.99	0.00
101-5-20-5305	Office Supplies	65.73	0.00
101-5-20-5305	Office Supplies	60.98	0.00
101-2-00-2005	ACCOUNTS PAYABLE	0.00	31,249.77
102-2-00-2005	Accounts Payable	0.00	35,820.80
197-2-00-2005	Accounts Payable	0.00	26,100.00
<b>Total</b>		<b><u>93,170.57</u></b>	<b><u>93,170.57</u></b>
			<b><u>(79,457.49)</u></b>

**GMS11**

To adjust general fixed assets.

125-1-00-1517	Construction in Progress	3,601,309.95	0.00
125-1-00-1517	Construction in Progress	0.00	725,998.76
125-1-00-1505	Buildings	69,165.00	0.00
125-1-00-1506	Building Improvements	382,129.76	0.00
125-1-00-1502	INFRASTRUCTURE	432,768.00	0.00
125-1-00-1511	Vehicles & Equipment	0.00	148,651.80
125-1-00-1552	AccDep-Buildings	0.00	34,045.90
125-1-00-1553	AccDep-Buildings Improvement	0.00	7,288.23
125-1-00-1551	AccDep-Infrastructure	0.00	172,701.28
125-1-00-1550	AccDep-Land Improvements	0.00	10,399.92
125-1-00-1554	AccDep-Vehicles & Equipment	0.00	50,689.62
125-1-00-1555	AccDep-Furniture/Fixtures	0.00	3,606.66
125-1-00-1560	Accum Amort:Right-of-Use Asset	0.00	0.00
125-3-00-3111	Investment in GFA General Fund	0.00	3,331,990.54
<b>Total</b>		<b>4,485,372.71</b>	<b>4,485,372.71</b>
			<b>0.00</b>

**GMS12**

To adjust enterprise funds fixed assets

102-1-00-1517	Construction in Progress	130,700.00	0.00
102-1-00-1507	Water System	183,728.16	0.00
102-5-73-7230	SYSTEMS IMPROVE PURCHASE	0.00	41,337.16
102-5-74-7230	System Improvement Purchase	0.00	142,391.00
195-5-73-7242	WTP-DWSRF Improvement	0.00	130,700.00
102-1-00-1550	AccDep-Land Improvements	0.00	759.06
102-1-00-1556	AccDep-Collection & Distributi	0.00	633,883.61
102-1-00-1553	AccDep-Buildings Improvement	0.00	19,217.52
102-1-00-1554	AccDep-Vehicles & Equipment	0.00	22,741.36
102-1-00-1560	Accum Amort:Right-of-Use Asset	0.00	765.00
102-5-74-7606	Amort Exp:Right-of-Use Asset	765.00	0.00
102-5-90-7605	Depreciation Expense	676,601.55	0.00
103-1-00-1556	AccDep-Collection & Distributi	0.00	227,599.62
103-1-00-1553	AccDep-Buildings Improvement	0.00	1,587.30
103-1-00-1554	AccDep-Vehicles & Equipment	0.00	127,973.67
103-1-00-1560	Accum Amort:Right-of-Use Asset	0.00	765.00
103-5-77-7606	Amort Exp: Right-of-Use Asset	765.00	0.00
103-5-90-7605	Depreciation Expense	357,160.59	0.00
132-1-00-1550	AccDep-Land Improvements	0.00	164.34
132-1-00-1552	AccDep-Buildings	0.00	4,861.98
132-5-90-7605	Depreciation Expense	5,026.32	0.00
<b>Total</b>		<b>1,354,746.62</b>	<b>1,354,746.62</b>
			<b>(725,890.30)</b>

**GMS14**

Accrue compensated absences in accordance with new GASB 101.

102-2-00-2084	Compensated Absences Payable	0.00	76,358.57
102-3-00-3005	Retained Earnings	76,003.27	0.00
102-5-74-5105	Regular Salaries	355.30	0.00
103-2-00-2084	Compensated Absences Payable	0.00	20,339.45
103-3-00-3005	Retained Earnings	19,212.43	0.00
103-5-77-5105	Regular Salaries	1,127.02	0.00

104-2-00-2084	Compensated Absences Payable	0.00	1,913.44
104-3-00-3005	Fund Balance	312.00	0.00
104-5-42-5105	Regular Salaries	1,601.44	0.00
<b>Total</b>		<b>98,611.46</b>	<b>98,611.46</b>
			<b>(3,083.76)</b>

### GMS15

To reclassify capital lease payments.

111-4-00-4909	Transfer from Water Fund	344.65	0.00
111-5-71-7220	Motor Vehicle Purchase	0.00	344.65
102-5-90-9004	Transfer to Equip. Replacement	0.00	344.65
102-5-90-7492	Interest Expense	344.65	0.00
111-5-32-7223	Equipment Purchase	0.00	8,570.00
111-5-33-7220	Motor Vehicle Purchase	0.00	12,099.00
111-5-43-7220	Motor Vehicle Purchase	0.00	17,644.75
111-5-71-7220	Motor Vehicle Purchase	0.00	1,459.91
111-5-32-7125	LEASE PURCHASE EQUIPMENT	8,850.97	0.00
111-5-32-7115	INTEREST/L-P EQUIPMENT	296.33	0.00
111-5-33-7125	LEASE PURCHASE EQUIPMENT	10,805.61	0.00
111-5-33-7115	INTEREST/L-P EQUIPMENT	361.77	0.00
111-5-43-7125	LEASE PURCHASE EQUIPMENT	18,828.60	0.00
111-5-43-7115	INTEREST/L-P EQUIPMENT	630.38	0.00
112-1-00-1350	Amts to be Provided for Capita	151,889.91	0.00
112-2-00-2137	Lease Financing Liability	0.00	9,645.31
112-2-00-2138	Long Term Lease Financing Liab	0.00	142,244.60
<b>Total</b>		<b>192,352.87</b>	<b>192,352.87</b>
			<b>0.00</b>

**GRAND TOTAL**

**6,777,891.50**

**6,777,891.50**

**(729,601.44)**