

City of Keene, Texas

Annual Financial Report

Year Ended September 30, 2021

City of Keene, Texas
Annual Financial Report
Year Ended September 30, 2021
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Financial Section

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Keene, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Keene, Texas (City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and
Members of the City Council
City of Keene, Texas
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FORVIS,LLP

Dallas, Texas
September 29, 2022

City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2021

As management of the City of Keene (City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements and accompanying notes, which can be found on pages 10 through 45 of this report.

Financial Highlights

The City's total combined net position was \$13,525,376 at September 30, 2021, of which \$985,405 was unrestricted. Additionally, the City's general fund reported a fund balance this year of \$1,015,871 of which \$922,464 is unassigned and subject to use at the City's discretion.

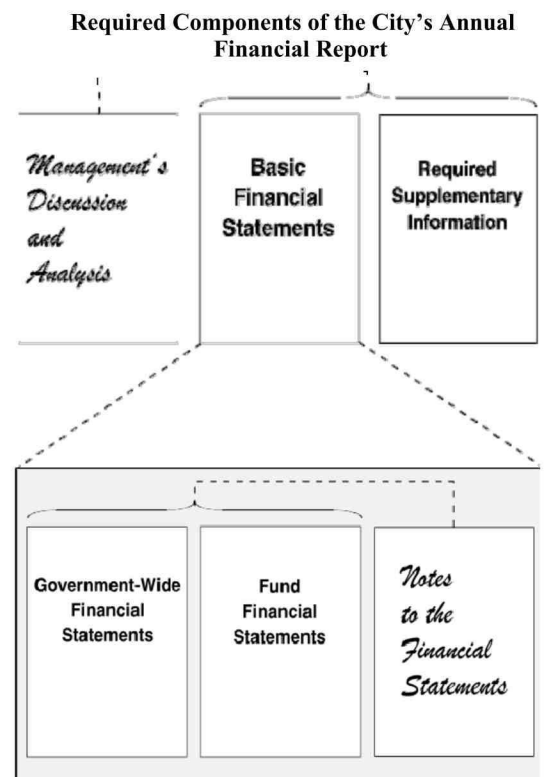
Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial*

statements and *required supplementary information*.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates like businesses.
- The financial statements also include *notes to the financial statements* explaining information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.



Summary  Detail

City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2021

The table below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	The entire City's government	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2021

Government-wide Statements. The government-wide 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 of resources, liabilities, and deferred inflows of resources, is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *governmental activities and business-type activities*. The City's basic services, such as general government, public safety, highways and streets, economic development, and parks and recreation, are included in governmental activities on the government-wide statements. Property taxes, sales taxes, fees for service, and grants finance most of these activities. Business-type activities encompass the operating and non-operating activities of the City's water, sewer and sanitation services.

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 accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two types of funds:

Governmental funds—The City's basic services are included in governmental funds, which focus on: (1) how *cash and other financial assets* that can readily be converted to cash flow in and out 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 additional information on the subsequent page that explain the relationship (or differences) between them. The governmental funds encompass the General fund, the Capital Projects fund, the Type A Economic Development Corporation, the Type B Business Development Corporation, the Debt Service fund, the Grants fund, and the Community Activities fund, which includes funds donated by citizens and other interested parties to pay for special projects.

Proprietary funds (business type activities)—This fund includes 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- and short-term financial information.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2021

Financial Analysis of the City as a Whole

Net Position. The City's *combined* net position was \$13,525,376 at September 30, 2021.

Statement of Net Position for Governmental and Business-Type Activities

	Governmental Activities 2021	Business-type Activities 2021	Total 2021	Governmental Activities 2020	Business-type Activities 2020	Total 2020
Current and other assets	\$ 4,096,032	\$ 1,726,780	\$ 5,822,812	\$ 2,565,025	\$ 1,614,196	\$ 4,179,221
Capital assets	15,788,683	6,123,546	21,912,229	15,570,135	6,189,346	21,759,481
Total assets	19,884,715	7,850,326	27,735,041	18,135,160	7,803,542	25,938,702
Deferred outflows of resources	694,841	189,465	884,306	112,794	145,242	258,036
Current liabilities	2,023,773	704,895	2,728,668	1,371,371	710,390	2,081,761
Long term liabilities	8,378,880	3,513,188	11,892,068	7,550,935	3,702,271	11,253,206
Total liabilities	10,402,653	4,218,083	14,620,736	8,922,306	4,412,661	13,334,967
Deferred inflows of resources	257,710	215,525	473,235	328,389	229,086	557,475
Net position						
Net investment in capital assets	9,365,758	3,000,311	12,366,069	8,600,877	2,774,346	11,375,223
Restricted	173,902	-	173,902	497,997	-	497,997
Unrestricted	379,533	605,872	985,405	(101,615)	532,691	431,076
Total net position	\$ 9,919,193	\$ 3,606,183	\$ 13,525,376	\$ 8,997,259	\$ 3,307,037	\$ 12,304,296

By far, the largest portion of the City's net position (91 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$985,405 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2021

Revenues and Expenses for Governmental and Business-Type Activities

	Governmental Activities 2021	Business-type Activities 2021	Total 2021	Governmental Activities 2020	Business-type Activities 2020	Total 2020
Revenues						
Program revenues						
Charges for services	\$ 764,232	\$ 3,503,490	\$ 4,267,722	\$ 1,018,765	\$ 3,283,510	\$ 4,302,275
Operating grants and contribution	292,271	-	292,271	236,538	-	236,538
Capital grants and contributions	561,816	-	561,816	555,303	-	555,303
General revenues						
Taxes and fees	3,804,656	-	3,804,656	3,400,018	-	3,400,018
Other	223,093	112,656	335,749	284,019	21,539	305,558
Total revenues	5,646,068	3,616,146	9,262,214	5,494,643	3,305,049	8,799,692
Expenses						
General government	1,284,743	-	1,284,743	1,594,488	-	1,594,488
Public safety	1,157,463	-	1,157,463	1,248,381	-	1,248,381
Fire and rescue	1,387,504	-	1,387,504	1,422,197	-	1,422,197
Streets	550,100	-	550,100	600,614	-	600,614
Parks and recreation	44,586	-	44,586	39,385	-	39,385
Municipal court	83,205	-	83,205	102,397	-	102,397
Economic development	588,883	-	588,883	613,244	-	613,244
Community development	47,890	-	47,890	50,708	-	50,708
Capital contribution to governmental activities	-	-	-	-	-	-
Interest and fiscal charges	402,259	216,016	618,275	222,400	142,519	364,919
Water	-	1,433,009	1,433,009	-	1,545,259	1,545,259
Sewer	-	640,692	640,692	-	690,879	690,879
Sanitation	-	204,785	204,785	-	220,827	220,827
Total expenses	5,546,631	2,494,503	8,041,134	5,893,814	2,599,484	8,493,298
Increase (Decrease) in Net Position Before Transfers	99,437	1,121,643	1,221,080	(399,171)	705,565	306,394
Transfers	822,497	(822,497)	-	198,438	(198,438)	-
Change in Net Position	921,934	299,146	1,221,080	(200,733)	507,127	306,394
Net Position, Beginning of Year	8,997,259	3,307,037	12,304,296	9,197,992	2,799,910	11,997,902
Net Position, End of Year	\$ 9,919,193	\$ 3,606,183	\$ 13,525,376	\$ 8,997,259	\$ 3,307,037	\$ 12,304,296

Change in Net Position. The City's total revenues were \$9,262,214 and total expenses were \$8,041,134 resulting in an increase in net position of \$1,221,080 for the year ended September 30, 2021. Revenues increased \$463,000 (5 percent) compared to 2020 due primarily to an increase in charges for services of \$220,000 related to water, wastewater, and sanitation services and \$405,000 increase in taxes due to an increase in property and sales tax revenue in the current fiscal year. Overall expenses decreased \$452,000 (5 percent) compared to 2020 due to less spending across all departments.

