

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

CITY OF BRECKENRIDGE, TEXAS

Annual Financial Report

For the year ended September 30, 2025

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Annual Financial Report

For the year ended September 30, 2025

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the City Commission
City of Breckenridge, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Breckenridge, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material aspects, 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, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Breckenridge, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not

a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considering the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, budgetary comparison – general fund, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in total OPEB liability and related ratios on pages 52 - 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

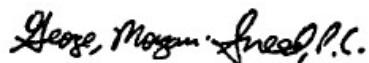
Other Information

Management is responsible for the other information included in the annual report. The other information comprised the other supplementary information listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.
Weatherford, Texas
January 27, 2026

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, 2025.

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 \$29,639,357 (*net position*) compared to net position of \$28,286,568 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was \$6,447,219 at year end.
- The City's total net position increased by \$1,711,067. The City's operations increased the governmental activities net position by \$1,332,124 and increased the business-type activities net position by \$378,943.
- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of \$8,739,143. This compares to an ending fund balance of \$11,125,569 in the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,222,019, or 45% of total general fund expenditures. This compares to an unassigned fund balance of \$1,938,658 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements.

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

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

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

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

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

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

Fund financial statements.

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$29,630,357 as of September 30, 2025.

The largest portion of the City's net position (73%) 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 (6%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors was \$6,447,219 at the end of the year.

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

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

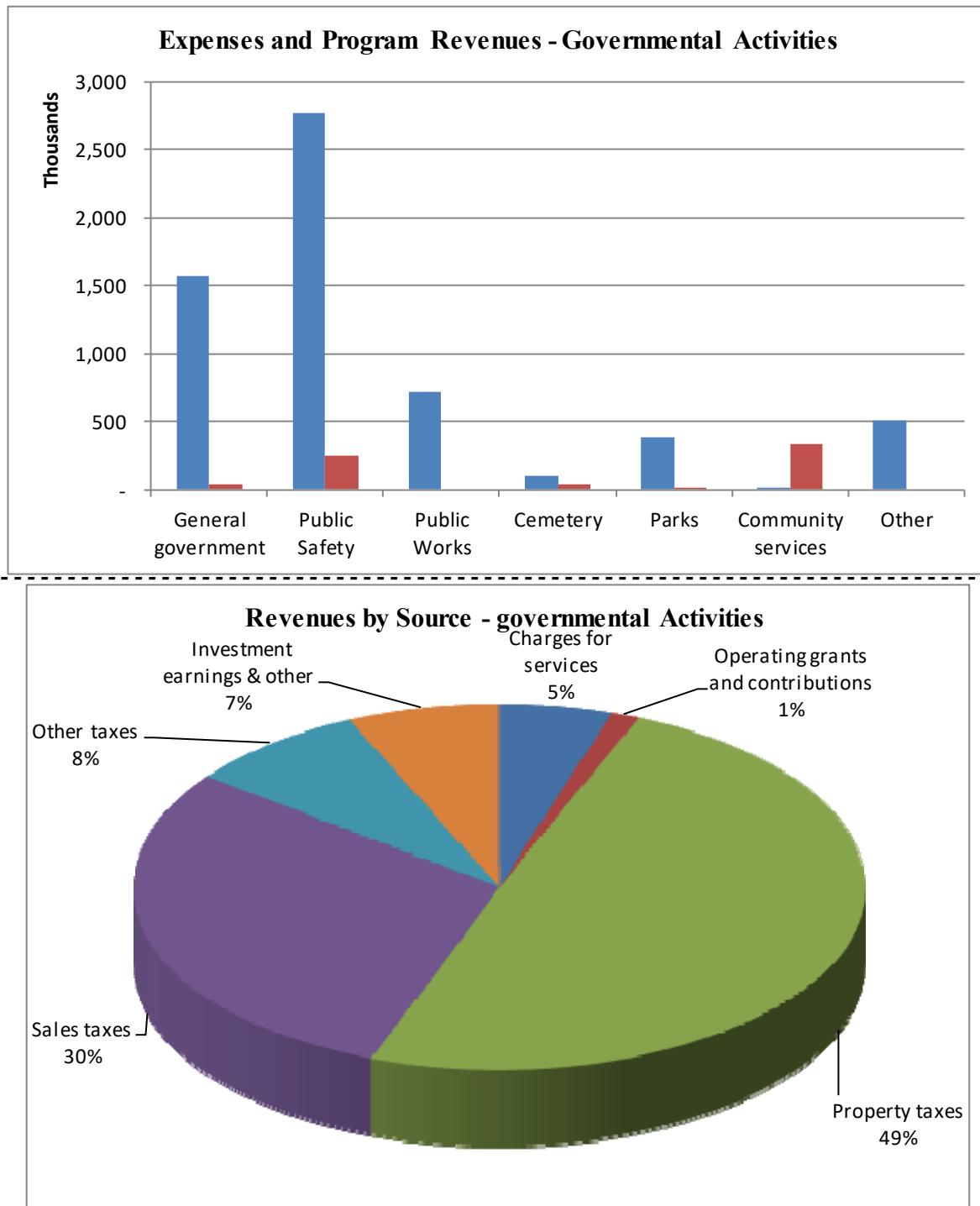
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 9,209,341	\$ 11,509,695	\$ 12,619,428	\$ 12,132,870	\$ 21,828,769	\$ 23,642,565
Capital assets	12,924,213	9,676,678	19,365,852	19,980,362	32,290,065	29,657,040
Total Assets	<u>22,133,554</u>	<u>21,186,373</u>	<u>31,985,280</u>	<u>32,113,232</u>	<u>54,118,834</u>	<u>53,299,605</u>
Deferred outflows of resources	304,072	490,625	99,750	159,408	403,822	650,033
Current liabilities	173,376	121,696	2,488,967	2,617,372	2,662,343	2,739,068
Long-term liabilities	12,794,516	13,184,261	9,264,802	9,618,501	22,059,318	22,802,762
Total liabilities	<u>12,967,892</u>	<u>13,305,957</u>	<u>11,753,769</u>	<u>12,235,873</u>	<u>24,721,661</u>	<u>25,541,830</u>
Deferred inflows of resources	121,342	92,023	40,297	29,218	161,639	121,241
Net Position:						
Net investment in capital assets	5,436,290	4,683,767	16,116,145	16,105,584	21,552,435	20,789,351
Restricted	1,639,703	1,231,894	-	-	1,639,703	1,231,894
Unrestricted	2,272,399	2,363,357	4,174,820	3,901,966	6,447,219	6,265,323
Total Net Position	<u>\$ 9,348,392</u>	<u>\$ 8,279,018</u>	<u>\$ 20,290,965</u>	<u>\$ 20,007,550</u>	<u>\$ 29,639,357</u>	<u>\$ 28,286,568</u>

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

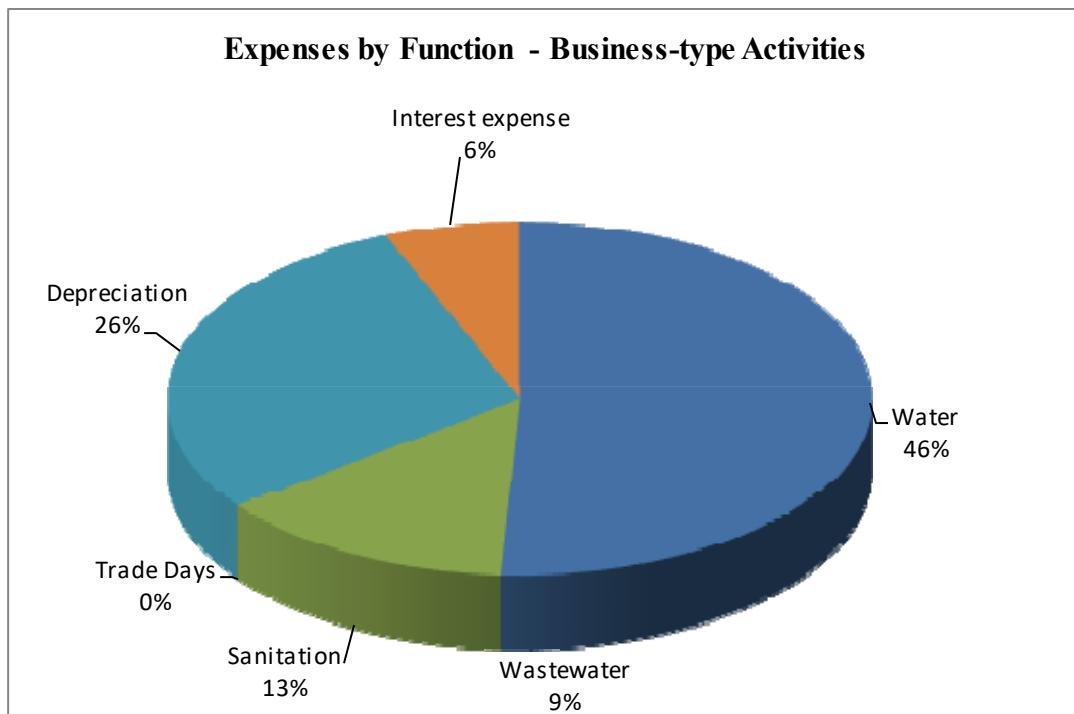
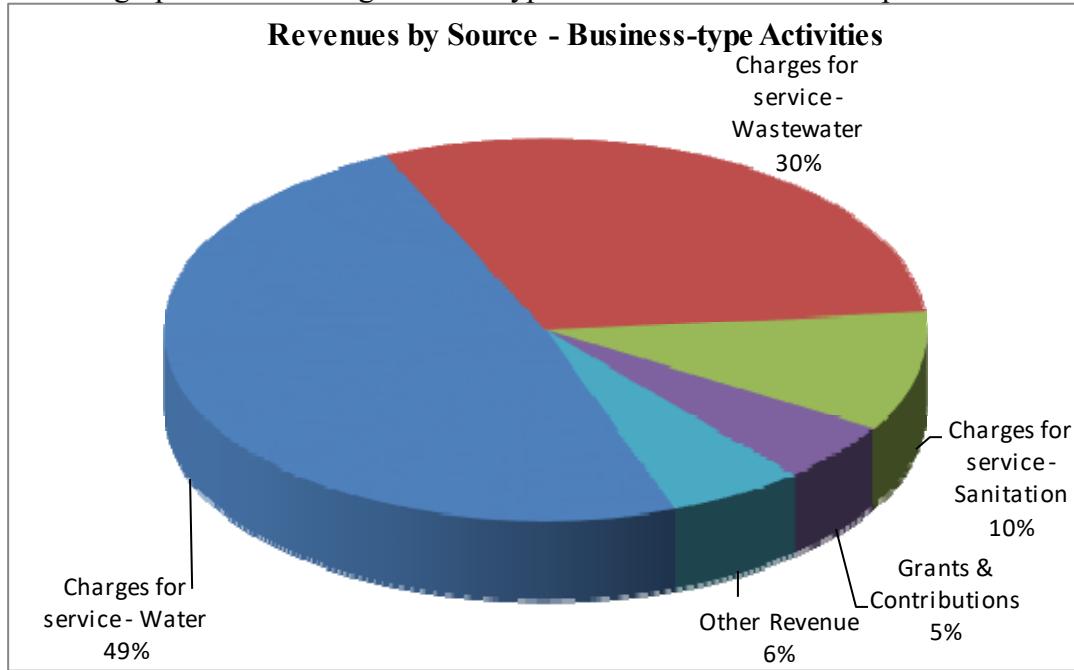
Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 304,455	\$ 212,934	\$ 4,929,410	\$ 4,997,052	\$ 5,233,865	\$ 5,209,986
Operating grants and contributions	74,993	196,124	-	-	74,993	196,124
Capital grants and contributions	290,343	-	282,700	146,350	573,043	146,350
General revenues:						
Property taxes	2,992,857	2,858,721	-	-	2,992,857	2,858,721
Sales and use taxes	1,793,777	1,699,127	-	-	1,793,777	1,699,127
Franchise taxes	440,954	442,287	-	-	440,954	442,287
Hotel motel taxes	44,705	42,369	-	-	44,705	42,369
Investment earnings	306,902	539,254	320,008	378,439	626,910	917,693
Other Revenue	99,777	249,301	-	28,600	99,777	277,901
Total revenues	6,348,763	6,240,117	5,532,118	5,550,441	11,880,881	11,790,558
Expenses						
General government	1,569,510	1,420,492	-	-	1,569,510	1,420,492
Public Safety	2,770,986	2,530,198	-	-	2,770,986	2,530,198
Public Works	721,516	628,804	-	-	721,516	628,804
Health and sanitation	-	-	512,955	528,889	512,955	528,889
Cemetery	100,996	121,786	-	-	100,996	121,786
Parks	391,944	382,730	-	-	391,944	382,730
Community services	14,018	15,486	-	-	14,018	15,486
Tourism	36,320	46,825	-	-	36,320	46,825
Interest on long-term	471,810	450,905	-	-	471,810	450,905
Bond issuance costs	-	-	-	-	-	-
Water and wastewater	-	-	3,574,733	3,429,638	3,574,733	3,429,638
Trade Days	-	-	5,026	5,026	5,026	5,026
Total expenses	6,077,100	5,597,226	4,092,714	3,963,553	10,169,814	9,560,779
Increase (decrease) in net position						
before transfers	271,663	642,891	1,439,404	1,586,888	1,711,067	2,229,779
Transfers	1,060,461	793,046	(1,060,461)	(793,046)	-	-
Increase (decrease) in net position	1,332,124	1,435,937	378,943	793,842	1,711,067	2,229,779
Net Position October 1	8,279,018	6,843,082	20,007,549	19,213,707	28,286,567	26,056,789
Prior Period Adjustment	(262,750)	-	(95,527)	-	(358,277)	-
Net Position September 30	\$ 9,348,392	\$ 8,279,019	\$ 20,290,965	\$ 20,007,549	\$ 29,639,357	\$ 28,286,568

