



City of Keene, Texas

Annual Financial Report

September 30, 2022



City of Keene, Texas
Annual Financial Report
Year Ended September 30, 2022
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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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Notes 1, 6 and 7* to the financial statements, in fiscal year 2022, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

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
August 25, 2023**

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City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

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, 2022. 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 48 of this report.

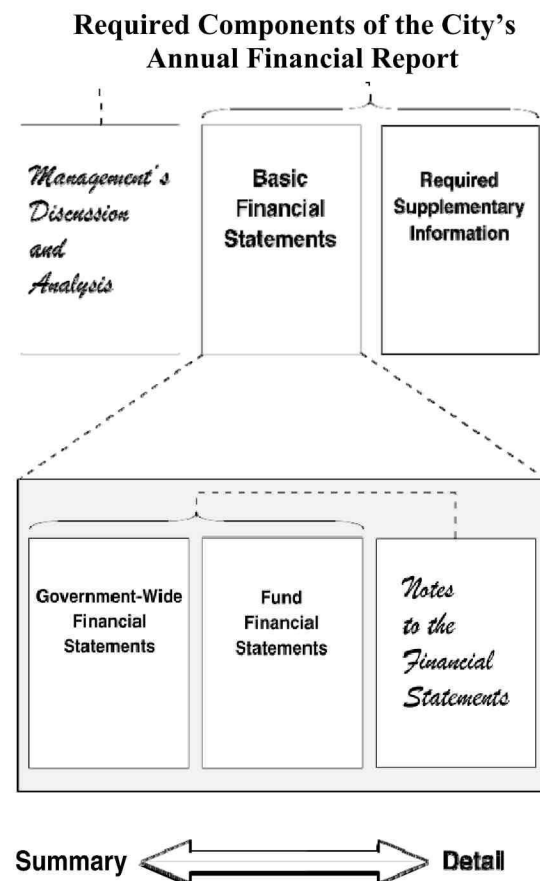
Financial Highlights

The City's total combined net position was \$14,894,826 at September 30, 2022, of which \$3,159,076 was unrestricted. Additionally, the City's general fund reported a fund balance this year of \$1,764,261 of which \$1,677,462 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 basic financial statements also include *notes to the financial statements* explaining information in the financial statements and provide more detailed data.
- The report also contains required supplementary information in addition to the basic financial statements themselves.



City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

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, 2022

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 subsequent pages 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, 2022

Financial Analysis of the City as a Whole

Net Position. The City's *combined* net position was \$14,894,826 at September 30, 2022.

Statement of Net Position for Governmental and Business-Type Activities

	Governmental Activities 2022	Business-type Activities 2022	Total 2022	Governmental Activities 2021*	Business-type Activities 2021*	Total 2021*
Current and other assets	\$ 5,900,427	\$ 2,333,034	\$ 8,233,461	\$ 4,096,032	\$ 1,726,780	\$ 5,822,812
Capital and leased assets	<u>15,195,601</u>	<u>5,769,006</u>	<u>20,964,607</u>	<u>15,788,683</u>	<u>6,123,546</u>	<u>21,912,229</u>
Total assets	<u>21,096,028</u>	<u>8,102,040</u>	<u>29,198,068</u>	<u>19,884,715</u>	<u>7,850,326</u>	<u>27,735,041</u>
Deferred outflows of resources	<u>660,328</u>	<u>181,906</u>	<u>842,234</u>	<u>694,841</u>	<u>189,465</u>	<u>884,306</u>
Current liabilities	2,933,852	662,855	3,596,707	2,023,773	704,895	2,728,668
Long term liabilities	<u>7,602,505</u>	<u>3,175,609</u>	<u>10,778,114</u>	<u>8,378,880</u>	<u>3,513,188</u>	<u>11,892,068</u>
Total liabilities	<u>10,536,357</u>	<u>3,838,464</u>	<u>14,374,821</u>	<u>10,402,653</u>	<u>4,218,083</u>	<u>14,620,736</u>
Deferred inflows of resources	<u>472,543</u>	<u>298,112</u>	<u>770,655</u>	<u>257,710</u>	<u>215,525</u>	<u>473,235</u>
Net position						
Net investment in capital assets	8,813,365	2,554,434	11,367,799	9,365,758	3,000,311	12,366,069
Restricted	332,732	35,219	367,951	173,902	-	173,902
Unrestricted	<u>1,601,359</u>	<u>1,557,717</u>	<u>3,159,076</u>	<u>379,533</u>	<u>605,872</u>	<u>985,405</u>
Total net position	<u>\$ 10,747,456</u>	<u>\$ 4,147,370</u>	<u>\$ 14,894,826</u>	<u>\$ 9,919,193</u>	<u>\$ 3,606,183</u>	<u>\$ 13,525,376</u>