Capital Assets. The City's capital assets for its governmental and business-type activities as of September 30, 2021, amount to \$21,912,229 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, machinery and equipment, roads, and water, sewer, and sanitation lines.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2021

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

- Various improvements on Louis Vuitton Road of approximately \$550,000.
- Various well and sewer line enhancements of approximately \$350,000.
- Various new vehicles of approximately \$300,000.

Additional information on capital asset activity can be found in *Note 6* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,693,121	\$ 1,693,121	\$ 192,622	\$ 192,622	\$ 1,885,743	\$ 1,885,743
Construction in progress	550,677	-	206,152	-	756,829	-
Buildings and improvements	6,811,548	6,794,268	232,228	232,228	7,043,776	7,026,496
Machinery and equipment	833,334	805,344	371,782	357,194	1,205,116	1,162,538
Streets	11,365,634	11,365,634	-	-	11,365,634	11,365,634
Infrastructure	1,230,136	1,230,136	17,082,189	16,953,974	18,312,325	18,184,110
Office furniture and equipment	638,885	638,885	63,783	63,783	702,668	702,668
Vehicles	1,979,536	1,724,289	349,262	316,577	2,328,798	2,040,866
Accumulated depreciation	(9,314,188)	(8,681,542)	(12,374,472)	(11,927,032)	(21,688,660)	(20,608,574)
Total	<u>\$ 15,788,683</u>	<u>\$ 15,570,135</u>	<u>\$ 6,123,546</u>	<u>\$ 6,189,346</u>	<u>\$ 21,912,229</u>	<u>\$ 21,759,481</u>

Long-Term Obligations. At year-end, the City had \$11,170,332 in total outstanding long-term obligations (including current portion) as shown below. In fiscal year 2021, the City issued \$7,350,000 in General Obligation Refunding Bonds, Series 2021A which refunded the Certificates of Obligation Bonds, Series 2016 and a portion of the Combination Tax and Revenue Certificates of Obligation Bonds, Series 2005. The City issued \$1,645,000 in General Obligation Refunding Bonds, Series 2021B which refunded the remaining portion of the Combination Tax and Revenue Certificates of Obligation Bonds, Series 2005. Lastly, the City issued \$825,000 in Tax Notes, Series 2021.

Additional information on long-term debt activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ 6,517,613	\$ 6,411,353	\$ 3,350,901	\$ 3,415,000	\$ 9,868,514	\$ 9,826,353
Notes payable	1,301,818	557,905	-	-	1,301,818	557,905
Total	<u>\$ 7,819,431</u>	<u>\$ 6,969,258</u>	<u>\$ 3,350,901</u>	<u>\$ 3,415,000</u>	<u>\$ 11,170,332</u>	<u>\$ 10,384,258</u>

Financial Analysis of the City's Funds

General Fund Highlights. The General Fund balance increased by \$75,487, from \$940,384 to \$1,015,871. This increase can be attributed to an increase in property and sales tax revenue in the current fiscal year.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2021

Capital Projects Fund. The Capital Projects Fund balance increased by \$744,670 from 2020 due to the issuance of the 2021 Tax Notes for \$825,000 offset by debt issuance costs. Proceeds of the tax notes will be spent in future periods.

Type A Economic Development. The fund balance increased by \$49,109, from \$31,925 to \$81,034 due to a slight increase in overall sales tax revenue from the prior year.

Type B Business Development. The fund balance decreased by \$83,605, from \$29,574 to (\$54,031), due to a slight increase in overall sales tax revenue from the prior year, offset by an increase in overall business development expenditures.

Debt Service. The fund balance increased by \$49,706, from (\$11,199) to \$38,507. This increase can be attributed to an increase in property tax revenue in the current fiscal year.

Grant Fund. The fund balance decreased 17,242, from (\$0) to (\$17,242), due to the ongoing construction of the Louis Vuitton Road in the current fiscal year.

Community Activity Fund. The fund balance increased by \$1,084, from \$35,166 to \$36,250 due to an increase in donations during 2021.

General Fund Budgetary Highlights

General fund expenditures exceeded revenues by \$278,897. After considering transfers to/from other funds, the fund balance for the City's general fund is \$1,015,871 as of September 30, 2021, which was \$177,633 less than the budgeted change in fund balance. This difference between budgeted and actual can mainly be attributed to capital outlay and net transfers that were not planned for in the budget process.

Economic Factors and Next Year's Budgets and Rates

The proposed tax rate for the upcoming year will remain the same at \$0.854134 per \$100. General fund revenue budgeted for next year totals \$4,717,410 for an increase of \$137,995 in the upcoming year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Finance Director via e-mail at finance.director@keenetx.com or via mail at 1000 N. Old Betsy Road, Keene, TX 76031.

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Basic Financial Statements

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City of Keene, Texas
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,473,252	\$ 996,945	\$ 4,470,197
Receivables, net	547,484	483,865	1,031,349
Inventory	75,296	-	75,296
Restricted cash and cash equivalents	-	245,970	245,970
Capital assets			
Nondepreciable assets	2,243,798	398,774	2,642,572
Depreciable assets, net	13,544,885	5,724,772	19,269,657
Total assets	19,884,715	7,850,326	27,735,041
Deferred Outflows of Resources			
Deferred outflows of resources – Pension	95,977	150,021	245,998
Deferred outflows of resources – OPEB	27,358	13,254	40,612
Deferred loss on refunding	571,506	26,190	597,696
Total deferred outflows of resources	694,841	189,465	884,306
Liabilities			
Accounts payable	661,011	205,830	866,841
Accrued interest	148,822	62,512	211,334
Accrued payable liabilities	20,907	35,177	56,084
Other payables	115,394	34,522	149,916
Unearned revenue	816,533	-	816,533
Customer deposits	-	245,970	245,970
Current portion of long term debt:			
Compensated absences	25,684	6,395	32,079
Notes payable	146,547	-	146,547
Bonds payable	88,875	114,489	203,364
Total current liabilities	2,023,773	704,895	2,728,668
Noncurrent liabilities			
Notes payable	1,155,271	-	1,155,271
Bonds payable	6,428,738	3,236,412	9,665,150
Compensated absences	231,154	57,553	288,707
Net pension liability	415,255	161,487	576,742
Total OPEB liability	148,462	57,736	206,198
Total noncurrent liabilities	8,378,880	3,513,188	11,892,068
Total liabilities	10,402,653	4,218,083	14,620,736
Deferred Inflows of Resources			
Deferred inflows of resources – Pension	250,350	210,055	460,405
Deferred inflows of resources – OPEB	7,360	5,470	12,830
Total deferred inflows of resources	257,710	215,525	473,235
Net Position			
Net investment in capital assets	9,365,758	3,000,311	12,366,069
Restricted for			
Debt service	38,507	-	38,507
Child safety	8,419	-	8,419
Court security	5,000	-	5,000
Court technology	3,007	-	3,007
Juvenile case management	1,685	-	1,685
City promotions	36,250	-	36,250
Economic development	81,034	-	81,034
Unrestricted	379,533	605,872	985,405
Total net position	\$ 9,919,193	\$ 3,606,183	\$ 13,525,376

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

City of Keene, Texas
Statement of Activities
For the Year Ended September 30, 2021