Governmental Activities. Governmental activities increased the City's net position by \$1,332,124 in the current year. Total governmental activities revenues increased by \$108,645. Property taxes increased \$134,136 due to a \$16 million increase in property values and decrease of \$0.01 of tax rate. Total governmental activities expenses increased \$479,873 (9%). The largest increase was salaries and benefits in public safety due to being closer to full staff. Below are two graphs summarizing governmental revenue and expense:



Business-type activities. Business-type activities increased the City's net position by \$378,943. The business-type activities total revenues decreased \$18,323 and total expenses increased \$129,161. Charges for service decreased \$67,692 primarily because less gallons of water were sold. Capital grants and contributions increased \$136,356. The largest increase in expenses was depreciation expense.

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



Financial Analysis of the Government's Funds

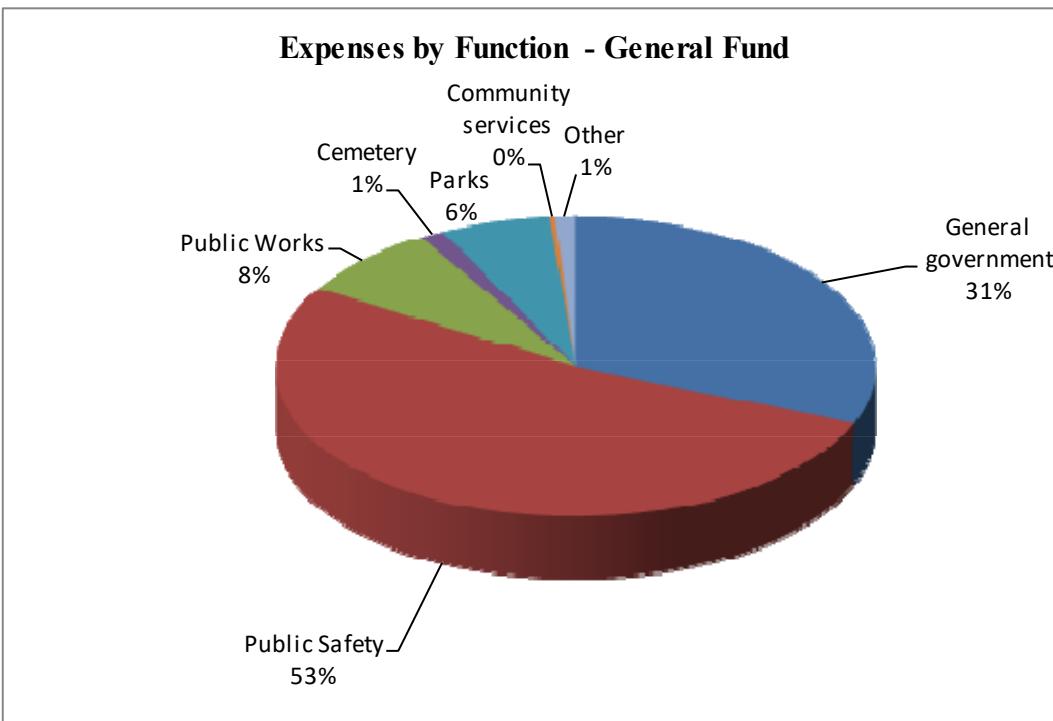
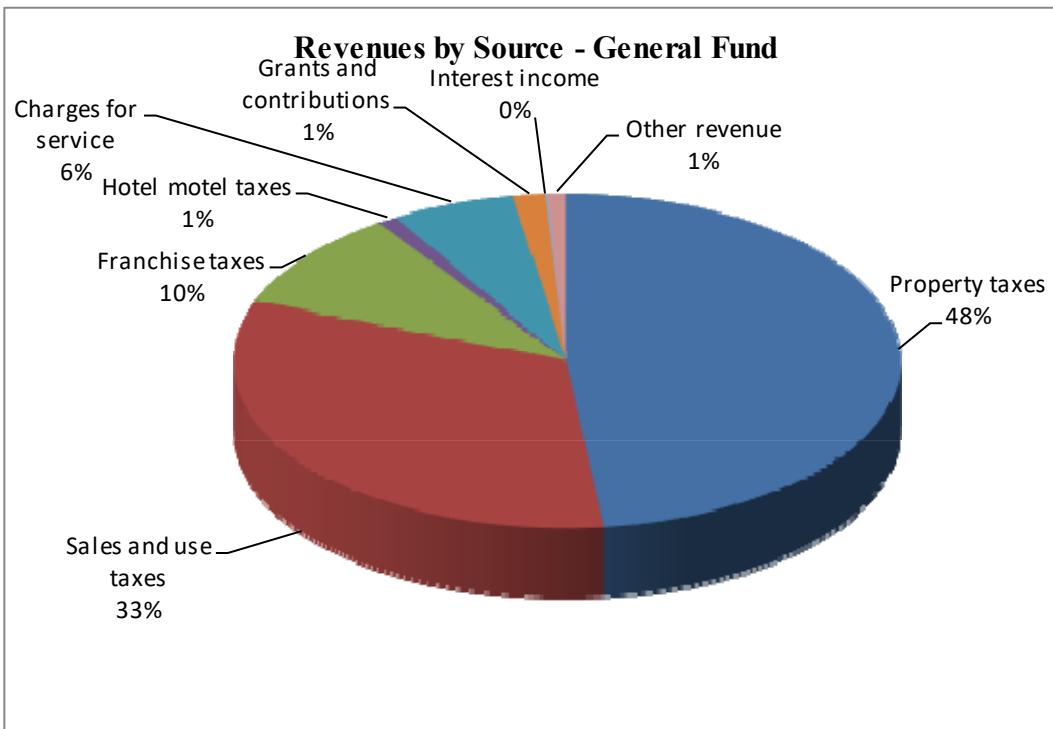
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At year end, the City's governmental funds reported combined ending fund balances of \$8,739,143. \$2,222,019 (25%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,222,019. Below is a comparison of the general fund's net change in fund balance for 2025 and 2024.

	2025	2024	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	\$ 2,208,344	\$ 2,171,466	\$ 36,878	1.70%
Sales and use tax	1,495,878	1,416,918	78,960	5.57%
Franchise	440,954	442,287	(1,333)	-0.30%
Hotel motel taxes	44,705	42,369	2,336	5.51%
Charges for service	274,931	212,934	61,997	29.12%
Grants and contributions	70,599	73,215	(2,616)	-3.57%
Interest income	5,873	5,069	804	15.86%
Other revenue	40,525	44,716	(4,191)	-9.37%
Total revenues	<u>4,581,809</u>	<u>4,408,974</u>	<u>172,835</u>	<u>3.92%</u>
Expenditures:				
Current				
General government	1,523,763	1,340,034	183,729	13.71%
Public Safety	2,573,914	2,366,507	207,407	8.76%
Public Works	385,258	393,894	(8,636)	-2.19%
Cemetery	63,454	78,254	(14,800)	-18.91%
Parks	293,061	292,989	72	0.02%
Community services	14,018	14,594	(576)	-3.95%
Tourism	36,320	46,825	(10,505)	-22.43%
Debt service:				
Principal	14,099	13,670	429	3.14%
Interest and fiscal charges	537	967	(430)	-44.47%
Total expenditures	<u>4,904,424</u>	<u>4,547,734</u>	<u>356,690</u>	<u>7.84%</u>
Other financing sources (uses):				
Insurance recoveries	3,796	42,012	(38,216)	-90.96%
Proceeds Sale of Assets	4,260	75,042	(70,782)	100.00%
Transfers in	935,000	595,000	340,000	57.14%
Transfers out	(337,034)	(181,034)	(156,000)	-100.00%
Net change in fund balances	\$ 283,407	\$ 392,260	\$ (38,071)	\$ -9.71%

Below are two graphs summarizing general fund revenue and expenditures.



Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund, Wastewater Fund, Sanitation Fund, and Trade Days Fund at the end of the year amounted to \$4,174,820. The total change in net position was \$378,943. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, the City amended its budget. General fund budgeted revenues increased \$146,933. Actual revenues were \$28,137 more than budgeted. Budget amendments increased expenditures \$94,913. Actual expenditures of the general fund were \$250,916 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to \$32,290,063 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- \$3,251,950 for street improvements
- \$20,412 for facilities improvements
- \$328,948 for downtown revitalization

Business-type activities:

- \$152,000 and \$130,700 engineering for wastewater and water projects, respectively

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 194,585	\$ 194,785	\$ 193,297	\$ 193,297	\$ 387,882	\$ 388,082
Construction in progress	4,074,766	1,199,455	546,500	263,800	4,621,266	1,463,255
Land Improvements	-	-	27,812	28,735	27,812	28,735
Buildings and improvements	805,745	466,259	266,601	292,268	1,072,346	758,527
Water and sewer systems	-	-	17,647,096	18,324,852	17,647,096	18,324,852
Infrastructure	6,824,106	6,602,242	-	-	6,824,106	6,602,242
Vehicles and equipment	355,746	460,413	552,226	702,941	907,972	1,163,354
Intangible right-to-use equipment	669,265	753,720	132,320	174,470	801,585	928,190
Total	\$ 12,924,213	\$ 9,676,874	\$ 19,365,852	\$ 19,980,363	\$ 32,290,065	\$ 29,657,237

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	
	2025	2024	2025	2024	2025	2024
Financed Purchases	\$ -	\$ 61,460	\$ 381,196	\$ 451,211	\$ 381,196	\$ 512,671
Lease Financing Payable	699,838	763,956	140,928	179,282	840,766	943,238
Certificates of Obligation	11,001,000	11,339,000	8,494,000	8,793,000	19,495,000	20,132,000
Total	\$ <u>11,700,838</u>	\$ <u>12,164,416</u>	\$ <u>9,016,124</u>	\$ <u>9,423,493</u>	\$ <u>20,716,962</u>	\$ <u>21,587,909</u>

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

Economic factors and the Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rate, and fees that will be charged for the governmental and business-type activities. The major factor affecting all decisions is the changing economy within the framework of the national economic recovery. Along with the rest of the nation, Breckenridge only saw a minimal increase in sales and hotel occupancy taxes. In addition, the local oil and gas industry continues to struggle and remains very volatile. Based on these two factors, sales tax projections remained flat for the fiscal year 2026 budget.