* Fiscal year 2021 amounts have not been restated for the adoption of GASB 87, *Leases*

By far, the largest portion of the City's net position (76 percent) reflects its investment in capital and leased assets (e.g., land, buildings, machinery, equipment, vehicles, infrastructure, and leased equipment), less any related outstanding debt and lease liabilities that was used to acquire those assets. The City uses these capital and leased 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 (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,159,076 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, 2022

Revenues and Expenses for Governmental and Business-Type Activities

	Governmental Activities 2022	Business-type Activities 2022	Total 2022	Governmental Activities 2021	Business-type Activities 2021	Total 2021
Revenues						
Program revenues						
Charges for services	\$ 1,009,364	\$ 3,693,252	\$ 4,702,616	\$ 764,232	\$ 3,503,490	\$ 4,267,722
Operating grants and contribution	245,507	-	245,507	292,271	-	292,271
Capital grants and contributions	29,670	-	29,670	561,816	-	561,816
General revenues						
Taxes and fees	4,097,209	-	4,097,209	3,804,656	-	3,804,656
Other	132,489	5,768	138,257	223,093	112,656	335,749
Total revenues	5,514,239	3,699,020	9,213,259	5,646,068	3,616,146	9,262,214
Expenses						
General government	1,327,327	-	1,327,327	1,284,743	-	1,284,743
Public safety	1,233,105	-	1,233,105	1,157,463	-	1,157,463
Fire and rescue	1,391,300	-	1,391,300	1,387,504	-	1,387,504
Streets	537,410	-	537,410	550,100	-	550,100
Parks and recreation	55,437	-	55,437	44,586	-	44,586
Municipal court	84,005	-	84,005	83,205	-	83,205
Economic development	228,592	-	228,592	588,883	-	588,883
Community development	50,933	-	50,933	47,890	-	47,890
Capital contribution to governmental activities	-	-	-	-	-	-
Interest and fiscal charges	247,584	88,117	335,701	402,259	216,017	618,276
Water	-	1,635,218	1,635,218	-	1,433,009	1,433,009
Sewer	-	731,099	731,099	-	640,692	640,692
Sanitation	-	233,682	233,682	-	204,785	204,785
Total expenses	5,155,693	2,688,116	7,843,809	5,546,631	2,494,503	8,041,134
Increase (Decrease) in Net Position Before Transfers	358,546	1,010,904	1,369,450	99,437	1,121,643	1,221,080
Transfers	469,717	(469,717)	-	822,497	(822,497)	-
Change in Net Position	828,263	541,187	1,369,450	921,934	299,146	1,221,080
Net Position, Beginning of Year*	9,919,193	3,606,183	13,525,376	8,997,259	3,307,037	12,304,296
Net Position, End of Year	\$ 10,747,456	\$ 4,147,370	\$ 14,894,826	\$ 9,919,193	\$ 3,606,183	\$ 13,525,376

* Fiscal year 2021 amounts have not been restated for the adoption of GASB 87, *Leases*

Change in Net Position. The City's total revenues were \$9,213,259 and total expenses were \$7,843,809 resulting in an increase in net position of \$1,369,450 for the year ended September 30, 2022. Revenues decreased \$48,955 (1 percent) compared to 2021 due primarily to an increase in charges for services of approximately \$435,000 and an increase in property and sales tax revenue of \$292,000 due to population growth and the economy recovering from the pandemic, offset by a decrease of approximately \$532,000 in capital grants and contributions due to one-time grants received in prior year. Overall expenses decreased \$197,325 (2 percent) compared to 2021 which is mostly attributable to decrease in interest and fiscal charges of \$283,000 related to debt issuance and refunding costs in prior year and decrease in economic development of approximately \$360,000 nonrecurring expenses in prior year, offset by increased water and sewer costs of approximately \$293,000 due to population growth and the lifting of spending restrictions across all departments that were in place during the pandemic.