Functions/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,284,743	\$ 103,203	\$ -	\$ -	\$ (1,181,540)	\$ -	\$ (1,181,540)
Public safety	1,157,463	-	-	-	(1,157,463)	-	(1,157,463)
Fire and rescue	1,387,504	283,063	292,271	-	(812,170)	-	(812,170)
Streets	550,100	-	-	561,816	11,716	-	11,716
Parks and recreation	44,586	4,173	-	-	(40,413)	-	(40,413)
Municipal court	83,205	373,792	-	-	290,588	-	290,588
Economic development	588,883	-	-	-	(588,883)	-	(588,883)
Community development	47,890	-	-	-	(47,890)	-	(47,890)
Interest and fiscal charges	402,259	-	-	-	(402,259)	-	(402,259)
Total governmental activities	5,546,631	764,232	292,271	561,816	(3,928,312)	-	(3,928,312)
Business-type activities							
Water	1,433,009	2,186,427	-	-	-	753,418	753,418
Sewer	640,692	1,001,176	-	-	-	360,484	360,484
Sanitation	204,785	315,887	-	-	-	111,102	111,102
Interest on long-term debt	216,016	-	-	-	-	(216,016)	(216,016)
Total business-type activities	2,494,503	3,503,490	-	-	-	1,008,987	1,008,987
Total primary government	\$ 8,041,134	\$ 4,267,722	\$ 292,271	\$ 561,816	\$ (3,928,312)	\$ 1,008,987	\$ (2,919,325)
General revenues and transfers							
General revenues							
Taxes							
Property taxes					\$ 2,388,635	\$ -	\$ 2,388,635
Sales taxes					1,158,156	-	1,158,156
Franchise taxes					257,865	-	257,865
Miscellaneous					213,938	-	213,938
Interest income					9,155	112,656	121,811
Transfers					822,497	(822,497)	-
Total general revenues and transfers					4,850,246	(709,841)	4,140,405
Change in Net Position					921,934	299,146	1,221,080
Net Position, Beginning of Year					8,997,259	3,307,037	12,304,296
Net Position, End of Year					\$ 9,919,193	\$ 3,606,183	\$ 13,525,376

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

City of Keene, Texas
Balance Sheet – Governmental Funds
September 30, 2021

	General Fund	Capital Projects Fund	Type A Economic Development Corporation	Type B Business Development Corporation	Debt Service Fund	Grant Fund	Community Activity Fund	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 1,959,440	\$ 1,345,097	\$ 26,689	\$ -	\$ 100,000	\$ -	\$ 42,026	\$ 3,473,252
Receivables (net of allowance for uncollectibles)								
Property taxes	89,820	-	-	-	18,119	-	-	107,939
Sales tax	118,501	-	59,250	59,250	-	-	-	237,001
Ambulance receivable	200,850	-	-	-	-	-	-	200,850
Accounts receivable	1,694	-	-	-	-	-	-	1,694
Due from other funds	150,613	-	-	-	-	-	-	150,613
Inventory	75,296	-	-	-	-	-	-	75,296
Total assets	<u>\$ 2,596,214</u>	<u>\$ 1,345,097</u>	<u>\$ 85,939</u>	<u>\$ 59,250</u>	<u>\$ 118,119</u>	<u>\$ -</u>	<u>\$ 42,026</u>	<u>\$ 4,246,645</u>
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)								
Liabilities								
Accounts payable	\$ 428,798	\$ 185,281	\$ 4,905	\$ 42,027	\$ -	\$ -	\$ -	\$ 661,011
Accrued payroll liabilities	20,907	-	-	-	-	-	-	20,907
Other payables	115,394	-	-	-	-	-	-	115,394
Due to other funds	-	-	-	71,254	62,117	17,242	-	150,613
Unearned revenue	810,757	-	-	-	-	-	5,776	816,533
Total liabilities	<u>1,375,856</u>	<u>185,281</u>	<u>4,905</u>	<u>113,281</u>	<u>62,117</u>	<u>17,242</u>	<u>5,776</u>	<u>1,764,458</u>
Deferred inflows of resources – unavailable revenue	<u>204,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,495</u>	<u>-</u>	<u>-</u>	<u>221,982</u>
Fund balances (deficit)								
Nonspendable for inventory and prepaid items	75,296	-	-	-	-	-	-	75,296
Committed	-	334,816	-	-	-	-	-	334,816
Restricted for								
Debt service	-	-	-	-	38,507	-	-	38,507
Capital projects	-	825,000	-	-	-	-	-	825,000
Child safety	8,419	-	-	-	-	-	-	8,419
Court security	5,000	-	-	-	-	-	-	5,000
Court technology	3,007	-	-	-	-	-	-	3,007
Juvenile case management	1,685	-	-	-	-	-	-	1,685
City promotions	-	-	-	-	-	-	36,250	36,250
Economic development	-	-	81,034	-	-	-	-	81,034
Unassigned (deficit)	922,464	-	-	(54,031)	-	(17,242)	-	851,191
Total fund balances (deficit)	<u>1,015,871</u>	<u>1,159,816</u>	<u>81,034</u>	<u>(54,031)</u>	<u>38,507</u>	<u>(17,242)</u>	<u>36,250</u>	<u>2,260,205</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 2,596,214</u>	<u>\$ 1,345,097</u>	<u>\$ 85,939</u>	<u>\$ 59,250</u>	<u>\$ 118,119</u>	<u>\$ -</u>	<u>\$ 42,026</u>	<u>\$ 4,246,645</u>

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

City of Keene, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2021

Total fund balances – governmental funds	\$ 2,260,205
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.	15,788,683
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	221,982
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and, therefore, is not reported in the fund financial statements.	(148,822)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:	
Deferred outflows of resources (Pension)	95,977
Deferred outflows of resources (OPEB)	27,358
Deferred inflows of resources (Pension)	(250,350)
Deferred inflows of resources (OPEB)	(7,360)
Governmental funds report the effect of refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred loss on refunding	571,506
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	
Long-term liabilities at year-end consist of:	
Bond payable	(6,517,613)
Notes payable	(1,301,818)
Net pension liability	(415,255)
Compensated absences	(256,838)
Total OPEB liability	(148,462)
Total net position of governmental activities	<u>\$ 9,919,193</u>

City of Keene, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Capital Projects Fund	Type A Economic Development Corporation	Type B Business Development Corporation	Debt Service Fund	Grant Fund	Community Activity Fund	Total Governmental Funds
Revenues								
Taxes								
Property taxes	\$ 2,111,057	\$ -	\$ -	\$ -	\$ 270,416	\$ -	\$ -	\$ 2,381,473
Sales taxes	579,078	-	289,539	289,539	-	-	-	1,158,156
Franchise fees	257,865	-	-	-	-	-	-	257,865
Licenses, permits and filing fees	191,512	-	-	-	-	-	-	191,512
Charges for services	487,137	-	-	-	-	-	-	487,137
Fines and forfeitures	85,583	-	-	-	-	-	-	85,583
Investment earnings	7,232	-	864	1,059	-	-	-	9,155
Other revenues	191,701	-	1,176	-	-	-	2,078	194,955
Intergovernmental revenue	292,271	-	-	-	-	561,816	-	854,087
Total revenues	4,203,436	-	291,579	290,598	270,416	561,816	2,078	5,619,923
Expenditures								
Current								
General government	1,332,272	-	-	-	-	-	-	1,332,272
Public safety	1,162,658	-	-	-	-	-	-	1,162,658
Fire and rescue	1,360,673	-	-	-	-	-	-	1,360,673
Highway and streets	189,320	-	-	-	-	-	-	189,320
Culture and recreation	41,833	-	-	-	-	-	-	41,833
Municipal court	89,128	-	-	-	-	-	-	89,128
Economic development	-	-	192,581	381,717	-	-	-	574,298
General and administrative	-	-	-	-	-	11,139	994	12,133
Capital outlay	306,449	-	3,170	-	-	567,919	-	877,538
Debt service								
Principal	-	-	59,818	21,269	238,259	-	-	319,346
Interest	-	-	19,158	3,387	82,451	-	-	104,996
Issuance costs	-	210,256	-	-	-	-	-	210,256
Total expenditures	4,482,333	210,256	274,727	406,373	320,710	579,058	994	6,274,451
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(278,897)	(210,256)	16,852	(115,775)	(50,294)	(17,242)	1,084	(654,528)
Other Financing Sources (Uses)								
Refunding bonds issued	-	5,880,000	-	-	-	-	-	5,880,000
Premium on bonds issued	-	671,857	-	-	-	-	-	671,857
Notes issued	-	825,000	-	-	-	-	-	825,000
Payment to refunded bond escrow agent	-	(6,744,600)	-	-	-	-	-	(6,744,600)
Proceeds from sale of capital assets	18,983	-	-	-	-	-	-	18,983
Transfers in	722,497	322,669	32,257	32,170	100,000	-	-	1,209,593
Transfers out	(387,096)	-	-	-	-	-	-	(387,096)
Total other financing sources (uses)	354,384	954,926	32,257	32,170	100,000	-	-	1,473,737
Net Change in Fund Balances	75,487	744,670	49,109	(83,605)	49,706	(17,242)	1,084	819,209
Fund Balances (Deficit), Beginning of Year	940,384	415,146	31,925	29,574	(11,199)	-	35,166	1,440,996
Fund Balances (Deficit), End of Year	\$ 1,015,871	\$ 1,159,816	\$ 81,034	\$ (54,031)	\$ 38,507	\$ (17,242)	\$ 36,250	\$ 2,260,205