The City prides itself on a quality school district and "hometown" atmosphere. The Breckenridge Economic Development Corporation (BEDC) works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities in coordination with the school district and Texas State Technical College. The BEDC receives one-fourth of the sales tax collected and remitted to the City to support these growth and development initiatives. The City of Breckenridge considered these factors when adopting the General Fund budget for fiscal year 2026. The budgeted revenues for fiscal year 2026 total \$5,606,124 for the General Fund, which is a \$274,385 or 5.14% increase from the previous fiscal year budget. Ad valorem tax revenue is determined by two factors – the total assessed value established by the Stephens County Appraisal District and the tax rate established by the Breckenridge City Commission. The property tax rate for the budgeted year decreased by 0.01 cents to \$1.02893 per hundred dollars of assessed value for 2025. Certified taxable property value is \$312,124,764. This is a 4.26% increase over the last year's values, or \$12 million.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit	
	Governmental Activities		Business-type Activities	Breckenridge	
				Economic	Development
ASSETS:					
Cash and cash equivalents	\$ 3,449,258	\$ 3,715,845	\$ 7,165,103	\$ 870,201	
Investments	5,063,207	-	5,063,207		-
Receivables (Net of allowances for uncollectibles)					
Property taxes	195,915	-	195,915		-
Other taxes	426,664	-	426,664	103,867	
Accounts	23,794	516,356	540,150		-
Miscellaneous	50,503	-	50,503	350,482	
Internal Balances	-	-	-		-
Supplies inventory	-	182,918	182,918		-
Restricted assets:					
Cash and cash equivalents	-	8,204,309	8,204,309		-
Notes receivable	-	-	-	762,201	
Capital assets (net of accumulated depreciation):					
Non-depreciable assets	4,269,351	739,797	5,009,148	29,466	
Depreciable assets	8,654,862	18,626,055	27,280,917	65,777	
Land held for economic development, at cost				1,918,128	
Total Assets	22,133,554	31,985,280	54,118,834	4,100,122	
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS pension	292,179	95,800	387,979		-
Deferred outflow related to TMRS OPEB	11,893	3,950	15,843		-
Total Deferred Outflows of Resources	304,072	99,750	403,822		
LIABILITIES:					
Accounts Payable	97,903	167,707	265,610		-
Accrued Payroll	52,943	17,103	70,046		-
Due to other governments	3,970	-	3,970		-
Unearned Revenue	-	1,993,729	1,993,729		
Current Liabilities Payable from Restricted Assets:					
Interest payable	18,560	15,897	34,457		-
Customer deposits	-	294,531	294,531		-
Noncurrent liabilities:					
Due within one year	639,507	436,176	1,075,683		-
Due in more than one year	12,155,009	8,828,626	20,983,635		-
Total Liabilities	12,967,892	11,753,768	24,721,661		
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow related to TMRS pension	80,950	26,882	107,832		-
Deferred inflow related to TMRS OPEB	40,392	13,415	53,807		-
Deferred inflows - leases	-	-	-	350,482	
Total Deferred Inflows of Resources	121,342	40,297	161,639		350,482
NET POSITION:					
Net Investments in Capital Assets	5,436,290	16,116,145	21,552,435	95,243	
Restricted Net Position (Expendable)					
Restricted for USDA loan program	-	-	-	450,144	
Debt service	336,359	-	336,359		-
Property tax reduction	17,723	-	17,723		-
Public safety	21,876	-	21,876		-
Public works	604,151	-	604,151		-
Cemetery	650,900	-	650,900		
Parks	8,694	-	8,694		-
Unrestricted Net Position	2,272,399	4,174,820	6,447,219	3,204,253	
Total Net Position	\$ 9,348,392	\$ 20,290,965	\$ 29,639,357	\$ 3,749,640	

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, 2025

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 1,569,510	\$ 41,023	\$ -	\$ -
Public Safety	2,770,986	242,077	8,474	-
Public Works	721,516	-	-	-
Cemetery	100,996	20,155	16,333	-
Parks	391,944	1,200	628	-
Community services	14,018	-	49,558	290,343
Tourism	36,320	-	-	-
Interest on long-term debt	471,810	-	-	-
Total governmental activities	<u>6,077,100</u>	<u>304,455</u>	<u>74,993</u>	<u>290,343</u>
Business-type activities:				
Water and wastewater	3,574,733	4,375,154	-	282,700
Sanitation	512,955	554,256	-	-
Trade Days	5,026	-	-	-
Total business-type activities	<u>4,092,714</u>	<u>4,929,410</u>	<u>-</u>	<u>282,700</u>
Total primary government	<u>\$ 10,169,814</u>	<u>\$ 5,233,865</u>	<u>\$ 74,993</u>	<u>\$ 573,043</u>

Component Unit

Governmental activities:				
General administration	\$ 188,630	\$ -	\$ -	\$ -
Economic development	687,125	-	-	-
Community development	59,187	-	-	-
Total component unit	<u>\$ 934,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

 Property Taxes, levied for general purposes

 Property Taxes, levied for debt service

 Sales and Use Taxes

 Rental Income

 Franchise Taxes

 Hotel Motel Taxes

 Investment Earnings

 Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position October 1, 2024

Prior Period Adjustment

Net Position September 30, 2025

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

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position

Component Unit			
Primary Government			Breckenridge
Governmental Activities	Business-type Activities	Total	Economic Development
\$ (1,528,487)	\$ -	\$ (1,528,487)	\$ -
(2,520,435)	-	(2,520,435)	-
(721,516)	-	(721,516)	-
(64,508)	-	(64,508)	-
(390,116)	-	(390,116)	-
325,883	-	325,883	-
(36,320)	-	(36,320)	-
(471,810)	-	(471,810)	-
<u><u>(5,407,309)</u></u>	<u><u>-</u></u>	<u><u>(5,407,309)</u></u>	<u><u>-</u></u>
 - 1,083,121	 - 41,301	 1,083,121	 - 41,301
<u><u>-</u></u>	<u><u>(5,026)</u></u>	<u><u>(5,026)</u></u>	<u><u>-</u></u>
<u><u>-</u></u>	<u><u>1,119,396</u></u>	<u><u>1,119,396</u></u>	<u><u>-</u></u>
 <u><u>\$ (5,407,309)</u></u>	 <u><u>\$ 1,119,396</u></u>	 <u><u>\$ (4,287,913)</u></u>	 <u><u>\$ -</u></u>
 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (188,630)</u></u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(687,125)</u></u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(59,187)</u></u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (934,942)</u></u>
 <u><u>\$ 2,210,829</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,210,829</u></u>	<u><u>\$ -</u></u>
<u><u>782,028</u></u>	<u><u>-</u></u>	<u><u>782,028</u></u>	<u><u>-</u></u>
<u><u>1,793,777</u></u>	<u><u>-</u></u>	<u><u>1,793,777</u></u>	<u><u>597,117</u></u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>149,238</u></u>
<u><u>440,954</u></u>	<u><u>-</u></u>	<u><u>440,954</u></u>	<u><u>-</u></u>
<u><u>44,705</u></u>	<u><u>-</u></u>	<u><u>44,705</u></u>	<u><u>-</u></u>
<u><u>306,902</u></u>	<u><u>320,008</u></u>	<u><u>626,910</u></u>	<u><u>68,756</u></u>
<u><u>99,777</u></u>	<u><u>-</u></u>	<u><u>99,777</u></u>	<u><u>55,626</u></u>
<u><u>1,060,461</u></u>	<u><u>(1,060,461)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<u><u>6,739,433</u></u>	<u><u>(740,453)</u></u>	<u><u>5,998,980</u></u>	<u><u>870,737</u></u>
 <u><u>1,332,124</u></u>	<u><u>378,943</u></u>	<u><u>1,711,067</u></u>	<u><u>(64,205)</u></u>
 <u><u>8,279,018</u></u>	<u><u>20,007,549</u></u>	<u><u>28,286,567</u></u>	<u><u>3,813,845</u></u>
<u><u>(262,750)</u></u>	<u><u>(95,527)</u></u>	<u><u>(358,277)</u></u>	
 <u><u>\$ 9,348,392</u></u>	<u><u>\$ 20,290,965</u></u>	<u><u>\$ 29,639,357</u></u>	<u><u>\$ 3,749,640</u></u>

CITY OF BRECKENRIDGE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	General Debt Service Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Assets:					
Cash and cash equivalents	\$ 2,038,319	\$ 354,919	\$ 194,187	\$ 861,833	\$ 3,449,258
Investments	-	-	4,412,307	650,900	5,063,207
Receivables (Net of allowances)					
Property taxes	143,793	52,122	-	-	195,915
Other taxes	374,730	-	-	51,934	426,664
Accounts	23,794	-	-	-	23,794
Miscellaneous	50,503	-	-	-	50,503
Total assets	<u>\$ 2,631,139</u>	<u>\$ 407,041</u>	<u>\$ 4,606,494</u>	<u>\$ 1,564,667</u>	<u>\$ 9,209,341</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 71,224	\$ -	\$ 26,100	\$ 579	\$ 97,903
Accrued payroll	52,943	-	-	-	52,943
Due to other funds	-	-	-	-	-
Due to other governments	3,970	-	-	-	3,970
Total liabilities	<u>128,137</u>	<u>-</u>	<u>26,100</u>	<u>579</u>	<u>154,816</u>
Deferred inflows of resources:					
Deferred property tax	143,794	52,122	-	-	195,916
Other deferred revenue	119,466	-	-	-	119,466
Total deferred inflows of resources	<u>263,260</u>	<u>52,122</u>	<u>-</u>	<u>-</u>	<u>315,382</u>
Fund Balances:					
Restricted fund balance	17,723	354,919	4,580,394	1,285,621	6,238,657
Committed fund balance	-	-	-	278,467	278,467
Unassigned Fund Balance	2,222,019	-	-	-	2,222,019
Total fund balances	<u>2,239,742</u>	<u>354,919</u>	<u>4,580,394</u>	<u>1,564,088</u>	<u>8,739,143</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,631,139</u>	<u>\$ 407,041</u>	<u>\$ 4,606,494</u>	<u>\$ 1,564,667</u>	<u>\$ 9,209,341</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, 2025

Total Fund Balances - Governmental Funds	8,739,143
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 \$18,570,108 and the accumulated depreciation was \$5,645,895.	12,924,213
Long-term liabilities, including \$274,346 compensated absences payable, \$699,837 lease financing payable and \$11,368,471 certificates of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(12,342,654)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. Including interest payable results in a decrease to net position.	(18,560)
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.	315,382
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$305,589 , a Deferred Resource Inflow related to pensions in the amount of \$80,950, and a Deferred Resource Outflow related to pensions in the amount of \$292,179. This results in a decrease in Net Position.	(94,360)
Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of \$146,274, Deferred Resource Inflow related to OPEB in the amount of \$40,392, and a Deferred Resource Outflow related to OPEB in the amount of \$11,893. This results in a decrease in Net Position.	(174,772)
Net Position of Governmental Activities	<u><u>9,348,392</u></u>