Capital and Leased Assets. The City's capital and leased assets for its governmental and business-type activities as of September 30, 2022, amount to \$20,964,607 (net of accumulated depreciation). This net

City of Keene, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

investment in capital assets includes land, buildings, park facilities, machinery and equipment, leased equipment, roads, and water, sewer, and sanitation lines.

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

- Various improvements on Louis Vuitton Road of approximately \$550,000 placed into service.
- Various well and sewer line enhancements of approximately \$200,000 placed in service.
- Various new vehicles and equipment of approximately \$70,000.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021*	2022	2021	2022	2021*
Land	\$ 1,703,121	\$ 1,693,121	\$ 192,622	\$ 192,622	\$ 1,895,743	\$ 1,885,743
Construction in progress	19,900	550,677	77,804	206,152	97,704	756,829
Buildings and improvements	6,811,548	6,811,548	232,228	232,228	7,043,776	7,043,776
Machinery and equipment	852,440	833,334	398,286	371,782	1,250,726	1,205,116
Streets	11,939,307	11,365,634	-	-	11,939,307	11,365,634
Infrastructure	1,230,136	1,230,136	17,288,341	17,082,189	18,518,477	18,312,325
Office furniture and equipment	650,061	638,885	63,783	63,783	713,844	702,668
Vehicles	1,979,536	1,979,536	349,262	349,262	2,328,798	2,328,798
Leased equipment	35,443	25,004	-	-	35,443	25,004
Accumulated depreciation/amortization	(10,025,891)	(9,314,188)	(12,833,320)	(12,374,472)	(22,859,211)	(21,688,660)
Total	<u>\$ 15,195,601</u>	<u>\$ 15,813,687</u>	<u>\$ 5,769,006</u>	<u>\$ 6,123,546</u>	<u>\$ 20,964,607</u>	<u>\$ 21,937,233</u>

* Fiscal year 2021 amounts have been restated for the adoption of GASB 87, *Leases*

Long-Term Obligations. At year-end, the City had \$10,889,786 in total outstanding long-term obligations (including current portion) as shown below. In fiscal year 2022, the City recognized a financed purchase of \$179,302 and lease liabilities of \$25,004 as a result of the implementation of GASB 87, *Leases*.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021*	2022	2021	2022	2021*
Bonds payable	\$ 7,188,738	\$ 6,517,613	\$ 3,236,412	\$ 3,350,901	\$ 10,425,150	\$ 9,868,514
Notes payable	312,731	1,301,818	-	-	312,731	1,301,818
Financed purchase	136,329	-	-	-	136,329	-
Lease liabilities	15,576	25,004	-	-	15,576	25,004
Total	<u>\$ 7,653,374</u>	<u>\$ 7,844,435</u>	<u>\$ 3,236,412</u>	<u>\$ 3,350,901</u>	<u>\$ 10,889,786</u>	<u>\$ 11,195,336</u>

* Fiscal year 2021 amounts have been restated for GASB 87

Financial Analysis of the City's Funds

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2022

General Fund Highlights. The General Fund balance increased by \$748,390, from \$1,015,871 to \$1,764,261. This increase can be attributed to an increase in charges for services and property and sales tax revenue in the current fiscal year due to population growth and the economy recovering from the pandemic, as well as a decrease in capital expenditures of approximately \$300,000 compared to the prior year.

Capital Projects Fund. The Capital Projects Fund balance decreased by \$42,896 from 2021 due to capital expenditures of debt proceeds received in prior year.

Type A Economic Development. The fund balance increased by \$37,123, from \$81,034 to \$118,157 due to a slight increase in overall sales tax revenue from the prior year.

Type B Business Development. The fund balance increased by \$117,970, from \$(54,031) to \$63,939, due to a slight increase in overall sales tax revenue from the prior year and a decrease in overall business development expenditures.

Debt Service. The fund balance decreased by \$30,230, from \$38,507 to \$8,277. This decrease can be attributed to an increase in debt service and reimbursement related costs in the current fiscal year.

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

Community Activity Fund. The fund balance decreased by \$2,564, from \$36,250 to \$33,686 due to an increase in overall community activity expenditures, offset by an increase in donations during 2022.