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

City of Keene, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2021

Net change in fund balances – total governmental funds	\$ 819,209
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	869,125
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Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(650,577)
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Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of refunding bonds	(5,880,000)
Issuance of tax notes	(825,000)
Payment to escrow agent	6,744,600
Premium, net of amortization	(637,613)
Principal paid on bonds and notes	319,346

Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension and Total OPEB liabilities, deferred outflows of resources, and deferred inflows of resources balances.	256,631
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Current year change in long-term liabilities for compensated absences required the use of current financial resources; therefore, is not reported as an expense in the statement of activities.	20,302
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Current year change in accrued interest payable does not require the use of current financial resources; therefore, is not reported as expenditures in governmental funds.	(121,251)
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Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	7,162
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Change in net position of governmental activities	<u>\$ 921,934</u>
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City of Keene, Texas
Statement of Net Position
Proprietary Fund
September 30, 2021

	<u>Water, Sewer, and Sanitation</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 996,945
Customer receivables, net	483,865
Restricted cash and cash equivalents	<u>245,970</u>
Total current assets	<u>1,726,780</u>
Noncurrent Assets	
Capital assets	
Nondepreciable	398,774
Depreciable (net of accumulated depreciation)	<u>5,724,772</u>
Total noncurrent assets	<u>6,123,546</u>
Total assets	<u>7,850,326</u>
Deferred Outflows of Resources	
Deferred outflows of resources – Pension	150,021
Deferred outflows of resources – OPEB	13,254
Deferred loss on refunding	<u>26,190</u>
Total deferred outflows of resources	<u>189,465</u>
Liabilities, Deferred Inflows or Resources and Net Position	
Current Liabilities	
Accounts and contracts payable	205,830
Accrued interest payable	62,512
Accrued wages payable	35,177
Customer deposits	245,970
Due to other governments	34,522
Compensated absences	6,395
Current portion long-term debt	
Bonds payable	<u>114,489</u>
Total current liabilities	<u>704,895</u>
Noncurrent Liabilities	
Bonds payable	3,022,000
Premium on bonds payable	214,412
Compensated absences	57,553
Net pension liability	161,487
Total OPEB liability	<u>57,736</u>
Total noncurrent liabilities	<u>3,513,188</u>
Total liabilities	<u>4,218,083</u>
Deferred Inflows of Resources	
Deferred inflows of resources – Pension	210,055
Deferred inflows of resources – OPEB	<u>5,470</u>
Total deferred outflows of resources	<u>215,525</u>
Net Position	
Net investment in capital assets	3,000,311
Unrestricted	<u>605,872</u>
Total net position	<u>\$ 3,606,183</u>

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

City of Keene, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2021

	Water, Sewer, and Sanitation
Operating Revenues	
Charges for services	
Water	\$ 1,991,143
Wastewater	1,001,176
Sanitation	315,887
Other	195,284
Total operating revenues	3,503,490
Operating Expenses	
Personnel services	456,428
Contracted services	348,713
Administrative	73,631
Water purchases	529,136
Utilities	155,262
Repairs and maintenance	115,648
Permits and fees	13,208
Materials and supplies	139,021
Depreciation	447,440
Total operating expenses	2,278,487
Operating income	1,225,003
Nonoperating Revenues (Expenses)	
Bond issuance costs	(116,844)
Interest income	112,656
Interest expense	(99,172)
Total nonoperating revenues (expenses)	(103,360)
Income before transfers	1,121,643
Transfers out	(822,497)
Change in Net Position	299,146
Net Position, Beginning of Year	3,307,037
Net Position, End of Year	<u><u>\$ 3,606,183</u></u>

City of Keene, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2021

	Water, Sewer, and Sanitation
Operating Activities	
Receipts from customers and users	\$ 3,569,655
Payments to employees	(607,033)
Payments to suppliers	<u>(1,418,288)</u>
Net cash provided by operating activities	<u>1,544,334</u>
Noncapital and Related Financing Activities	
Transfers to other funds	<u>(822,497)</u>
Net cash used in noncapital financing activities	<u>(822,497)</u>
Capital and Related Financing Activities	
Acquisition and construction of capital assets	(381,640)
Principal payments on debt	(85,000)
Interest payments on debt	(96,625)
Bond issuance costs	(116,844)
Refunding principal received	3,115,000
Bond premium received	252,285
Principal paid to escrow agent	<u>(3,330,000)</u>
Net cash used in capital and financing activities	<u>(642,824)</u>
Investing Activities	
Interest on investments	<u>112,656</u>
Net cash provided by investing activities	<u>112,656</u>
Increase in Cash and Cash Equivalents	191,669
Cash and Cash Equivalents, Beginning of Year	<u>1,051,246</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,242,915</u>
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Operating income	1,225,003
Item not requiring cash	
Depreciation	447,440
Changes in	
Accounts receivable	79,085
Deferred outflows of resources	(18,033)
Accounts payable	(43,669)
Accrued expenses	(20,485)
Customer deposits	(12,920)
Net pension liability	(74,540)
Total OPEB liability	6,325
Compensated absences	(30,311)
Deferred inflows of resources	<u>(13,561)</u>
Net cash provided by operating activities	<u>\$ 1,544,334</u>

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City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies

The City of Keene, Texas (City) is a Home Rule city which citizens elect the mayor and six council members. The Mayor is elected by the citizens at large. Council positions consist of three Ward Positions and three At Large Positions. The three At Large positions are elected at large by citizens, the three Ward positions are voted by the citizens in the Ward. The candidate running for a Ward position must live in that Ward. The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described as follows:

Reporting Entity

The City's basic financial statements include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization of the City

The above criteria was applied to potential organizations to determine if the entity should be reported as part of the City. The following were determined to be blended component units of the City.

Keene Economic Development Corporation (KEDC) is a blended component unit. The KEDC was formed to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, and on behalf of, the City by developing, implementing, providing and financing projects under the *Development Corporation Act of 1979* (Act) as defined in Section 4A of the Act. A Board of Directors, whose members are appointed by and serve the City's governing body, makes the decisions regarding use of local revenue in undertaking projects, though the City retains oversight authority and must approve all programs and expenditures of the Corporation. KEDC is presented as a major fund on the City's governmental fund financial statements.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Keene Business Development Corporation (KBDC), formally known as the Keene Community Development Corporation, is a blended component unit. The KBDC was formed exclusively for the purposes of benefiting and accomplishing public purposes of, and acting on behalf of, the City in promotion and development of public projects, including, but not limited to, tourism facilities, civic center, downtown/main street renovation and/or development, drainage and related improvements, parks, youth center, sports facilities, public safety facilities, municipal facilities, library facilities, water, sewer and street extensions, any other project that the Board determines as contributing to the promotion or development of new or expanded business enterprises and other related improvements, and any other project authorized under Section 4B of the Act.