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

EXHIBIT C-3

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2025

	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property taxes	\$ 2,208,344	\$ 781,244	\$ -	\$ -	\$ 2,989,588
Sales and use tax	1,495,878	-	-	297,899	1,793,777
Franchise	440,954	-	-	-	440,954
Hotel motel taxes	44,705	-	-	-	44,705
Charges for service	274,931	-	-	-	274,931
Grants and contributions	70,599	-	290,343	4,394	365,336
Investment earnings	5,873	1,194	258,632	41,203	306,902
Other revenue	40,525	-	-	3,420	43,945
Total revenues	4,581,809	782,438	548,975	346,916	6,260,138
Expenditures:					
Current					
General government	1,523,763	-	-	-	1,523,763
Public Safety	2,573,914	-	-	3,518	2,577,432
Public Works	385,258	-	-	63,794	449,052
Cemetery	63,454	-	-	20,982	84,436
Parks	293,061	-	23,000	1,595	317,656
Community services	14,018	-	-	-	14,018
Tourism	36,320	-	-	-	36,320
Capital Outlay	-	-	3,604,410	180,557	3,784,967
Debt service:					
Principal	14,099	338,000	-	203,705	555,804
Interest and fiscal charges	537	454,061	-	57,036	511,634
Total expenditures	4,904,424	792,061	3,627,410	531,187	9,855,082
Excess (deficiency) of revenue over (under) expenditures	\$ (322,615)	\$ (9,623)	\$ (3,078,435)	\$ (184,271)	\$ (3,594,944)
Other financing sources (uses):					
Lease Financing	-	-	-	92,412	92,412
Insurance recoveries	3,796	-	-	1,600	5,396
Proceeds Sale of Assets	4,260	-	-	45,989	50,249
Transfers in	935,000	159,686	75,000	227,809	1,397,495
Transfers out	(337,034)	-	-	-	(337,034)
Net change in fund balances	283,407	150,063	(3,003,435)	183,539	(2,386,426)
Fund balance, October 1, 2024	1,956,335	204,856	7,583,829	1,380,549	11,125,569
Fund balance, September 30, 2025	\$ 2,239,742	\$ 354,919	\$ 4,580,394	\$ 1,564,088	\$ 8,739,143

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, 2025

Total Net Change in Fund Balances - Governmental Funds	(2,386,426)
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 \$3,781,124 of capital outlays and \$555,804 of debt principal payments is to increase net position.	4,336,928
Depreciation and amortization 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 and amortization is to decrease net position.	(533,589)
Current year lease financing are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(92,226)
Current year compensated absences and amortization premiums of the governmental fund are not due and payable in the current period, therefore are not reported as liabilities in the funds. The changes in these balances decrease net position.	26,631
Current year interest payable of the governmental funds is not due and payable in the current period and, therefore is not reported as a liability in the funds. The increase in interest payable decreases net position.	1,598
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	32,794
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net pension.	(59,588)
GASB 75 requires the City to recognize their OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net pension.	6,002
Change in Net Position of Governmental Activities	<u>1,332,124</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, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 1,817,664	\$ 1,821,867	\$ 36,687	\$ 39,627	\$ 3,715,845
Receivables (Net of allowances):					
Accounts	308,882	165,598	41,876	-	516,356
Miscellaneous	-	-	-	-	-
Due from other funds	-	-	-	-	-
Supplies inventory	182,918	-	-	-	182,918
Restricted Assets:					
Cash and cash equivalents	3,895,938	4,308,371	-		8,204,309
Total current assets	<u>6,205,402</u>	<u>6,295,836</u>	<u>78,563</u>	<u>39,627</u>	<u>12,619,428</u>
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,068	22,289	39,000	18,382	244,739
Construction in progress	279,000	267,500	-	-	546,500
Buildings and improvements	993,146	108,363	-	209,322	1,310,831
Water system	21,121,496	-	-	-	21,121,496
Wastewater system	-	10,079,274	-	-	10,079,274
Vehicles and equipment	404,655	866,654	-	-	1,271,309
Intangible Right-to-Use - Leased Equipment	206,674	3,572	-	-	210,246
Less: accumulated depreciation and amortization	(10,634,271)	(4,732,060)	-	(52,214)	(15,418,545)
Capital assets, net	<u>12,535,768</u>	<u>6,615,592</u>	<u>39,000</u>	<u>175,490</u>	<u>19,365,850</u>
Total noncurrent assets	<u>12,535,768</u>	<u>6,615,592</u>	<u>39,000</u>	<u>175,490</u>	<u>19,365,850</u>
Total assets	<u>18,741,170</u>	<u>12,911,428</u>	<u>117,563</u>	<u>215,117</u>	<u>31,985,278</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS pension	82,728	11,207	1,865	-	95,800
Deferred outflow related to TMRS OPEB	3,447	464	39	-	3,950
Total Deferred Outflows of Resources	<u>86,175</u>	<u>11,671</u>	<u>1,904</u>	<u>-</u>	<u>99,750</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	120,248	12,272	35,187	-	167,707
Accrued payroll	14,362	2,031	710	-	17,103
Unearned revenues	1,033,809	959,920	-	-	1,993,729
Current portion of compensated absences payable	20,617	5,492	517	-	26,626
Current portion of long-term debt	227,874	181,674	-	-	409,548
Interest payable	5,127	10,770	-	-	15,897
Current Liabilities Payable from Restricted Assets:					
Customer deposits payable	<u>294,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,531</u>
Total current liabilities	<u>1,716,568</u>	<u>1,172,159</u>	<u>36,414</u>	<u>-</u>	<u>2,925,141</u>
Noncurrent Liabilities:					
Long-term portion of bonds payable	4,636,190	3,552,810	-	-	8,189,000
Long-term portion of compensated absences payable	55,742	14,848	1,397	-	71,987
Long-term portion of financed purchases payable	-	317,415	-	-	317,415
Long-term portion of lease financing payable	100,161	-	-	-	100,161
Net pension liability	88,537	11,926	1,018	-	101,481
Total OPEB liability	42,399	5,704	478	-	48,581
Total noncurrent liabilities	<u>4,923,029</u>	<u>3,902,703</u>	<u>2,893</u>	<u>-</u>	<u>8,828,625</u>
Total liabilities	<u>6,639,597</u>	<u>5,074,862</u>	<u>39,307</u>	<u>-</u>	<u>11,753,766</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow related to TMRS	23,453	3,159	270	-	26,882
Deferred inflow related to OPEB	11,708	1,575	132	-	13,415
Total Deferred Inflows of Resources	<u>35,161</u>	<u>4,734</u>	<u>402</u>	<u>-</u>	<u>40,297</u>
NET POSITION:					
Net Investment in Capital Assets	9,977,438	5,924,217	39,000	175,490	16,116,145
Unrestricted	2,175,149	1,919,286	40,758	39,627	4,174,820
Total net position	<u>\$ 12,152,587</u>	<u>\$ 7,843,503</u>	<u>\$ 79,758</u>	<u>\$ 215,117</u>	<u>\$ 20,290,965</u>

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

Exhibit D-2

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
Operating revenues:					
Charges for sales and services	\$ 2,627,311	\$ 1,665,534	\$ 554,256	\$ -	\$ 4,847,101
Miscellaneous	<u>68,935</u>	<u>13,374</u>	<u>-</u>	<u>-</u>	<u>82,309</u>
Total operating revenue	<u>2,696,246</u>	<u>1,678,908</u>	<u>554,256</u>	<u>-</u>	<u>4,929,410</u>
Operating expenses:					
Water and sewer commercial	155,325	48,139	-	-	203,464
Water meters and readers	64,906	-	-	-	64,906
Lake Daniel	9,143	-	-	-	9,143
Water production	867,396	-	-	-	867,396
Water distribution	790,191	-	-	-	790,191
Sewer treatment	333,864	-	-	-	333,864
Solid waste	-	-	512,955	-	512,955
Depreciation and amortization	<u>717,988</u>	<u>357,926</u>	<u>-</u>	<u>5,026</u>	<u>1,080,940</u>
Total operating expenses	<u>2,604,949</u>	<u>739,929</u>	<u>512,955</u>	<u>5,026</u>	<u>3,862,859</u>
Operating income (loss)	<u>91,297</u>	<u>938,979</u>	<u>41,301</u>	<u>(5,026)</u>	<u>1,066,551</u>
Nonoperating revenues (expenses):					
Interest revenue	148,300	171,523	84	101	320,008
Gain on Sale of Assets	-	-	-	-	-
Interest expense and fiscal charges	<u>(138,509)</u>	<u>(91,346)</u>	<u>-</u>	<u>-</u>	<u>(229,855)</u>
Total nonoperating revenues (expenses)	<u>9,791</u>	<u>80,177</u>	<u>84</u>	<u>101</u>	<u>90,153</u>
Income (loss) before contributions and transfers	<u>101,088</u>	<u>1,019,156</u>	<u>41,385</u>	<u>(4,925)</u>	<u>1,156,704</u>
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	130,700	152,000	-	-	282,700
Transfers in	-	-	-	-	-
Transfers out	<u>(262,447)</u>	<u>(773,014)</u>	<u>(25,000)</u>	<u>-</u>	<u>(1,060,461)</u>
Change in Net Position	<u>(30,659)</u>	<u>398,142</u>	<u>16,385</u>	<u>(4,925)</u>	<u>378,943</u>
Net Position, October 1, 2024	<u>12,259,249</u>	<u>7,464,573</u>	<u>63,685</u>	<u>220,042</u>	<u>20,007,549</u>
Prior Period Adjustment	<u>(76,003)</u>	<u>(19,212)</u>	<u>(312)</u>	<u>-</u>	<u>(95,527)</u>
Net Position, September 30, 2025	<u>\$ 12,152,587</u>	<u>\$ 7,843,503</u>	<u>\$ 79,758</u>	<u>\$ 215,117</u>	<u>\$ 20,290,965</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, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 2,702,033	\$ 1,696,514	\$ 553,643	\$ -	\$ 4,952,190
Cash paid to suppliers	(2,323,101)	(481,234)	(509,251)	-	(3,313,586)
Cash paid to employees	<u>591,290</u>	<u>93,187</u>	<u>24,449</u>	<u>-</u>	<u>708,926</u>
Net cash provided (used) by operating activities	<u>970,222</u>	<u>1,308,467</u>	<u>68,841</u>	<u>-</u>	<u>2,347,530</u>
Cash flow from noncapital financing activities:					
Due to/from other funds	76,078	-	-	-	76,078
Transfers in	-	-	-	-	-
Transfers out	<u>(262,447)</u>	<u>(773,014)</u>	<u>(25,000)</u>	<u>-</u>	<u>(1,060,461)</u>
Net cash provided (used) by noncapital financing activities	<u>(186,369)</u>	<u>(773,014)</u>	<u>(25,000)</u>	<u>-</u>	<u>(984,383)</u>
Cash flow from capital and related financing activities:					
Capital expenditures	(314,428)	(152,000)	-	-	(466,428)
Principal payments on long-term debt	(229,997)	(177,372)	-	-	(407,369)
Interest paid on bonds	<u>(138,813)</u>	<u>(92,439)</u>	<u>-</u>	<u>-</u>	<u>(231,252)</u>
Net cash (used) by capital and related financing activities	<u>(683,238)</u>	<u>(421,811)</u>	<u>-</u>	<u>-</u>	<u>(1,105,049)</u>
Cash flow from investing activities:					
Interest received	<u>148,300</u>	<u>171,523</u>	<u>84</u>	<u>101</u>	<u>320,008</u>
Net cash provided by investing activities	<u>148,300</u>	<u>171,523</u>	<u>84</u>	<u>101</u>	<u>320,008</u>
Net increase (decrease) in cash and cash equivalents	248,915	285,165	43,925	101	578,106
Cash and cash equivalents, October 1, 2024	<u>5,464,687</u>	<u>5,845,073</u>	<u>(7,238)</u>	<u>39,526</u>	<u>11,342,048</u>
Cash and cash equivalents, September 30, 2025	<u>\$ 5,713,602</u>	<u>\$ 6,130,238</u>	<u>\$ 36,687</u>	<u>\$ 39,627</u>	<u>\$ 11,920,154</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	<u>\$ 91,297</u>	<u>\$ 938,979</u>	<u>\$ 41,301</u>	<u>\$ (5,026)</u>	<u>\$ 1,066,551</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	717,988	357,926	-	5,026	1,080,940
(Increase) decrease in accounts receivable	(1,523)	17,606	(613)	-	15,470
(Increase) decrease in supplies inventory	-	-	-	-	-
Increase (decrease) in accounts payable	111,122	6,494	25,848	-	143,464
Increase (decrease) in accrued payroll	3,727	481	710	-	4,918
Increase (decrease) in compensated absences	356	1,127	1,601	-	3,084
Increase (decrease) in customer meter deposits	7,310	-	-	-	7,310
Increase (decrease) in net pension balances	30,690	(5,661)	(577)	-	24,452
Increase (decrease) in total OPEB balances	<u>9,255</u>	<u>(8,485)</u>	<u>571</u>	<u>-</u>	<u>1,341</u>
Total adjustments	<u>878,925</u>	<u>369,488</u>	<u>27,540</u>	<u>5,026</u>	<u>1,280,979</u>
Net cash provided by operating activities	<u>\$ 970,222</u>	<u>\$ 1,308,467</u>	<u>\$ 68,841</u>	<u>\$ -</u>	<u>\$ 2,347,530</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City operates under a Home Rule/Commission/Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, social services, public improvements, planning and zoning, parks and recreation, and general administration services. Other services include water production and distribution and sewer disposal.