General Fund Budgetary Highlights

General fund revenues exceeded expenditures by \$366,488. After considering transfers to/from other funds, the fund balance for the City's general fund is \$1,764,261 as of September 30, 2022, which was \$610,395 more than the budgeted change in fund balance. This difference between budgeted and actual can mainly be attributed to property tax revenues exceeding budget, capital outlays that were budgeted but did not occur, and unbudgeted transfers in from the water, sewer, and sanitation fund.

Economic Factors and Next Year's Budgets and Rates

The proposed tax rate for the upcoming year will decrease slightly from \$0.844134 to \$0.834134 per \$100. General fund revenue budgeted for next year totals \$5,053,200 for an increase of \$335,790 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,442,499	\$ 1,433,897	\$ 5,876,396
Receivables, net	554,867	612,548	1,167,415
Due from other governments	12,428	-	12,428
Inventory	68,688	-	68,688
Restricted cash and cash equivalents	731,383	251,370	982,753
Net pension asset	90,562	35,219	125,781
Capital assets			
Nondepreciable assets	1,723,021	270,426	1,993,447
Depreciable assets, net	13,472,580	5,498,580	18,971,160
Total assets	21,096,028	8,102,040	29,198,068
Deferred Outflows of Resources			
Deferred outflows of resources – Pension	93,589	149,574	243,163
Deferred outflows of resources – OPEB	26,984	10,492	37,476
Deferred loss on refunding	539,755	21,840	561,595
Total deferred outflows of resources	660,328	181,906	842,234
Liabilities			
Accounts payable	655,308	162,713	818,021
Accrued interest	129,265	53,162	182,427
Accrued liabilities	40,331	13,359	53,690
Other payables	80,431	41,521	121,952
Unearned revenue	1,642,589	-	1,642,589
Customer deposits	-	251,370	251,370
Current portion of long term debt:			
Compensated absences	18,071	1,990	20,061
Notes payable	61,998	-	61,998
Bonds payable	251,529	138,740	390,269
Financed purchase	44,185	-	44,185
Lease liabilities	10,145	-	10,145
Total current liabilities	2,933,852	662,855	3,596,707
Noncurrent liabilities			
Notes payable	250,733	-	250,733
Bonds payable	6,937,209	3,097,672	10,034,881
Financed purchase	92,144	-	92,144
Lease liabilities	5,431	-	5,431
Compensated absences	162,639	17,913	180,552
Total OPEB liability	154,349	60,024	214,373
Total noncurrent liabilities	7,602,505	3,175,609	10,778,114
Total liabilities	10,536,357	3,838,464	14,374,821
Deferred Inflows of Resources			
Deferred inflows of resources – Pension	458,723	292,737	751,460
Deferred inflows of resources – OPEB	13,820	5,375	19,195
Total deferred inflows of resources	472,543	298,112	770,655
Net Position			
Net investment in capital assets	8,813,365	2,554,434	11,367,799
Restricted for			
Debt service	8,277	-	8,277
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	33,686	-	33,686
Economic development	182,096	-	182,096
Net pension asset	90,562	35,219	125,781
Unrestricted	1,601,359	1,557,717	3,159,076
Total net position	\$ 10,747,456	\$ 4,147,370	\$ 14,894,826

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, 2022

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	\$ 1,327,327	\$ 136,306	\$ -	\$ -	\$ (1,191,020)	\$ -	\$ (1,191,020)
Public safety	1,233,105	-	-	-	(1,233,105)	-	(1,233,105)
Fire and rescue	1,391,300	373,857	245,507	-	(771,936)	-	(771,936)
Streets	537,410	-	-	29,670	(507,740)	-	(507,740)
Parks and recreation	55,437	5,512	-	-	(49,925)	-	(49,925)
Municipal court	84,005	493,688	-	-	409,684	-	409,684
Economic development	228,592	-	-	-	(228,592)	-	(228,592)
Community development	50,933	-	-	-	(50,933)	-	(50,933)
Interest and fiscal charges	247,584	-	-	-	(247,584)	-	(247,584)
Total governmental activities	5,155,693	1,009,364	245,507	29,670	(3,871,152)	-	(3,871,152)
Business-type activities							
Water	1,635,218	2,321,328	-	-	-	686,110	686,110
Sewer	731,099	1,039,632	-	-	-	308,533	308,533
Sanitation	233,682	332,292	-	-	-	98,610	98,610
Interest on long-term debt	88,117	-	-	-	-	(88,117)	(88,117)
Total business-type activities	2,688,116	3,693,252	-	-	-	1,005,136	1,005,136
Total primary government	\$ 7,843,809	\$ 4,702,616	\$ 245,507	\$ 29,670	\$ (3,871,152)	\$ 1,005,136	\$ (2,866,016)
General revenues and transfers							
General revenues							
Taxes							
Property taxes					\$ 2,653,646	\$ -	\$ 2,653,646
Sales taxes					1,172,127	-	1,172,127
Franchise taxes					271,436	-	271,436
Miscellaneous					120,405	-	120,405
Interest income					12,084	5,768	17,852
Transfers					469,717	(469,717)	-
Total general revenues and transfers					4,699,415	(463,949)	4,235,466
Change in Net Position					828,263	541,187	1,369,450
Net Position, Beginning of Year					9,919,193	3,606,183	13,525,376
Net Position, End of Year					\$ 10,747,456	\$ 4,147,370	\$ 14,894,826