A Board of Directors, whose members are appointed by and serve the City's governing body, makes all decisions regarding use of local revenue in undertaking projects, though the City retains oversight authority and must approve all programs and expenditures of the Corporation. KBDC is presented as a major fund on the City's Governmental Fund financial statements.

Basis of Presentation

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. As a general rule, the effect of inter-fund activity, with the exception of interfund services provided or used, within the governmental or business-type activities columns, has been eliminated from these statements. Elimination of the interfund services provided or used would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. 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 program, and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items properly not included among program revenues are reported instead as general revenues.

The City segregates transactions related to certain functions or activities in separate funds in order to aid in financial management and to demonstrate compliance with various legal provisions. Separate fund-based financial statements are provided for governmental funds and the proprietary fund. These statements present each major fund as a separate column on the fund financial statements.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Governmental funds are those funds through which most government functions are typically financed. The measurement focus of government funds is on the sources, uses and balances of current financial resources. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

The City has presented the following major governmental funds:

General Fund – Governmental fund that reports as the primary fund of the City. This fund is used to account for all financial resources not reported in any other funds.

Debt Service Fund – Governmental fund which accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City has designated the Debt Service Fund as a major fund.

Type A Economic Development Corporation – Governmental fund which accounts for the accumulation of financial resources for KEDC. The City has designated the Type A Economic Development Corporation as a major fund.

Type B Business Development Corporation – Governmental fund which accounts for the accumulation of financial resources for KBDC.

Capital Projects Fund – Governmental fund which accounts for amounts received and expended for the construction of the municipal complex, community center, and other improvements.

Grant Fund – Governmental fund that accounts for grant funds received for various programs. These monies are expended to satisfy purposes as outlined by each federal program. The City has designated the Grant Fund as a major fund.

Community Activity Fund – Governmental fund that accounts for funds received for various community projects. The City has designated the Community Activity Fund as a major fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included on the statement of net position. The City has presented the following proprietary fund:

Water, Sewer, and Sanitation Fund – Enterprise fund which accounts for the operating activities of the City's water, sewer, and sanitation services.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the personal and contractual services, 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.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured, such as current financial resources or economic resources; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of transactions of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources method measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the accompanying Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including water and wastewater services, which are accrued. Expenses are recognized at the time a liability is incurred, regardless of the timing of related cash flows.

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 when they are susceptible to accrual; i.e., when they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes and other revenues as available if they are collected within 60 days of the fiscal year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and other long-term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The revenues susceptible to accrual are property taxes, gross receipts tax, licenses, charges for services, fines and fees, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government, as they are deemed immaterial.

The proprietary fund types are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Amounts reported as program revenues include: (1) charges to customers for goods and services, (2) operating grants and contributions, and (3) capital grants and contributions. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, money market mutual funds, and demand deposits. Substantially all operating deposits are maintained in pooled deposits accounts. Interest income relating to pooled deposits is allocated to the participating individual funds based on each fund's pro rata share of total pooled deposits and investments. For the purpose of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Capital Assets

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund. Donated assets are stated at acquisition value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchases and outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are as follows:

Vehicles	5 years
Machinery and equipment	5 to 10 years
Building improvements	20 years
Infrastructure	30 years
Buildings	40 years
Streets	40 years
Parks and improvements	10 to 40 years

Other Assets

Inventory is stated at cost using the first-in, first-out method. Inventory consists of expendable parts, fuel, and supplies. Inventories are recorded as expenses when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Activity

Inter-fund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Difference in expected and actual experience – pension – This difference is deferred and amortized over the estimated average remaining service life of all participants determined as of the beginning of the measurement period.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Pension contributions subsequent to measurement date – These contributions are deferred and recognized in the following fiscal year.
- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category:

- Unavailable revenue – This amount represents uncollected property taxes. This amount is deferred and recognized once payments are received in the follow fiscal year. This item is only presented in the Balance Sheet –Governmental Funds.
- Difference in expected and actual experience – pension and OPEB – This difference is deferred and amortized over the estimated average remaining service life of all participants in the pension plan determined as of the beginning of the measurement period.
- Changes in actuarial assumptions related to the pension plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period determined as of the beginning of the measurement period.

Long-Term Liabilities

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 statement of net position.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Compensated Absences

Compensated absences are reported as liabilities in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminating employees is reported. The general fund is used to liquidate the compensated absences liability.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Net Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned.

Fund Balance Policies and Classifications

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance – Includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain intact such as the principal of an endowment.

Restricted fund balance – Includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Committed fund balance – Includes the portion of net resources upon which Council has imposed limitations on use. Amounts can be used only for the specific purposes determined by a formal action of the council. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned fund balance – Includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance – Includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Only the General Fund will have unassigned amounts. In all other funds, unassigned is limited to negative residual fund balance.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources of governmental and business-type activities, and proprietary funds. The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – The category represents net position of the City, not restricted for any project.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted net-position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Deficit Fund Balance

As of September 30, 2021, the Type B Business Development Corporation fund, a major governmental fund, has a deficit fund balance of \$54,031. The deficit fund balance will be eliminated by future revenues.

As of September 30, 2021, the Grant fund, a major governmental fund, has a deficit fund balance of \$17,242.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

Adoption of New Accounting Standards

The GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, established criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. Implementation of GASB 84 had no material impact on the City.

GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Implementation of GASB 97 had no material impact on the City.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 2: Cash and Cash Equivalents

Cash and Cash Equivalents

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. 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.

Cash Deposits

At September 30, 2021, the total carrying amounts of the City's deposits including restricted and unrestricted cash and money market accounts were \$4,716,167. While there may be days which the bank balance exceeded FDIC coverage during the year, the City's cash deposits at September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The City's deposits were covered by FDIC coverage of \$250,000 for each ownership category for each financial institution or collateral pledged in the City's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to a significant amount of credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year- end, the City was not exposed to concentration of credit risk.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year- end, the City was not exposed to interest rate risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest- earning investment contracts at amortized cost and to report nonparticipating interest- earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. Short-term investments are those which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The City had money market balances of \$2,165,239 as of September 30, 2021, which are reported as cash equivalents in the accompanying financial statements.

Note 3: Receivables

Receivables as of year-end for the City's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Type A Economic Development Corporation	Type B Business Development Corporation	Debt Service	Water, Sewer, and Sanitation Fund	Total
Receivables						
Taxes	\$ 289,849	\$ 59,250	\$ 59,250	\$ 24,878	\$ -	\$ 433,227
Accounts	1,694	-	-	-	-	1,694
Ambulance	870,889	-	-	-	-	870,889
Utility	-	-	-	-	752,947	752,947
Gross receivables	1,162,432	59,250	59,250	24,878	752,947	2,058,757
Less: allowance for uncollectibles	(751,567)	-	-	(6,759)	(269,082)	(1,027,408)
Net total receivables	<u>\$ 410,865</u>	<u>\$ 59,250</u>	<u>\$ 59,250</u>	<u>\$ 18,119</u>	<u>\$ 483,865</u>	<u>\$ 1,031,349</u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 4: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. Tax collections for the year ended September 30, 2021, were 98 percent of the levy. Johnson County bills and collects property taxes for the City. Any uncollected property taxes at September 30 that are collected within 60 days is recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30 which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

For the year ended September 30, 2021, the City had a tax rate of \$.8541 per \$100.00 assessed valuation, of which \$.7568 was allocated for general government and \$.09732 was allocated for the payment of principal and interest on general obligation debt.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 5: Interfund Balances and Activity

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Type B Business Development Corporation	\$ 71,254
General Fund	Debt Service	62,117
General Fund	Grants	17,242
		<u>\$ 150,613</u>

These amounts include balances of working capital loans made to the Keene Business Development Corporation, Grants, and Debt Service, which the General Fund expects to collect in the subsequent year.