The reporting entity consists of the City of Breckenridge, Texas ("City") and its component unit. Component unit are legally separate entities for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either the City's ability to impose its will on the organization or there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The financial statements include one discretely presented component unit which has a September 30 year-end. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Breckenridge Economic Development Corporation (the "BEDC") was incorporated under the Development Corporation Act of 1979 (the "Act"), with the approval of the City. The purpose of the BEDC is to promote the economic development of the City of Breckenridge through the use of a $\frac{1}{2}\%$ 4B sales tax approved by the voters of the City. The BEDC receives its authority from the City of Breckenridge. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for the BEDC. The City has the authority to appoint board members and approve budgets and contracts. The City is the sole beneficiary of the BEDC and will receive the remaining assets and assume the remaining liabilities upon termination. Readers can find separately issued financial statements for the Breckenridge Economic Development Corporation at the Chamber of Commerce, 100 East Elm Street, Breckenridge, Texas 76424.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *general capital projects fund* is used to account for bonds proceeds issued for capital projects.

The City reports the following major proprietary funds:

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

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

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. Financial Statement Amounts

1. Deposits and Investments

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

2. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance for the general fund of \$143,793 and the general debt service fund of \$52,122 is equal to 50% of outstanding delinquent property taxes at September 30, 2025. The court fines and fees receivable is reported net of an allowance of \$50,121 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of \$157,460 which is the accounts aged over 60 days. The Breckenridge Economic Development Corporation notes receivable are reported net of an allowance of \$32,854 which is based on historical experience and collectability.

3. Property Tax

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Inventory

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

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

Regular full-time employees earn vacation, sick leave and compensatory time in accordance with City guidelines. Vacation, sick pay and compensatory time benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

In accordance with GASB Statement No. 101, *Compensated Absences*, the City recognizes a liability for compensated absences when the leave is earned, rather than when it is taken or paid. Vacation leave that is payable upon separation are measured at 100% of the amount earned using the employee's pay rate in effect at year-end. Sick leave is recognized to the extent it is expected to result in a payout, based on the City's eligibility rules and historical payout experience. Employees are permitted to use compensatory time within a reasonable period after making a request.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long-term Obligations

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

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

8. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and report amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

9. Fund Balances – Governmental Funds

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General	General	Other	Total
	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds
Restricted:				
Debt service	\$ -	\$ 354,919	\$ -	\$ 354,919
Property tax reduction	17,723	-	-	17,723
Public Safety	-	-	-	21,876
Public Works	-	-	-	604,151
Cemetery	-	-	-	650,900
Parks	-	-	-	8,694
Capital projects	-	-	4,580,394	-
Committed:				
Equipment replacement	-	-	-	278,467
Unassigned	2,222,019	-	-	-
	<u>\$2,239,742</u>	<u>\$ 354,919</u>	<u>\$ 4,580,394</u>	<u>\$ 1,564,088</u>
				<u>\$ 8,739,143</u>

10. Use of Restricted/Unrestricted Net Position

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

11. Pensions

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. The BEDC's deposits are secured by a pledge of securities and FDIC Insurance in BEDC's name. At September 30, 2025, the City's and BEDC's deposits were fully collateralized and insured.

Credit Risk – Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

The City's fiduciary funds (Cemetery Perpetual Care Trust Fund) are invested in accordance with the provision of a trust agreement. These funds are invested by the trustee according to Section 113.056 of the Texas Trust Code. The City has the following types of investments:

Investment	Credit Rating	Cost	Fair Value	Percentage of Total Investments	Investment Maturities (in Years)			
					Less than 1 year	1-5 Years	6-10 Years	Over 10 Years
Cash	N/A	8,340	8,340	0.16%	8,340	-	-	-
Equity Mutual Funds	N/A	127,235	190,769	3.77%	190,769	-	-	-
Bond Mutual Funds	N/A	213,322	203,264	4.01%	203,264	-	-	-
Corporate Bonds	Aaa - Baa2	119,752	116,524	2.30%	25,726	65,248	12,702	12,848
U.S. Treasuries	N/A	59,814	52,014	1.03%	-	12,935	9,917	29,162
U.S. Government Agencies	N/A	83,706	79,989	1.58%	2	6,949	8,926	64,112
Logic Investment Pool	AAAm	4,412,307	4,412,307	87.14%	4,412,307	-	-	-
		<u>\$ 5,024,476</u>	<u>\$ 5,063,207</u>		<u>\$ 4,840,408</u>	<u>\$ 85,132</u>	<u>\$ 31,545</u>	<u>\$ 106,122</u>

Investment Valuation

All securities are stated at fair value as reported by the City's portfolio manager. For securities traded on a major exchange, market values are priced as of the statement date, September 30, 2025, as provided by various pricing services (Level 1 inputs). The method and frequency of pricing assets not traded on major exchanges varies depending on the type of assets (Level 2 inputs); therefore, the market value may not be a current value as of the statement date.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 3: RESTRICTED ASSETS

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

	<u>Cash</u>
Business-type Activities	
Customer water deposits	\$ 294,531
Construction - water fund	3,601,407
Construction - wastewater fund	<u>4,308,371</u>
	<u>\$ 8,204,309</u>

\$8,020,429 of the City's restricted cash balances are held in escrow accounts that investment in government securities money market funds. These funds were deposited in these escrow accounts pursuant to an agreement with the Texas Water Development Board. The escrowed funds are kept in separate accounts and can only be disbursed or withdrawn to pay the costs of approved projects and solely upon written authorization from the Texas Water Development Board.

NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. They are deferred outflow related to TMRS pension and deferred outflows related to TMRS OPEB reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources. The BEDC has deferred inflows related to leases. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

Deferred inflows of resources - governmental funds	
Deferred property taxes receivable (general fund)	\$ 143,794
Deferred property taxes receivable (general debt service fund)	52,122
Deferred franchise taxes receivable (general fund)	69,345
Deferred court fines (general fund)	<u>50,121</u>
Total deferred inflows for governmental funds	<u>\$ 315,382</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2025, is as follows:

Transfer In	Transfer Out	Amount
General Fund	Water Fund	\$ 310,000
General Fund	Wastewater Fund	600,000
General Fund	Sanitation Fund	25,000
General Debt Service	Wastewater Fund	159,685
General Capital Projects	General Fund	75,000
Other governmental funds	General Fund	227,809
Total Governmental Funds Transfers In		\$ <u>1,397,494</u>

Each year the water fund and wastewater fund transfer unrestricted revenues to finance various programs accounted for in the general fund in accordance with budgetary authorizations. Amounts transferred to the general capital projects fund and other governmental funds were for construction projects and equipment replacement. The general debt service fund was created to pay part of the water and wastewater debt and the amounts paid were treated as transfers.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 were as follows:

Governmental activities:	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 194,585	\$ -	\$ -	\$ -	\$ 194,585
Construction in Progress	1,199,455	3,601,310	-	(725,999)	4,074,766
Total non-depreciable assets	<u>1,394,040</u>	<u>3,601,310</u>	<u>-</u>	<u>(725,999)</u>	<u>4,269,351</u>
Depreciable Assets:					
Buildings and improvements	1,501,805	87,588	-	293,231	1,882,624
Infrastructure	8,915,340	-	-	432,768	9,348,108
Vehicles and Equipment	2,236,206	-	(104,503)	-	2,131,703
Intangible Right-to-Use Lease - vehicles and equipment	846,096	92,226	-	-	938,322
Total capital assets being depreciated	<u>13,499,447</u>	<u>179,814</u>	<u>(104,503)</u>	<u>725,999</u>	<u>14,300,757</u>
Accumulated Depreciation and Amortization:					
Buildings and improvements	(1,035,545)	(41,334)	-	-	(1,076,879)
Infrastructure	(2,313,098)	(210,904)	-	-	(2,524,002)
Vehicles and Equipment	(1,775,790)	(104,670)	104,503	-	(1,775,957)
Intangible Right-to-Use Lease - vehicles and equipment	(92,376)	(176,681)	-	-	(269,057)
Total accumulated depreciation and amortization	<u>(5,216,809)</u>	<u>(533,589)</u>	<u>104,503</u>	<u>-</u>	<u>(5,645,895)</u>
Governmental activities capital assets, net	<u>\$ 9,676,678</u>	<u>\$ 3,247,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,924,213</u>

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	29,345
Public Safety	148,645
Public Works	268,511
Cemetery	15,743
Parks	71,345
Community services	<u>-</u>
Total - governmental activities	<u>\$ 533,589</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	\$ 193,297	\$ -	\$ -	\$ -	\$ 193,297
Construction in Progress	263,800	282,700	-	-	546,500
Total non-depreciable assets	<u>457,097</u>	<u>282,700</u>	-	-	<u>739,797</u>
Depreciable Assets:					
Land improvements	51,442	-	-	-	51,442
Buildings and improvements	1,310,830	-	-	-	1,310,830
Water and sewer systems	31,017,042	183,728	-	-	31,200,770
Vehicles and equipment	1,271,310	-	-	-	1,271,310
Intangible Right-to-Use Lease					
Vehicles and equipment	210,246	-	-	-	210,246
Total capital assets being depreciated	<u>33,860,870</u>	<u>183,728</u>	-	-	<u>34,044,598</u>
Accumulated Depreciation and Amortization:					
Land improvements	(22,707)	(923)	-	-	(23,630)
Buildings and improvements	(1,018,562)	(25,667)	-	-	(1,044,229)
Water and sewer systems	(12,692,190)	(861,484)	-	-	(13,553,674)
Vehicles and equipment	(568,369)	(150,715)	-	-	(719,084)
Intangible Right-to-Use Lease -					
Vehicles and equipment	(35,776)	(42,150)	-	-	(77,926)
Total accumulated depreciation and amortization	<u>(14,337,604)</u>	<u>(1,080,939)</u>	-	-	<u>(15,418,543)</u>
Business-type activities capital assets, net	<u>\$ 19,980,363</u>	<u>\$ (614,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,365,852</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water	\$ 717,988
Wastewater	357,925
Sanitation	-
Trade Days	5,026
Total - business-type activities	<u>\$1,080,939</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 6: CAPITAL ASSETS - (Continued)

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 29,466	\$ -	\$ -	\$ 29,466
Total non-depreciable assets	<u>29,466</u>	<u>-</u>	<u>-</u>	<u>29,466</u>
 Depreciable Assets:				
Buildings and improvements	121,790	-	-	121,790
Office furniture and equipment	5,400	-	-	5,400
Total capital assets being depreciated	<u>127,190</u>	<u>-</u>	<u>-</u>	<u>127,190</u>
 Accumulated Depreciation:				
Buildings and improvements	(50,442)	(5,571)	-	(56,013)
Office furniture and Equipment	(5,400)	-	-	(5,400)
Total accumulated depreciation	<u>(55,842)</u>	<u>(5,571)</u>	<u>-</u>	<u>(61,413)</u>
Governmental activities capital assets, net	<u>\$ 100,814</u>	<u>\$ (5,571)</u>	<u>\$ -</u>	<u>\$ 95,243</u>

Properties Held for Economic Development

BEDC's goal is to promote and develop the industrial and manufacturing enterprises in order to encourage employment in the City of Breckenridge. Property and equipment are acquired with the intent of making these properties available to prospective companies at a reasonable price as an incentive to relocate their business in Breckenridge. These properties are not considered investments and are reported at cost. At September 30, 2025, properties held for economic development at cost was \$1,918,128.