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

City of Keene, Texas
Balance Sheet – Governmental Funds
September 30, 2022

	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	\$ 2,048,764	\$ 1,302,201	\$ 64,627	\$ 83,245	\$ 7,053	\$ 1,629,066	\$ 38,926	\$ 5,173,882
Receivables (net of allowance for uncollectibles)								
Property taxes	93,274	-	-	-	16,886	-	-	110,160
Sales tax	108,653	-	54,326	54,326	-	-	-	217,305
Ambulance receivable	192,650	-	-	-	-	-	-	192,650
Accounts receivable	34,752	-	-	-	-	-	-	34,752
Due from other governments	-	-	-	-	-	12,428	-	12,428
Due from other funds	76,004	-	-	-	-	-	-	76,004
Inventory	68,688	-	-	-	-	-	-	68,688
Total assets	<u>\$ 2,622,785</u>	<u>\$ 1,302,201</u>	<u>\$ 118,953</u>	<u>\$ 137,571</u>	<u>\$ 23,939</u>	<u>\$ 1,641,494</u>	<u>\$ 38,926</u>	<u>\$ 5,885,869</u>
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 458,218	\$ 185,281	\$ 796	\$ 2,378	\$ -	\$ 7,678	\$ 957	\$ 655,308
Accrued payroll liabilities	40,331	-	-	-	-	-	-	40,331
Other payables	80,431	-	-	-	-	-	-	80,431
Due to other funds	-	-	-	71,254	-	4,750	-	76,004
Unearned revenue	9,240	-	-	-	-	1,629,066	4,283	1,642,589
Total liabilities	<u>588,220</u>	<u>185,281</u>	<u>796</u>	<u>73,632</u>	<u>-</u>	<u>1,641,494</u>	<u>5,240</u>	<u>2,494,663</u>
Deferred inflows of resources – unavailable revenue	270,304	-	-	-	15,662	-	-	285,966
Fund balances								
Nonspendable for inventory and prepaid items	68,688	-	-	-	-	-	-	68,688
Committed	-	385,537	-	-	-	-	-	385,537
Restricted for								
Debt service	-	-	-	-	8,277	-	-	8,277
Capital projects	-	731,383	-	-	-	-	-	731,383
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	-	-	-	-	-	-	33,686	33,686
Economic development	-	-	118,157	63,939	-	-	-	182,096
Unassigned	1,677,462	-	-	-	-	-	-	1,677,462
Total fund balances	<u>1,764,261</u>	<u>1,116,920</u>	<u>118,157</u>	<u>63,939</u>	<u>8,277</u>	<u>-</u>	<u>33,686</u>	<u>3,105,240</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,622,785</u>	<u>\$ 1,302,201</u>	<u>\$ 118,953</u>	<u>\$ 137,571</u>	<u>\$ 23,939</u>	<u>\$ 1,641,494</u>	<u>\$ 38,926</u>	<u>\$ 5,885,869</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, 2022

Total fund balances – governmental funds	\$ 3,105,240
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Amounts reported for governmental activities in the statement of net position are different because:

Capital and leased assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.	15,195,601
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Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	285,966
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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.	(129,265)
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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)	93,589
Deferred outflows of resources (OPEB)	26,984
Deferred inflows of resources (Pension)	(458,723)
Deferred inflows of resources (OPEB)	(13,820)