Transfers In/Transfers Out:

Transfer In	Transfer Out	Amount
General Fund	Water, Sewer & Sanitation Fund	\$ 722,497
Debt Service	Water, Sewer & Sanitation Fund	100,000
Capital Projects	General Fund	322,669
Type A Economic Development Corporation	General Fund	32,257
Type B Business Development Corporation	General Fund	32,170
		<u>\$ 1,209,593</u>

The transfers between the Water, Sewer, and Sanitation Fund and General Fund are annual budgeted transfers to finance various programs accounted for in the General Fund in accordance with budgetary authorization. The transfers between the Debt Service Fund and the Water, Sewer, and Sanitation Fund are annual budgeted transfers as debt service principal and interest payments become due. Additionally, a one-time transfer of \$322,669, \$32,257 and \$32,170 from the General Fund to the Capital Projects, Type A and Type B were made for expenditures incurred in the respective funds on behalf of the General Fund.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 6: Capital Assets

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

	9/30/2020 Balance	Increases	Decreases	Transfers	9/30/2021 Balance
Governmental Activities					
Land	\$ 1,693,121	\$ -	\$ -	\$ -	\$ 1,693,121
Construction in progress	-	550,677	-	-	550,677
Total capital assets not being depreciated	1,693,121	550,677	-	-	2,243,798
Capital assets being depreciated					
Buildings and improvements	5,879,339	17,280	-	-	5,896,619
Parks and improvements	914,929	-	-	-	914,929
Machinery and equipment	805,344	27,990	-	-	833,334
Office furniture and equipment	638,885	-	-	-	638,885
Vehicles	1,724,289	273,178	(17,931)	-	1,979,536
Infrastructure	1,230,136	-	-	-	1,230,136
Streets	11,365,634	-	-	-	11,365,634
Total capital assets being depreciated	22,558,556	318,448	(17,931)	-	22,859,073
Less accumulated depreciation:	(8,681,542)	(650,577)	17,931	-	(9,314,188)
Total capital assets being depreciated (net)	13,877,014	(332,129)	-	-	13,544,885
Governmental activities capital assets, net	\$ 15,570,135	\$ 218,548	\$ -	\$ -	\$ 15,788,683

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

Governmental activities	
General and administrative	\$ 14,136
Public safety	98,822
Fire and rescue	96,455
Streets	367,432
Parks and recreation	2,753
Community development and recreation	52,142
Economic development	18,837
Total depreciation expense – governmental activities	<u>\$ 650,577</u>

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Capital asset activity in the business-type activities for the year ended September 30, 2021, was as follows:

	9/30/2020 Balance	Increases	Decreases	Transfers	9/30/2021 Balance
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 192,622	\$ -	\$ -	\$ -	\$ 192,622
Construction in progress	-	206,152	-	-	206,152
Total capital assets not being depreciated	192,622	206,152	-	-	398,774
Capital assets being depreciated					
Buildings and improvements	232,228	-	-	-	232,228
Machinery and equipment	357,194	14,588	-	-	371,782
Infrastructure	16,953,974	128,215	-	-	17,082,189
Office furniture and equipment	63,783	-	-	-	63,783
Vehicles	316,577	32,685	-	-	349,262
Total capital assets being depreciated	17,923,756	175,488	-	-	18,099,244
Less accumulated depreciation:	(11,927,032)	(447,440)	-	-	(12,374,472)
Total capital assets being depreciated (net)	5,996,724	(271,952)	-	-	5,724,772
Business-type activities capital assets, net	\$ 6,189,346	\$ (65,800)	\$ -	\$ -	\$ 6,123,546

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 7: Long-Term Obligations

As of September 30, 2021, the City's bonds, tax notes and notes payable consisted of the following:

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>General Obligation</u>			
\$7,350,000, 2021A General Obligation bonds, due in annual installments through February 15, 2044, 3.000%	\$ 5,880,000	\$ 1,470,000	\$ 7,350,000
\$1,645,000, 2021B General Obligation bonds, due in annual installments through February 15, 2035, 2.000% to 3.000%	-	1,645,000	1,645,000
	<u>\$ 5,880,000</u>	<u>\$ 3,115,000</u>	<u>\$ 8,995,000</u>
<u>Tax Notes</u>			
\$825,000, 2021 Tax Notes due in annual installments through February 15, 2028, 3.000%	\$ 825,000	-	\$ 825,000
<u>Notes Payable</u>			
\$724,727 note payable, due in quarterly installments through June 14, 2026, 4.750%	\$ 243,677	\$ -	\$ 243,677
\$386,000 note payable, due in quarterly installments through April 13, 2032, 5.000%	183,178	-	183,178
\$200,000 note payable, due in quarterly installments through July 31, 2024, 5.315%	49,963	-	49,963
	<u>\$ 476,818</u>	<u>\$ -</u>	<u>\$ 476,818</u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable and premiums					
General obligation bonds	\$ -	\$ 5,880,000	\$ -	5,880,000	\$ 32,000
Certificates of obligation bonds	6,411,353		(6,411,353)	-	-
Tax notes	-	825,000	-	825,000	65,000
Notes payable	557,905	-	(81,087)	476,818	81,547
Premium	-	671,857	(34,244)	637,613	56,875
Compensated absences	277,140	123,727	(144,029)	256,838	25,684
Total governmental activities	<u>\$ 7,246,398</u>	<u>\$ 7,500,584</u>	<u>\$ (6,670,713)</u>	<u>\$ 8,076,269</u>	<u>\$ 261,106</u>
Business-type Activities					
Bonds payable and premiums					
General obligation bonds	\$ -	\$ 3,115,000	\$ -	\$ 3,115,000	\$ 93,000
Certificates of obligation bonds	3,415,000	-	(3,415,000)	-	-
Premium	-	252,284	(16,383)	235,901	21,489
Compensated absences	94,259	30,680	(60,991)	63,948	6,395
Total business-type activities	<u>\$ 3,509,259</u>	<u>\$ 3,397,964</u>	<u>\$ (3,492,374)</u>	<u>\$ 3,414,849</u>	<u>\$ 120,884</u>

2021A General Obligation Refunding Bonds:

During 2021, the City refunded \$6,173,095 of governmental certificates of obligation bonds and \$1,680,000 of business-type combination tax and revenue certificates of obligation bonds by issuing \$7,350,000 in General Obligation Refunding Bonds, Series 2021A. The bonds were issued with a premium of \$757,667, and the City paid \$205,665 in issuance costs and underwriter discounts from the Capital Projects Fund and Water, Sewer, and Sanitation Fund. As a result of the refunding, the City reduced its total debt service requirements by \$955,607, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$442,000.

2021B General Obligation Refunding Bonds:

During 2021, the City refunded \$1,650,000 of business-type combination tax and revenue certificates of obligation bonds by issuing \$1,645,000 General Obligation Refunding Bonds, Series 2021B. The bonds were issued with a premium of \$100,751, and the City paid \$75,710 in issuance costs and underwriter discounts from the Water, Sewer and Sanitation Fund. As a result of the refunding, the City reduced its total debt service requirements by \$242,095, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$210,000.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

2021 Tax Notes:

During 2021, the City issued \$825,000 Tax Notes, Series 2021 for the purchase of fire apparatuses and to construct, acquire, equipment, and install improvements to the City's sewer system. The notes were issued with a premium of \$65,723. These notes will mature beginning February 15 of each year from 2022 to 2028 in installments between \$65,000 and \$135,000. Interest is payable on February 15 and August 15 of each year commencing February 15, with an interest rate of 3.00 percent.