NOTE 7: FINANCED PURCHASES

The City has entered into agreements to finance the acquisition of equipment for the general fund and water fund. These leases qualify as financed purchases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

\$199,876 agreement dated April 1, 2015, for a fire truck due in annual payments of \$23,719 including interest at 3.24% which matured April 1, 2025.

\$151,241 agreement dated April 15, 2022, for four trucks due in annual payments of \$50,414 including interest at 3.35% which matured April 15, 2025. This was split between the governmental activities and business-type activities.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 7: FINANCED PURCHASES- (Continued)

\$125,138 agreement dated February 15, 2024 for 2 backhoe loaders due in monthly payments of \$2,462 including interest at 6.72% maturing February 15, 2029.

\$378,951 agreement dated February 22, 2024, for sewer cleaner equipment due in annual payments of \$59,133 including interest at 6.72% maturing May 1, 2029.

Future minimum commitments are as follows:

	Governmental Activities	Business-type Activities
2026	\$ -	\$ 88,672
2027	-	88,672
2028	-	88,672
2029	-	187,798
 Total debt service requirements	 -	 453,814
Less: Interest Portion	 -	 72,616
Debt Principal	 <u><u>\$ -</u></u>	 <u><u>\$ 381,198</u></u>

Assets and related accumulated depreciation are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 330,838	\$ 526,200
Less: Accumulated depreciation	<u>(216,125)</u>	<u>(356,258)</u>
 Net	 <u><u>\$ 114,713</u></u>	 <u><u>\$ 169,942</u></u>

NOTE 8: LEASE FINANCING

The City, as a lessee, has entered into lease agreements involving copiers, printers and vehicles. The total of the City's leased assets are recorded at a cost of \$1,148,568, less accumulated amortization of \$346,983. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset. This lease and assets are split between governmental and business-type activities.

The lease agreement is summarized as follows:

Description	Date	Payment Terms	Interest Rate	Total	
				Lease Liability	Balance 9/30/2025
Copiers/Printers	5/28/2021	60 months	3.10%	\$ 70,661	\$ 10,730
Vehicles		60 months	7.25 - 8.01%	1,077,907	830,035
Total				<u><u>\$ 1,148,568</u></u>	<u><u>\$ 840,765</u></u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 8: LEASE FINANCING – (Continued)

The future lease payments under lease agreements are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 173,627	47,641	\$ 221,268	\$ 40,761	\$ 9,344	\$ 50,105
2027	177,125	34,385	211,510	42,827	6,186	49,013
2028	188,964	20,201	209,165	43,535	2,815	46,350
2029	146,279	6,044	152,323	13,800	252	14,052
2030	13,842	420	14,262	-	-	-
Total	\$ 699,837	\$ 108,691	\$ 808,528	\$ 140,923	\$ 18,597	\$ 159,520

NOTE 9: LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025.

Primary Government	9/30/2024	Additions	Retirements	9/30/2025	Due Within One Year
Governmental Activities:.					
Direct Placement					
Certificates of Obligation, Series 2017B	\$ 3,189,000	\$ -	\$ 73,000	\$ 3,116,000	\$ 75,000
Certificates of Obligation, Series 2023	8,150,000	-	265,000	7,885,000	280,000
Series 2023 unamortized premium	405,696	-	38,226	367,470	36,807
Financed purchases	61,460	-	61,460	-	-
Lease Financing Payable	763,956	92,226	156,344	699,838	173,627
Compensated absences payable	262,750	274,345	262,750	274,345	74,073
Net pension liability	458,175		152,586	305,589	-
Total OPEB liability	<u>155,974</u>	<u>-</u>	<u>9,700</u>	<u>146,274</u>	<u>-</u>
Total Governmental Activities	<u>13,447,011</u>	<u>366,571</u>	<u>1,019,066</u>	<u>12,794,516</u>	<u>639,507</u>
Business-type Activities:					
Direct Placement					
Certificates of Obligation	8,793,000	-	299,000	8,494,000	305,000
Financed purchases	451,211	-	70,015	381,196	63,782
Lease Financing Payable	179,282	-	38,354	140,928	40,766
Compensated absences payable	95,527	98,611	95,527	98,611	26,625
Net pension liability	145,479		43,998	101,481	-
Total OPEB liability	<u>49,527</u>	<u>-</u>	<u>946</u>	<u>48,581</u>	<u>-</u>
Total Business-type Activities	<u>9,714,026</u>	<u>98,611</u>	<u>547,840</u>	<u>9,264,797</u>	<u>436,173</u>
Total Long-Term Liabilities	<u>\$ 23,161,037</u>	<u>\$ 465,182</u>	<u>\$ 1,566,906</u>	<u>\$ 22,059,313</u>	<u>\$ 1,075,680</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 9: LONG-TERM DEBT – (continued)

At September 30, 2025, governmental activities and business-type activities bonds payable consisted of the following issues:

	Primary Government
Governmental Activities	
\$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	\$ 3,116,000
\$8,385,000 Combination Tax and Revenue Certificates of Obligation, Series 2023, due in annual installments through September 15, 2043, bearing interest at 4.00 - 5.00%	<u>7,885,000</u>
Total Governmental Activities	<u>\$ 11,001,000</u>
Business-Type Activities	
\$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	\$ 435,000
\$840,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2013, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	565,000
\$2,380,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2014, due in annual installments through September 15, 2045, bearing interest at 0% - 4.30%	1,845,000
\$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	684,000
\$2,935,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022A, due in annual installments through March 15, 2053, bearing interest at 0.9%-2.02%	2,770,000
\$2,325,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022B, due in annual installments through March 15, 2053, bearing interest at 0.74%-1.89%	<u>2,195,000</u>
Total business-type activities	<u>\$ 8,494,000</u>

Certain Certificates of Obligation Bonds are direct placements and include provisions that in the event the City defaults in the payments or performance of covenants, conditions, or obligations, the bond holders shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City to observe and perform the covenant, condition and obligation prescribed by the bond ordinance.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 9: LONG-TERM DEBT – (continued)

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2025 are as follows:

Primary Government	Certificates of Obligation					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 355,000	\$ 438,100	\$ 793,100	\$ 305,000	\$ 183,392	\$ 488,392
2027	372,000	421,635	793,635	310,000	178,206	488,206
2028	389,000	404,588	793,588	316,000	172,793	488,793
2029	406,000	386,290	792,290	321,000	167,011	488,011
2030	429,000	367,271	796,271	322,000	161,054	483,054
2031-2035	2,454,000	1,517,122	3,971,122	1,616,000	706,894	2,322,894
2036-2040	3,061,000	906,978	3,967,978	1,619,000	529,361	2,148,361
2041-2045	2,388,000	308,970	2,696,970	1,798,000	310,762	2,108,762
2046-2050	687,000	111,488	798,488	1,101,000	137,165	1,238,165
2051-2055	460,000	19,194	479,194	786,000	29,372	815,372
Total debt service requirements	<u>\$ 11,001,000</u>	<u>\$ 4,881,636</u>	<u>\$ 15,882,636</u>	<u>\$ 8,494,000</u>	<u>\$ 2,576,010</u>	<u>\$ 11,070,010</u>

Tax and revenue bonds are payable from property taxes pledges and surplus revenues of the water and wastewater system. The debt ordinances provide for tax pledges to be budgeted annually to the extent budgeted net operating water and wastewater system revenues fall short of annual retirements of principal and interest. A tax rate of \$.28309 per \$100 of assessed valuation was levied for this purpose during the current year. The debt ordinances also provide for the establishment of sinking funds for the retirement of debt principal and interest. The balances in the interest and sinking funds was \$354,919 for the general debt service at year-end. Management of the City believes that it is in compliance with all significant financial requirements required by debt covenants as of September 30, 2025.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 11: TAX ABATEMENTS

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 11: TAX ABATEMENTS - (Continued)

Below is a table of tax abatements for the year ended September 30, 2025.

Type of Business	Purpose	Tax Abated	Percent Abated	Abated
				City BEDC
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	\$17,033

NOTE 12: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates in one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2024
Employee deposit rate	5%
Matching ratio (city to employee)	1.5 -1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	63
Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	76
	<u>196</u>

Contributions

The contribution rates for members in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.62% and 8.54% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS for the year ended September 30, 2025, were \$277,107, and were more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected rate of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.0%	

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/23	\$ 9,500,660	\$ 8,897,004	\$ 603,656
Changes for the year:			
Service cost	316,180	-	316,180
Interest	633,039	-	633,039
Difference between expected and actual experience	195,764	-	195,764
Changes of assumptions	-	-	-
Contributions-employer	-	269,616	(269,616)
Contributions-employee	-	157,303	(157,303)
Net investment income	-	920,716	(920,716)
Benefit payments, including refunds of employee contributions	(560,803)	(560,803)	-
Administrative expense	-	(5,929)	5,929
Other changes	-	(139)	139
Net changes	584,180	780,764	(196,584)
Balance at 12/31/24	<u>\$ 10,084,840</u>	<u>\$ 9,677,768</u>	<u>\$ 407,072</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 1,649,578	\$ 407,070	\$ (620,142)

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$361,744.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 184,090	\$ -
Changes in actuarial assumptions	-	22,718
Differences between projected and actual investment earnings	-	85,114
Contributions subsequent to the measurement date	<u>203,889</u>	-
Total	<u>\$ 387,979</u>	<u>\$ 107,832</u>

\$203,889 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred outflows (inflows of resources)
Year ended December 31:	
2025	\$ 121,416
2026	161,002
2027	(142,127)
2028	(64,032)
2029	-
Thereafter	<u>-</u>
	<u>\$ 76,259</u>

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with optional coverage for their retirees. The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the member's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis.

B. Benefits Provided

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<hr/> 63
	107

C. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including inflation
Retirees' share of benefit related costs	\$0

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

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

Mortality rates for service retirees were based the 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates for disabled retirees were based the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balances as of December 31, 2023	\$ 205,501
Changes for the year:	
Service cost	7,236
Interest on total OPEB liability	7,747
Effect of plan changes	-
Effect of economic/demographic gains or losses	(8,515)
Effect of assumptions changes or inputs	(9,878)
Benefit payments	(7,236)
Net changes	(10,646)
Balances as of December 31, 2024	<u>\$ 194,855</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% decrease discount rate 3.08%	Current Discount Rate 4.08%	1% increase discount rate 5.08%
Total OPEB Liability	\$ 229,527	\$ 194,855	\$ 167,352

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,033.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,434	\$ 9,657
Changes in assumptions	7,981	44,150
Contributions made subsequent to measurement date	5,428	-
Total	\$ 15,843	\$ 53,807

\$5,428 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended December 31:	
2025	\$ (19,091)
2026	(18,438)
2027	(3,610)
2028	(2,253)
2029	-
Thereafter	-
Total	\$ (43,392)

NOTE 14: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 14: CONTINGENT LIABILITIES (Continued)

B. USDA Loan Program

The Breckenridge Economic Development Corporation (BEDC) has in the past received funds from the USDA for a loan program to allow BEDC to assist new businesses with low interest loans. There are no reporting requirements on the use of the funds; however, the funds are required to be maintained intact with interest earned for the loan program. To the extent, if any, the BEDC has not complied with all the rules and regulations return of fund money may be required.