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	539,755
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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	(7,188,738)
Notes payable	(312,731)
Financed purchase	(136,329)
Lease liabilities	(15,576)
Compensated absences	(180,710)
Total OPEB liability	(154,349)

Net pension asset is not a current financial resource and, therefore, is not reported in the fund financial statements.	90,562
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Total net position of governmental activities	<u>\$ 10,747,456</u>
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City of Keene, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended September 30, 2022

	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	\$ 2,316,001	\$ -	\$ -	\$ -	\$ 273,661	\$ -	\$ -	\$ 2,589,662
Sales taxes	586,063	-	293,032	293,032	-	-	-	1,172,127
Franchise fees	271,436	-	-	-	-	-	-	271,436
Licenses, permits and filing fees	165,453	-	-	-	-	-	-	165,453
Charges for services	708,288	-	-	-	-	-	-	708,288
Fines and forfeitures	135,623	-	-	-	-	-	-	135,623
Investment earnings	10,593	-	727	764	-	-	-	12,084
Other revenues	111,537	-	1,182	-	-	-	7,686	120,405
Intergovernmental revenue	245,507	-	-	-	-	29,670	-	275,177
Total revenues	4,550,501	-	294,941	293,796	273,661	29,670	7,686	5,450,255
Expenditures								
Current								
General government	1,419,926	-	-	-	-	-	-	1,419,926
Public safety	1,238,864	-	-	-	-	-	-	1,238,864
Fire and rescue	1,364,145	-	-	-	-	-	-	1,364,145
Highway and streets	153,174	-	-	-	-	-	-	153,174
Culture and recreation	52,504	-	-	-	-	-	-	52,504
Municipal court	90,437	-	-	-	-	-	-	90,437
Economic development	-	-	111,542	101,599	-	-	-	213,141
General and administrative	-	-	-	-	-	12,428	10,250	22,678
Capital outlay	23,720	42,896	15,825	11,176	-	-	-	93,617
Debt service								
Principal	19,867	-	114,124	49,963	139,973	-	-	323,927
Interest	678	-	16,327	1,342	273,918	-	-	292,265
Total expenditures	4,363,315	42,896	257,818	164,080	413,891	12,428	10,250	5,264,678
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	187,186	(42,896)	37,123	129,716	(140,230)	17,242	(2,564)	185,577
Other Financing Sources (Uses)								
Financed purchase issued	179,302	-	-	-	-	-	-	179,302
Leases issued	10,439	-	-	-	-	-	-	10,439
Transfers in	371,463	-	-	-	110,000	-	-	481,463
Transfers out	-	-	-	(11,746)	-	-	-	(11,746)
Total other financing sources (uses)	561,204	-	-	(11,746)	110,000	-	-	659,458
Net Change in Fund Balances	748,390	(42,896)	37,123	117,970	(30,230)	17,242	(2,564)	845,035
Fund Balances, Beginning of Year	1,015,871	1,159,816	81,034	(54,031)	38,507	(17,242)	36,250	2,260,205
Fund Balances, End of Year	\$ 1,764,261	\$ 1,116,920	\$ 118,157	\$ 63,939	\$ 8,277	\$ -	\$ 33,686	\$ 3,105,240

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, 2022

Net change in fund balances – total governmental funds	\$ 845,035
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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 and leased assets recorded in the current period.	93,617
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Depreciation/amortization expense on capital and leased assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in the governmental funds.	(711,703)
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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.

Leases issued	(10,439)
Premium, net of amortization	56,875
Principal paid on bonds and notes	323,927
Deferred loss on refunding	(31,751)

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 asset and Total OPEB liabilities, deferred outflows of resources, and deferred inflows of resources balances.	282,335
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Current year change in long-term liabilities for compensated absences required the use of current financial resources but is not reported as an expense in the statement of activities.	76,128
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Current year change in accrued interest payable required the use of current financial resources but is not reported as expenditures in governmental funds.	19,557
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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.	63,984
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Change in net position of governmental activities	<u>\$ 1,007,565</u>
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City of Keene, Texas
Statement of Net Position
Proprietary Fund
September 30, 2022