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Fiscal Year	Bonds Payable					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 32,000	\$ 235,700	\$ 267,700	\$ 93,000	\$ 114,606	\$ 207,606
2023	72,000	174,360	246,360	118,000	83,540	201,540
2024	104,000	171,720	275,720	126,000	79,880	205,880
2025	108,000	168,540	276,540	132,000	76,010	208,010
2026	108,000	165,300	273,300	137,000	71,975	208,975
2027-2031	832,000	764,280	1,596,280	818,000	291,370	1,109,370
2032-2036	1,668,000	578,460	2,246,460	952,000	166,165	1,118,165
2037-2041	2,492,000	261,420	2,753,420	623,000	65,355	688,355
2042	464,000	21,240	485,240	116,000	5,310	121,310
Total	<u>\$ 5,880,000</u>	<u>\$ 2,541,020</u>	<u>\$ 8,421,020</u>	<u>\$ 3,115,000</u>	<u>\$ 954,211</u>	<u>\$ 4,069,211</u>

Fiscal Year	Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ 65,000	\$ 32,163	\$ 97,163
2023	125,000	20,925	145,925
2024	120,000	17,250	137,250
2025	125,000	13,575	138,575
2026	125,000	9,825	134,825
2027-2028	265,000	8,025	273,025
Total	<u>\$ 825,000</u>	<u>\$ 101,763</u>	<u>\$ 926,763</u>

Fiscal Year	Notes Payable		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ 81,547	\$ 22,085	\$ 103,632
2023	85,657	17,975	103,632
2024	68,856	14,014	82,870
2025	68,215	10,762	78,977
2026	64,235	7,422	71,657
2027-2031	96,032	17,150	113,182
2032	12,276	403	12,679
Total	<u>\$ 476,818</u>	<u>\$ 89,811</u>	<u>\$ 566,629</u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 8: Employee Retirement System

Plan Description

The City participates as one of approximately 900 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the *TMRS Act, Subtitle G, Title 8, Texas Government Code* (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase (to retirees)	30% of CPI Repeating

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are 5 years at 60 years of age, or 20 years at any age.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Benefits depend upon the sum of the employee's contributions to the Plan, with interest and City-financed monetary credits, with interest. At the date the Plan began, the City granted monetary credits for service rendered before the Plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the Plan. Monetary credits for service since the Plan began are 200 percent of the employee's accumulated contributions.

In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the Plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Employees Covered By Benefit Terms

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	75
Active employees	47
Total	151

Contributions

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

Employees for the City were required to contribute 7 percent of their annual gross earnings during the year ended September 30, 2021. The contribution rate for the City was 12.34 percent in calendar year 2020. The City's contributions to TMRS for the year ended September 30, 2021, were \$346,217 and were equal to the required contributions.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2021

Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%

Salary increases, ranging 3.5 percent to 11.5 percent including inflation, are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5 percent and 3.0 percent 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 Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase 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 in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between: (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2020	\$ 10,688,311	\$ 9,845,355	\$ 842,956
Changes for the year			
Service cost	376,998	-	376,998
Interest	713,139	-	713,139
Change of benefit terms	-	-	-
Difference between expected and actual experience	(140,186)	-	(140,186)
Changes of assumptions	-	-	-
Contributions – employer	-	308,195	(308,195)
Contributions – employee	-	165,870	(165,870)
Net investment income	-	747,125	(747,125)
Benefit payments, including refunds of employee contributions	(623,589)	(623,589)	-
Administrative expenses	-	(4,836)	4,836
Other charges	-	(189)	189
Net changes	<u>326,362</u>	<u>592,576</u>	<u>(266,214)</u>
Balances as of September 30, 2021	<u><u>\$ 11,014,673</u></u>	<u><u>\$ 10,437,931</u></u>	<u><u>\$ 576,742</u></u>

The net pension liability attributable to the governmental activities will be liquidated primarily by the general fund.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability (asset)	\$ 2,219,833	\$ 576,742	\$ (741,434)

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

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.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension income of (\$46,551).

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,444	\$ 170,120
Change in actuarial assumptions	-	1,661
Net difference between projected and actual investment earnings	-	288,624
Contributions subsequent to the measurement date	<u>243,554</u>	<u>-</u>
	<u><u>\$ 245,998</u></u>	<u><u>\$ 460,405</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date but before the end of the City's reporting period of \$243,554 will be recognized as a reduction of the net pension liability for year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2022	\$ (237,624)
2023	(34,683)
2024	(169,142)
2025	<u>(16,512)</u>
	<u><u>\$ (457,961)</u></u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 9: Other Postemployment Benefits

Supplemental Death Benefits Fund Description

The City also participates in the single-employer defined benefit OPEB plan providing group-term life insurance which is operated by the TMRS and is known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure the adequate resources are available to meet all death benefits payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>47</u>
Total	<u><u>87</u></u>

Total OPEB Liability

The City's total OPEB liability of \$206,198 (\$148,462 for governmental activities and \$57,736 for business-type activities) was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified:

	<u>December 31, 2020</u>
Discount Rate	2.00% as of December 31, 2020 (2.75% as of December 31, 2019)
Inflation	2.50%
Salary Increase	3.50% to 11.50%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.00 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2020. At transition, GASBS No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20-Year Bond GO Index.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of October 1, 2020	\$ 183,610
Changes for the year	
Service Cost	7,583
Interest on total OPEB liability	5,134
Differences between expected and actual experience	(18,905)
Changes in assumptions or other inputs	30,198
Benefit payments	<u>(1,422)</u>
Balances as of September 30, 2021	<u><u>\$ 206,198</u></u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

The total OPEB liability attributable to the governmental activities will be liquidated primarily by the general fund.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the City has been calculated using a discount rate of 2.00 percent. The following presents the total OPEB liability using a discount rate of 1 percent higher and 1 percent lower than the current discount rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 258,890	\$ 206,198	\$ 167,355

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$22,350. At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 40,612	\$ -
Difference between expected and actual experience	<u>-</u>	<u>12,830</u>
Total	<u><u>\$ 40,612</u></u>	<u><u>\$ 12,830</u></u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amortization of Deferred Outflows of Resources
2022	\$ 9,633
2023	8,021
2024	8,447
2025	1,681
	<u>\$ 27,782</u>

Note 10: Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 11: New Accounting Pronouncements

Statement No. 87, *Leases* – This statement establishes a single approach to accounting for and reporting leases by state and local governments. This statement will be effective for the City in fiscal year 2022.

Statement No. 91, *Conduit Debt Obligations* – This statement provides a single method of reporting conduit debt and clarifies that these obligations are not government liabilities. This statement will be effective for the City in fiscal year 2023.

Statement No. 92, *Omnibus 2020* – This statement improves comparability and consistency of application of accounting and financial reporting and also authoritative literature. This statement will be effective for the City in fiscal year 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* – This statement addresses implications caused by the replacement of an IBOR. This statement will be effective for the City in fiscal year 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – This statement addresses issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). This statement will be effective for the City in fiscal year 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provides guidance on subscription-based information technology arrangements (SBITAs) to further report on government's obligations and assets from SBITAs. This statement will be effective for the City in fiscal year 2023.

The City is in the process of evaluating the impact of these statements on its net position.

Note 12: Subsequent Events

Subsequent events have been evaluated through September 29, 2022, which is the date the financial statements were available to be issued.