NOTE 15: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective beginning the fiscal year ended September 30, 2025. The City has entered into subscription-based information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the Agency's water system.
- Various desktop and server software subscriptions
- Accounting and payroll services software
- Work order and code enforcement software
- Police and dispatch
- Emergency notification system

The City has outflows of resources during the fiscal year totaling \$95,063 that are not included in the measurement of a subscription liability. The City's software subscriptions are not commitments longer than twelve months therefore a subscription liability is not calculated.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 101, *Compensated Absences* for the fiscal year ended September 30, 2025. This Statement requires governments to recognize a liability for compensated absences when leave benefits are earned, rather than when the leave is taken or paid. The Statement also requires governments to incorporate expected payout estimates for leave that is payable only under certain conditions.

During implementation, the City evaluated its policies for vacation and sick leave. Under City policy, employees' vacation and sick time are payable upon separation from service. The City reviewed historical separation patterns and past sick leave payouts to estimate the portion of sick leave expected to result in payment.

Implementation of the Statement resulted in the compensated absences liability being measured using employee pay rates in effect at year-end, expected payout percentages for sick leave, and applicable salary related costs such as the City's share of payroll taxes. As a result of adopting this Statement, the City's compensated absences liability increased \$358,277.

CITY OF BRECKENRIDGE, TEXAS
Notes to Financial Statements
September 30, 2025

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Beginning net position of the governmental activities and business-type activities was reduced by the following prior period adjustments:

	Governmental Activities	Business-type Activities	Water Fund	Wastewater Fund	Sanitation Fund
Net Position per 9/30/24					
audited financial statements	8,279,018	20,007,550	12,259,249	7,464,573	63,685
Compensated Absences	(262,750)	(95,527)	(76,003)	(19,212)	(312)
Restated Net Position 9/30/24	<u>\$ 8,016,268</u>	<u>\$ 19,912,023</u>	<u>\$ 12,183,246</u>	<u>\$ 7,445,361</u>	<u>\$ 63,373</u>

NOTE 17: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 27, 2026, which is the date the financial statements were available to be issued.

January 14, 2026, the City issued \$1,720,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2026 and received a \$4,003,900 grant from the Texas Water Development Board to acquire, construct, and install additions, improvements, extensions, and equipment for the City's water system, including without limitation water lines, water storage facilities, pump stations, service connections, valves, fittings, SCADA and related infrastructure improvements. The certificates of obligation mature March 15, 2046 and have interest rates of 1.64% - 3.01%.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F-1

CITY OF BRECKENRIDGE, TEXAS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenues:					
Taxes:					
Property taxes	\$ 2,179,319	\$ 2,198,319	\$ 2,208,344		10,025
Sales and use tax	1,476,750	1,476,750	1,495,878		19,128
Franchise	440,000	449,530	440,954		(8,576)
Hotel motel taxes	75,000	75,000	44,705		(30,295)
Charges for service	203,570	234,723	274,931		40,208
Grants and contributions	11,800	75,586	70,599		(4,987)
Interest income	2,500	5,350	5,873		523
Other revenue	17,800	38,414	40,525		2,111
Total revenues	4,406,739	4,553,672	4,581,809		28,137
Expenditures:					
Current					
General government	1,603,797	1,546,087	1,523,763		22,324
Public Safety	2,525,885	2,668,508	2,573,914		94,594
Public Works	436,172	436,172	385,258		50,914
Cemetery	75,500	75,500	63,454		12,046
Parks	330,073	340,073	293,061		47,012
Community services	14,000	14,000	14,018		(18)
Tourism	75,000	75,000	36,320		38,680
Debt service:					
Principal	-	-	14,099		(14,099)
Interest and fiscal charges	-	-	537		(537)
Total expenditures	5,060,427	5,155,340	4,904,424		250,916
Excess (deficiency) of revenue over (under) expenditures	\$ (653,688)	\$ (601,668)	\$ (322,615)		279,053
Other financing sources (uses):					
Insurance recoveries	-	-	3,796		3,796
Proceeds Sale of Assets	-	4,260	4,260		-
Transfers in	925,000	935,000	935,000		-
Transfers out	(262,034)	(337,034)	(337,034)		-
Net change in fund balances	9,278	558	283,407		282,849
Fund balance, October 1, 2024	<u>1,956,335</u>	<u>1,956,335</u>	<u>1,956,335</u>		-
Fund balance, September 30, 2025	<u>\$ 1,965,613</u>	<u>\$ 1,956,893</u>	<u>\$ 2,239,742</u>		<u>282,849</u>

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

CITY OF BRECKENRIDGE
 Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Years

Total pension liability

Plan Year	2015	2016	2017	2018
Service Cost	\$ 202,264	\$ 210,034	\$ 208,582	\$ 216,654
Interest (on the Total Pension Liability)	529,436	528,297	542,655	544,367
Differences between expected and actual experience	9,535	7,317	(186,991)	(211,430)
Change of assumptions	20,408	-	-	-
Benefit payments, including refunds of employee contributions	(490,767)	(513,801)	(550,633)	(535,182)
Net Change in Total Pension Liability	270,876	231,847	13,613	14,409
Total Pension Liability-Beginning	\$ 7,707,630	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966
Total Pension Liability-Ending (a)	\$ 7,978,506	\$ 8,210,353	\$ 8,223,966	\$ 8,238,375

Plan Fiduciary Net Position

Contributions-Employer	194,097	190,642	202,916	195,613
Contributions-Employee	111,625	108,714	120,197	112,140
Net Investment Income	10,008	446,397	946,773	(225,809)
Benefit payments, including refunds of employee contributions	(490,767)	(513,801)	(550,633)	(535,182)
Administrative Expense	(6,097)	(5,039)	(4,905)	(4,367)
Other	(302)	(272)	(248)	(228)
Net Change in Plan Fiduciary Net Position	(181,436)	226,641	714,100	(457,833)
Plan Fiduciary Net Position-Beginning	6,783,781	6,602,345	6,828,986	7,543,086
Plan Fiduciary Net Position-Ending (b)	\$ 6,602,345	\$ 6,828,986	\$ 7,543,086	\$ 7,085,253
Net Pension Liability/(Asset) -Ending (a) - (b)	\$ 1,376,161	\$ 1,381,367	\$ 680,880	\$ 1,153,122

Plan Fiduciary Net Position as a Percentage of Total

Pension Liability	82.75%	83.18%	91.72%	86.00%
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Covered Employee Payroll	\$ 2,232,491	\$ 2,174,270	\$ 2,152,549	\$ 2,242,795
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Net Pension Liability as a Percentage of Covered

Employee Payroll	61.64%	63.53%	31.63%	51.41%
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The accompanying notes to the required supplementary information are an integral part of this schedule.

EXHIBIT F-2

2019	2020	2021	2022	2023	2024
\$ 221,658	\$ 207,065	\$ 198,705	\$ 236,527	\$ 258,438	\$ 316,180
547,074	563,096	561,614	575,798	599,877	633,039
(23,452)	(200,387)	5,208	102,048	257,409	195,764
48,717	-	-	-	(96,004)	-
<u>(488,813)</u>	<u>(609,861)</u>	<u>(565,226)</u>	<u>(583,396)</u>	<u>(553,810)</u>	<u>(560,803)</u>
305,184	(40,087)	200,301	330,977	465,910	584,180
<u>\$ 8,238,375</u>	<u>8,543,559</u>	<u>\$ 8,503,472</u>	<u>\$ 8,703,773</u>	<u>\$ 9,034,750</u>	<u>\$ 9,500,660</u>
<u>\$ 8,543,559</u>	<u>8,503,472</u>	<u>\$ 8,703,773</u>	<u>\$ 9,034,750</u>	<u>\$ 9,500,660</u>	<u>\$ 10,084,840</u>
199,772	186,334	176,398	210,001	224,293	269,616
114,375	106,734	102,320	121,911	131,320	157,303
1,094,327	606,416	1,078,262	(660,505)	941,264	920,716
<u>(488,813)</u>	<u>(609,861)</u>	<u>(565,226)</u>	<u>(583,396)</u>	<u>(553,810)</u>	<u>(560,803)</u>
(6,189)	(3,929)	(4,997)	(5,730)	(6,008)	(5,929)
(187)	(152)	36	6,836	(42)	(139)
913,285	285,542	786,793	(910,883)	737,017	780,764
7,085,253	7,998,537	8,284,079	9,070,872	8,159,989	8,897,006
<u>\$ 7,998,538</u>	<u>8,284,079</u>	<u>\$ 9,070,872</u>	<u>\$ 8,159,989</u>	<u>\$ 8,897,006</u>	<u>\$ 9,677,770</u>
<u>\$ 545,021</u>	<u>\$ 219,393</u>	<u>\$ (367,099)</u>	<u>\$ 874,761</u>	<u>\$ 603,654</u>	<u>\$ 407,070</u>
93.62%	97.42%	104.22%	90.32%	93.65%	95.96%
\$ 2,287,492	\$ 2,134,687	\$ 2,046,397	\$ 2,416,006	\$ 2,626,401	\$ 3,146,066
23.83%	10.28%	-17.94%	36.21%	22.98%	12.94%

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

EXHIBIT F-3

CITY OF BRECKENRIDGE
Schedule of Contributions
Last 10 Fiscal Years

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribuiton as a % of Covered Payroll
2016	180,812	196,535	(15,723)	2,224,633	8.83%
2017	172,193	187,357	(15,164)	2,174,270	8.62%
2018	176,428	194,107	(17,679)	2,222,130	8.74%
2019	173,077	198,814	(25,737)	2,285,528	8.70%
2020	159,687	197,208	(37,521)	2,260,850	8.72%
2021	142,074	176,634	(34,560)	2,043,408	8.64%
2022	153,711	206,889	(53,178)	2,400,092	8.62%
2023	155,043	217,960	(62,917)	2,545,260	8.56%
2024	187,562	254,215	(66,653)	2,968,699	8.56%
2025	218,693	277,107	(58,414)	3,214,273	8.62%

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

CITY OF BRECKENRIDGE
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Last 10 Years

Total OPEB liability

Plan Year	2017	2018	2019	2020	2021	2022	2023	2024
Service Cost	\$ 6,888	\$ 8,298	\$ 7,091	\$ 10,033	\$ 9,823	\$ 11,355	\$ 7,879	\$ 7,236
Interest (on the Total Pension Liability)	6,417	6,520	6,933	6,120	5,230	4,884	7,427	7,747
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(10,010)	(11,819)	(6,035)	(13,794)	277	4,218	(8,515)
Change of assumptions or other inputs	14,955	(12,381)	33,783	32,024	7,546	(89,506)	10,482	(9,878)
Benefit payments, including refunds of employee contributions	(1,507)	(2,019)	(1,830)	(1,708)	(4,502)	(6,765)	(7,879)	(7,236)
Net Change in Total Pension Liability	26,753	(9,592)	34,158	40,434	4,303	(79,755)	22,127	(10,646)
Total Pension Liability-Beginning	167,073	193,826	184,234	218,392	258,826	263,129	183,374	205,501
Total Pension Liability-Ending (a)	\$ 193,826	\$ 184,234	\$ 218,392	\$ 258,826	\$ 263,129	\$ 183,374	\$ 205,501	\$ 194,855
Covered Employee Payroll		\$ 2,152,549	\$ 2,242,795	\$ 2,287,492	\$ 2,134,687	\$ 2,046,397	\$ 2,416,006	\$ 2,626,401
Employee Payroll		9.00%	8.21%	9.55%	12.12%	12.86%	7.59%	7.82%
								6.19%

CITY OF BRECKENRIDGE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2025

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for all general fund, special revenue, capital projects and proprietary funds. All annual appropriations lapse at fiscal year end.

The City Commission follows these procedures in establishing budgetary data reflected in the financial statements.

- a. The City Commission prior to October 1 formally adopts the City's budget at a duly advertised public meeting and before expenditure of funds for the budget year. The budget is legally enacted by the adoption of an ordinance.
- b. The budget may be amended with the approval of a voting majority of the members of the City Commission. The budget was amended once during the year.
- c. Budgetary control is maintained at the fund level, subject to adjustments permitted as described above.