	<u>Water, Sewer, and Sanitation</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 1,433,897
Customer receivables, net	612,548
Restricted cash and cash equivalents	<u>251,370</u>
Total current assets	<u>2,297,815</u>
Noncurrent Assets	
Restricted assets	
Net pension asset	35,219
Capital assets	
Nondepreciable	270,426
Depreciable (net of accumulated depreciation)	<u>5,498,580</u>
Total noncurrent assets	<u>5,804,225</u>
Total assets	<u>8,102,040</u>
Deferred Outflows of Resources	
Deferred outflows of resources – Pension	149,574
Deferred outflows of resources – OPEB	10,492
Deferred loss on refunding	<u>21,840</u>
Total deferred outflows of resources	<u>181,906</u>
Liabilities, Deferred Inflows or Resources and Net Position	
Current Liabilities	
Accounts and contracts payable	162,713
Accrued interest payable	53,162
Accrued wages payable	13,359
Customer deposits	251,370
Due to other governments	41,521
Compensated absences	1,990
Current portion long-term debt	
Bonds payable	<u>138,740</u>
Total current liabilities	<u>662,855</u>
Noncurrent Liabilities	
Bonds payable	2,904,000
Premium on bonds payable	193,672
Compensated absences	17,913
Total OPEB liability	<u>60,024</u>
Total noncurrent liabilities	<u>3,175,609</u>
Total liabilities	<u>3,838,464</u>
Deferred Inflows of Resources	
Deferred inflows of resources – Pension	292,737
Deferred inflows of resources – OPEB	<u>5,375</u>
Total deferred outflows of resources	<u>298,112</u>
Net Position	
Net investment in capital assets	2,554,434
Restricted for:	
Net pension asset	35,219
Unrestricted	<u>1,557,717</u>
Total net position	<u>\$ 4,147,370</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, 2022

	Water, Sewer, and Sanitation
Operating Revenues	
Charges for services	
Water	\$ 2,156,672
Wastewater	1,039,632
Sanitation	332,292
Other	<u>164,656</u>
Total operating revenues	<u>3,693,252</u>
Operating Expenses	
Personnel services	540,482
Contracted services	417,284
Administrative	99,624
Water purchases	520,001
Utilities	236,770
Repairs and maintenance	132,374
Permits and fees	11,432
Materials and supplies	183,184
Depreciation	<u>458,848</u>
Total operating expenses	<u>2,599,999</u>
Operating income	<u>1,093,253</u>
Nonoperating Revenues (Expenses)	
Interest income	5,768
Interest expense	<u>(88,117)</u>
Total nonoperating revenues (expenses)	<u>(82,349)</u>
Income before transfers	1,010,904
Transfers out	<u>(469,717)</u>
Change in Net Position	541,187
Net Position, Beginning of Year	<u>3,606,183</u>
Net Position, End of Year	<u><u>\$ 4,147,370</u></u>

City of Keene, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Water, Sewer, and Sanitation</u>
Operating Activities	
Receipts from customers and users	\$ 3,569,969
Payments to employees	(673,446)
Payments to suppliers	<u>(1,643,786)</u>
Net cash provided by operating activities	<u>1,252,737</u>
Noncapital and Related Financing Activities	
Transfers to other funds	(469,717)
Repayment of due to other funds	<u>(34,522)</u>
Net cash used in noncapital financing activities	<u>(504,239)</u>
Capital and Related Financing Activities	
Acquisition and construction of capital assets	(104,308)
Principal payments on debt	(93,000)
Interest payments on debt	<u>(114,606)</u>
Net cash used in capital and financing activities	<u>(311,914)</u>
Investing Activities	
Interest on investments	<u>5,768</u>
Net cash provided by investing activities	<u>5,768</u>
Increase in Cash and Cash Equivalents	442,352
Cash and Cash Equivalents, Beginning of Year	<u>1,242,915</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,685,267</u>
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Operating income	1,093,253
Item not requiring cash	
Depreciation	458,848
Changes in	
Accounts receivable	(128,683)
Deferred outflows of resources	3,209
Accounts payable	(43,117)
Accrued expenses	19,703
Customer deposits	5,400
Net pension liability/(asset)	(196,706)
Total OPEB liability	2,288
Compensated absences	(44,045)
Deferred inflows of resources	<u>82,587</u>
Net cash provided by operating activities	<u>\$ 1,252,737</u>

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City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2022

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, 2022

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, 2022

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. The City has designated the Type B Business Development Corporation as a major fund.