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Required Supplementary Information

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City of Keene, Texas
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)

	Measurement Year						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 376,998	\$ 387,233	\$ 360,896	\$ 388,522	\$ 420,580	\$ 404,244	\$ 360,186
Interest	713,139	685,767	660,560	653,112	688,445	640,316	583,181
Changes in benefit terms	-	127,813	-	(896,009)	-	-	-
Differences between expected and actual experience	(140,186)	6,094	(219,508)	(269,495)	(172,647)	90,201	6,297
Changes in assumptions	-	(4,141)	-	-	-	101,103	-
Benefit payments, including refunds of employee contributions	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Net change in total pension liability	326,362	497,689	368,043	(985,927)	702,829	1,084,983	789,605
Total pension liability – Beginning	10,688,311	10,190,622	9,822,579	10,808,506	10,105,677	9,020,694	8,231,089
Total pension liability – Ending (a)	\$ 11,014,673	\$ 10,688,311	\$ 10,190,622	\$ 9,822,579	\$ 10,808,506	\$ 10,105,677	\$ 9,020,694
Plan Fiduciary Net Position							
Contributions – employer	\$ 308,195	\$ 278,674	\$ 263,191	\$ 354,987	\$ 378,465	\$ 386,100	\$ 354,901
Contributions – employee	165,870	162,216	158,686	167,673	185,862	186,779	164,524
Net investment income	747,125	1,354,637	(271,100)	1,144,618	502,148	10,330	359,633
Benefit payments, including refunds of employee contributions	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Administrative expense	(4,836)	(7,655)	(5,240)	(5,927)	(5,668)	(6,291)	(3,754)
Other	(189)	(230)	(274)	(300)	(306)	(311)	(309)
Net change in plan fiduciary net position	592,576	1,082,565	(288,642)	798,994	826,952	425,726	714,936
Plan fiduciary net position – Beginning	9,845,355	8,762,790	9,051,432	8,252,438	7,425,486	6,999,760	6,284,824
Plan fiduciary net position – Ending (b)	\$ 10,437,931	\$ 9,845,355	\$ 8,762,790	\$ 9,051,432	\$ 8,252,438	\$ 7,425,486	\$ 6,999,760
City's net pension liability – Ending (a) – (b)	\$ 576,742	\$ 842,956	\$ 1,427,832	\$ 771,147	\$ 2,556,068	\$ 2,680,191	\$ 2,020,934
Plan fiduciary net position as a percentage of the total pension liability	94.76%	92.11%	85.99%	92.15%	76.35%	73.48%	77.60%
Covered payroll	\$ 2,369,565	\$ 2,317,372	\$ 2,266,937	\$ 2,780,867	\$ 2,655,177	\$ 2,668,278	\$ 2,350,340
City's Net pension liability as a percentage of covered payroll	24.34%	36.38%	62.99%	27.73%	96.27%	100.45%	85.98%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Keene, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System (Unaudited)

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 346,217	\$ 288,878	\$ 279,268	\$ 278,821	\$ 378,465	\$ 386,100	\$ 354,901
Contributions in relation to the actuarially determined contribution	<u>(346,217)</u>	<u>(288,878)</u>	<u>(279,268)</u>	<u>(278,821)</u>	<u>(411,783)</u>	<u>(385,887)</u>	<u>(383,871)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,318)</u>	<u>\$ 213</u>	<u>\$ (28,970)</u>
Covered payroll	<u>\$ 2,771,076</u>	<u>\$ 2,347,764</u>	<u>\$ 2,266,937</u>	<u>\$ 2,230,128</u>	<u>\$ 2,655,177</u>	<u>\$ 2,668,278</u>	<u>\$ 2,350,340</u>
Contributions as a percentage of covered payroll	12.49%	12.30%	12.32%	12.50%	14.25%	14.47%	15.10%

Note: The schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal
Amortization Method – Level Percentage of Payroll, Closed
Remaining Amortization Period – 25 years
Asset Valuation Method – 10 Year smoothed market; 12% soft corridor
Inflation – 2.50%
Salary Increases – 3.50% to 11.50% including inflation
Investment Rate of Return – 6.75%
Retirement Age – Experience-based table of rates that are specific the City's plan of benefits.
Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality:
Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

City of Keene, Texas
Required Supplementary Information
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Supplemental Death Benefit Plan (Unaudited)

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 7,583	\$ 4,171	\$ 4,987	\$ 4,551
Interest on the total OPEB liability	5,134	5,348	4,764	4,681
Differences between expected and actual experience	(18,905)	1,375	2,862	-
Changes in assumptions or other inputs	30,198	31,335	(10,831)	11,450
Benefit payments	<u>(1,422)</u>	<u>(1,390)</u>	<u>(907)</u>	<u>(719)</u>
Net change in total OPEB liability	22,588	40,839	875	19,963
Total OPEB liability (Beginning)	<u>183,610</u>	<u>142,771</u>	<u>141,896</u>	<u>121,933</u>
Total OPEB liability (Ending)	<u>\$ 206,198</u>	<u>\$ 183,610</u>	<u>\$ 142,771</u>	<u>\$ 141,896</u>
Covered payroll	\$ 2,369,565	\$ 2,317,372	\$ 2,266,937	\$ 2,395,329
Total OPEB liability as a percentage of covered payroll	8.70%	7.92%	6.30%	5.92%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

City of Keene, Texas
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,126,964	\$ 2,126,964	\$ 2,111,057	\$ (15,907)
Sales taxes	650,000	650,000	579,078	(70,922)
Franchise fees	286,500	286,500	257,865	(28,635)
License and permits	120,000	120,000	191,512	71,512
Charges for services	581,000	581,000	487,137	(93,863)
Investment earnings	15,000	15,000	7,232	(7,768)
Intergovernmental	235,000	235,000	292,271	57,271
Other	359,717	359,717	277,284	(82,433)
Total revenues	4,374,181	4,374,181	4,203,436	(170,745)
Expenditures				
Current:				
Administration	241,109	241,109	269,514	(28,405)
City secretary	104,586	104,586	102,817	1,769
Finance	258,695	258,695	286,503	(27,808)
Human resources	96,604	96,604	101,021	(4,417)
Police	1,027,555	1,027,555	1,017,074	10,481
Fire	1,356,442	1,356,442	1,368,321	(11,879)
Animal control	64,740	64,740	60,293	4,447
Development services	163,545	163,545	166,715	(3,170)
Municipal court	106,706	106,706	101,937	4,769
Streets	219,113	219,113	263,201	(44,088)
Parks	50,939	50,939	36,701	14,238
Community center	19,730	19,730	3,715	16,015
Economic development	86,896	86,896	92,142	(5,246)
Non-departmental	294,401	294,401	305,930	(11,529)
Capital outlay	300,000	300,000	306,449	(6,449)
Total expenditures	4,391,061	4,391,061	4,482,333	(91,272)
Excess (deficiency) of revenues over (under) expenditures	(16,880)	(16,880)	(278,897)	(262,017)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	18,983	18,983
Transfers in	200,000	200,000	722,497	522,497
Transfers out	-	-	(387,096)	(387,096)
Total other financing sources (uses)	200,000	200,000	354,384	154,384
Change in Fund Balances	183,120	183,120	75,487	(107,633)
Fund Balance, Beginning of Year	940,384	940,384	940,384	-
Fund Balance, End of Year	\$ 1,123,504	\$ 1,123,504	\$ 1,015,871	\$ (107,633)

City of Keene, Texas
Notes to Budgetary Comparison Schedule
For the Year Ended September 30, 2021
General Fund

A. General Fund Budgetary Analysis

Budgetary Information

The City Council adopts an annual budget. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds, except for the Community Activity Fund and Grants Fund. Legal budgets are also adopted for all funds, except for the Community Activity Fund and Grants Fund and the legal level of control is the fund level.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the debt service fund or in the general fund. Revised budgets, if any, are used for budget versus actual comparisons.

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