Excess of Expenditures over Appropriations

Debt Service expenditures exceeded the budget in the general fund, however total expenditures were \$250,916 less than budgeted.

CITY OF BRECKENRIDGE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2025

Schedule of Contributions

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	<p>Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% General Employee tables used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>

Other Information:

Notes There were no benefit changes during the year.

Schedule of Changes in Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF BRECKENRIDGE, TEXAS
 Nonmajor Funds
 Combining Balance Sheet
 September 30, 2025

	Special Revenue Funds				
	Fire Department	Park	Police Department	Total Special Revenue Funds	
Assets:					
Cash	\$ 8,192	\$ 8,694	\$ 13,684	\$ 30,570	
Investments	-	-	-	-	
Receivables (Net of allowances)					
Other taxes	-	-	-	-	
Grant	-	-	-	-	
Total assets	\$ <u><u>8,192</u></u>	\$ <u><u>8,694</u></u>	\$ <u><u>13,684</u></u>	\$ <u><u>30,570</u></u>	
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	-	-	
Total liabilities	-	-	-	-	
Fund Balances:					
Restricted fund balance	\$ 8,192	\$ 8,694	\$ 13,684	\$ 30,570	
Committed fund balance	-	-	-	-	
Total fund balance	<u><u>8,192</u></u>	<u><u>8,694</u></u>	<u><u>13,684</u></u>	<u><u>30,570</u></u>	
Total liabilities and fund balances	\$ <u><u>8,192</u></u>	\$ <u><u>8,694</u></u>	\$ <u><u>13,684</u></u>	\$ <u><u>30,570</u></u>	

EXHIBIT G-1

Capital Project Funds			Permanent Fund	
Equipment Replacement	Street Maintenance Fund	Total Capital Projects Funds	Cemetery Fund	Total Nonmajor Funds
\$ 279,046	\$ 552,217	\$ 831,263	\$ -	\$ 861,833
-	-	-	650,900	650,900
-	51,934	51,934	-	51,934
-	-	-	-	-
\$ 279,046	\$ 604,151	\$ 883,197	\$ 650,900	\$ 1,564,667
\$ 579-	\$ -	\$ 579	\$ -	\$ 579
-	-	-	-	-
579	-	579	-	579
\$ -	\$ 604,151	\$ 604,151	\$ 650,900	\$ 1,285,621
278,467	-	278,467	-	278,467
278,467	604,151	882,618	650,900	1,564,088
\$ 279,046	\$ 604,151	\$ 883,197	\$ 650,900	\$ 1,564,667

CITY OF BRECKENRIDGE, TEXAS

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended September 30, 2025

	Special Revenue Funds			Total Special Revenue Funds
	Fire Department	Park	Police Department	
Revenues:				
Sales and use tax	\$ 3,767	\$ 627	\$ 35	\$ - 4,394
Grants and contributions				
Investment earnings	19	24	35	78
Other revenue	-	-	-	-
Total revenue	3,786	651	35	4,472
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	3,518	-	-	3,518
Public Works	-	-	-	-
Parks	-	1,595	-	1,595
Cemetery	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	3,518	1,595	-	5,113
Excess (deficiency) of revenue over (under) expenditures	268	(944)	35	(641)
Other financing sources (uses):				
Proceeds Sale of Assets	-	-	-	-
Insurance Casualty Loss				
Lease Financing	-	-	-	-
Transfers in	-	-	-	-
Net change in fund balances	268	(944)	35	(641)
Fund Balance, October 1, 2024	7,924	9,638	13,649	31,211
Fund Balance, September 30, 2025	\$ 8,192	\$ 8,694	\$ 13,684	\$ 30,570

EXHIBIT G-2

Equipment Replacement	Capital Project Funds		Permanent Fund		Total Nonmajor Funds
	Street Maintenance Fund	Total Capital Projects Funds	Cemetery Fund		
\$	\$ 297,899	\$ 297,899	\$ -	\$ 297,899	\$ 4,394
926	1,109	2,035	39,090	41,203	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
926	<u>299,008</u>	<u>299,934</u>	<u>42,510</u>	<u>346,916</u>	
-	-	-	-	-	-
-	-	-	-	-	3,518
-	63,794	63,794	-	63,794	
-	-	-	-	1,595	
-	-	-	20,981	20,981	
180,557	-	180,557	-	180,557	
203,705	-	203,705	-	203,705	
57,036	-	57,036	-	57,036	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
441,298	<u>63,794</u>	<u>505,092</u>	<u>20,981</u>	<u>531,186</u>	
(440,372)	<u>235,214</u>	<u>(205,158)</u>	<u>21,529</u>	<u>(184,270)</u>	
45,989	-	45,989	-	45,989	
1,600		1,600		1,600	
92,411	-	92,411	-	92,411	
227,809	-	227,809	-	227,809	
(72,563)	<u>235,214</u>	<u>162,651</u>	<u>21,529</u>	<u>183,539</u>	
351,030	<u>368,937</u>	<u>719,967</u>	<u>629,371</u>	<u>1,380,549</u>	
\$ <u>278,467</u>	\$ <u>604,151</u>	\$ <u>882,618</u>	\$ <u>650,900</u>	\$ <u>1,564,088</u>	

**OTHER SUPPLEMENTARY INFORMATION
(Unaudited)**

CITY OF BRECKENRIDGE, TEXAS

Schedule of Delinquent Property Taxes Receivable
 For the fiscal year ended September 30, 2025

Last Ten Years Ended Sept 30	Tax Rate		Assessed Value	Beginning Balance October 1
	Maintenance	Debt Service		
2016 and prior	0.6148	0.3252	196,762,440	42,391
2017	0.6588	0.3812	184,686,029	8,054
2018	0.6846	0.3519	185,111,143	10,382
2019	0.7330	0.2870	186,178,825	14,993
2020	0.7850	0.2850	186,070,474	17,517
2021	0.8384	0.2839	180,018,850	21,611
2022	0.7605	0.2995	200,655,886	43,026
2023	0.7648	0.2552	257,613,426	64,674
2024	0.7996	0.2551	283,363,231	154,280
2025(Year under audit)	0.7616	0.2831	299,375,606	
TOTALS			\$ 376,928	

EXHIBIT G-3

Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance
				September 30
	(2,655)	(1,404)	(268)	38,064
	(633)	(366)	(197)	6,858
	(1,164)	(598)	(227)	8,393
	(3,314)	(1,298)	(357)	10,024
	(3,998)	(1,452)	(346)	11,721
-	(3,919)	(1,327)	(477)	15,888
-	(10,971)	(4,321)	(575)	27,159
	(17,983)	(5,999)	(1,409)	39,283
	(59,389)	(18,947)	(3,047)	72,897
2,934,614	(2,007,381)	(746,178)	(30,679)	150,376
\$ 2,934,614	\$ (2,111,407)	\$ (781,890)	\$ (37,582)	\$ 380,663

EXHIBIT G-4

City of Breckenridge, Texas
 Statistics - Water and Wastewater Fund
 For the year ended September 30, 2025
 (Unaudited)

Number of water connections at end of year	2,260
Number of wastewater connections at end of year	1,955
Gallons of water billed through the system during the fiscal year	192,710,958

Outstanding Bonds and Certificates:

Combination Tax and Revenue Certificates of Obligation, Series 2012
 Combination Tax and Revenue Certificates of Obligation, Series 2013
 Combination Tax and Revenue Certificates of Obligation, Series 2014
 Combination Tax and Revenue Certificates of Obligation, Series 2017A
 Combination Tax and Revenue Certificates of Obligation, Series 2022A
 Combination Tax and Revenue Certificates of Obligation, Series 2022B

	2025	2024
\$ 435,000	\$ 485,000	
565,000	590,000	
1,845,000	1,905,000	
684,000	698,000	
2,770,000	2,855,000	
2,195,000	2,260,000	
<u>\$ 8,494,000</u>	<u>\$ 8,793,000</u>	

Water and Wastewater Operating Income Available for Debt Retirement:

Net Operating Income
 Net Nonoperating Interest Income
 Add Depreciation and Amortization Expense

\$ 1,030,276	\$ 1,236,014
319,823	378,288
1,075,914	963,400
<u>\$ 2,426,013</u>	<u>\$ 2,577,702</u>

Water and Sewer Operating Income Available for Debt Retirement

Annual Debt Service Requirements and Coverage:

Combination Tax and Revenue Certificates of Obligation, Series 2012
 Combination Tax and Revenue Certificates of Obligation, Series 2013
 Combination Tax and Revenue Certificates of Obligation, Series 2014
 Combination Tax and Revenue Certificates of Obligation, Series 2017A
 Combination Tax and Revenue Certificates of Obligation, Series 2022A
 Combination Tax and Revenue Certificates of Obligation, Series 2022B

\$ 58,061	\$ 58,781
36,615	36,965
136,910	138,893
33,000	33,440
127,533	123,293
95,191	95,662

Total Debt Service Requirements

487,310 487,034

Net System Fund Requirements

\$ 487,310 \$ 487,034

Coverage of Total System Fund Debt Service

4.98 5.29

Cash Available in Bond Sinking Funds

General Debt Service
 Revenue Debt Service

\$ 354,919	\$ 204,855
38,830	38,224
<u>\$ 393,749</u>	<u>\$ 243,079</u>

EXHIBIT G-5

CITY OF BRECKENRIDGE, TEXAS
 Insurance in Force
 September 30, 2025
 (Unaudited)

	<u>Coverage</u>
Flood, Fire and Extended Coverage Buildings and Contents	\$ 19,630,184
Errors & Omission Liability Each Wrongful Act	1,000,000
Aggregate	2,000,000
Commercial General Liability Per Occurrence	1,000,000
Aggregate	2,000,000
Law Enforcement Personal Liability Each Wrongful Act	1,000,000
Annual Aggregate	2,000,000
Fidelity Bonds City Secretary	10,000
Finance Director	10,000
Other Public Employees not Excluded	10,000
City Manager	15,000
Accounts Payable/Payroll/Human Resources	10,000
Municipal Court Clerk	10,000
City Vehicles Liability/Uninsured Motorist	1,000,000
Combined Single Limit	25,000
Heavy Equipment Physical Damage	1,045,163
Crime Public Employee Dishonesty	5,000
Theft Disappearance & Destruction	5,000
Cyber Insurance Tower 1: Data & Network & Media Aggregate Limit of Liability	1,000,000
Tower 2: Aggregate Limit of Liability Coverage	250,000
Tower 3: Breach Response Aggregate Limit Coverage	150,000

This statement is prepared from the insurance policies. It is intended as a descriptive summary only and no expression of opinion as to the adequacy of the coverage is given. As the actual coverage per policy varies depending on the nature of the event and other factors, these dollar limitations reflect the approximate upper limitation of losses recoverable under the policies.

List of Insurance Carriers

Company	Insurance Type	Expiration
Texas Municipal League	Fire - Buildings and Contents	10/1/2025
Texas Municipal League	Commercial Auto	10/1/2025
Texas Municipal League	Flood	10/1/2025
Texas Municipal League	Public Officials Liability	10/1/2025
Texas Municipal League	Law Enforcement Liability	10/1/2025
CNA Surety Corporation	Fidelity Bond - City Secretary	4/25/2026
CNA Surety Corporation	Fidelity Bond - Finance Director	1/20/2026
CNA Surety Corporation	City Manager & Other Public Employees	1/20/2026
Texas Municipal League	Heavy Equipment	10/1/2025
CNA Surety Corporation	Fidelity Bond - Accounts Payable/PR/HR	12/20/2025
CNA Surety Corporation	Fidelity Bond - Municipal Court Clerk	1/20/2026

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



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

Members of the City Commission
City of Breckenridge, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Breckenridge, Texas (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

George, Maynard, Free, P.C.

Weatherford, Texas

January 27, 2026