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.

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, 2022

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

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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 and Leased Assets

The City's capital and leased 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 and leased assets are depreciated/amortized using the straight-line method. When capital or leased assets are disposed, the cost and applicable accumulated depreciation/amortization 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.

City of Keene, Texas

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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.

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 and OPEB – 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 – pension and OPEB – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

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- 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.

Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned. In the Grants Fund, unearned revenue of \$1,629,066 represents intergovernmental monies received in advance as part of the Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2021 and 2022. The City did not spend any of these funds during fiscal year 2022 and will recognize revenue as qualifying expenses are incurred.

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.

Lease Liability

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life for lease term, whichever is shorter.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital and leased assets and lease liabilities are reported with long-term liabilities on the statement of net position.

City of Keene, Texas

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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.

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

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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.

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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.

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 Standard

GASB Statement No. 87, *Leases*, establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases as either operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right-to-use lease asset, when applicable. Lessors will recognize a lease receivable and a deferred inflow of resources. The City has implemented this Statement in fiscal year 2022.

Future Financial Reporting Requirements

The City has reviewed GASB pronouncements that become effective in future years and notes the following statements are applicable to the City.

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. The City will evaluate the potential impact on the City's net position.

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. The City will evaluate the potential impact on the City's net position.

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 will evaluate the potential impact on the City's net position.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 – This statement improves the clarity and requirements for accounting changes and error corrections. This statement will be effective for the City in fiscal year 2024.

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GASB Statement No. 101, *Compensated Absences* – This statement addresses the recognition and measurement of compensated absences. This statement will be effective for the City in fiscal year 2025. The City will evaluate the potential impact on the City's net position.

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, 2022, the total carrying amounts of the City's deposits including restricted and unrestricted cash and money market accounts were \$6,859,149. While there may be days which the bank balance exceeded FDIC coverage during the year, the City's cash deposits at September 30, 2022, 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.

City of Keene, Texas

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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.

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 \$2,405,016 as of September 30, 2022, 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	\$ 289,645	\$ 54,326	\$ 54,326	\$ 23,889	\$ -	\$ 422,186
Accounts	627,108	-	-	-	-	627,108
Ambulance	1,099,031	-	-	-	-	1,099,031
Utility	-	-	-	-	906,779	906,779
Gross receivables	2,015,784	54,326	54,326	23,889	906,779	3,055,104
Less: allowance for uncollectibles	(1,586,455)	-	-	(7,003)	(294,231)	(1,887,689)
Net total receivables	\$ 429,329	\$ 54,326	\$ 54,326	\$ 16,886	\$ 612,548	\$ 1,167,415

City of Keene, Texas
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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, 2022, 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, 2022, the City had a tax rate of \$.84413 per \$100.00 assessed valuation, of which \$0.74731 was allocated for general government and \$.09700 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
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Note 5: Interfund Balances and Activity

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Type B Business Development Corporation	\$ 71,254
General Fund	Grants Fund	4,750
		<u>\$ 76,004</u>

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

Transfers In/Transfers Out:

Transfer In	Transfer Out	Amount
General Fund	Type B Business Development Corporation	\$ 11,746
General Fund	Water, Sewer & Sanitation Fund	359,717
Debt Service	Water, Sewer & Sanitation Fund	110,000
		<u>\$ 481,463</u>

The transfers between the Type B Business Development Corporation Fund and the General Fund was a one-time transfer for expenditures incurred in the General Fund on behalf of the Type B Business Development Corporation Fund. 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.

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Note 6: Capital and Leased Assets

Capital and leased asset activity in the governmental activities for the year ended September 30, 2022, was as follows:

	9/30/2021 Balance*	Increases	Decreases	Transfers	9/30/2022 Balance
Governmental Activities					
Land	\$ 1,693,121	\$ 10,000	\$ -	\$ -	\$ 1,703,121
Construction in progress	550,677	19,900	-	(550,677)	19,900
Total capital assets not being depreciated	2,243,798	29,900	-	(550,677)	1,723,021
Capital and leased assets being depreciated/amortized					
Buildings and improvements	5,896,619	-	-	-	5,896,619
Parks and improvements	914,929	-	-	-	914,929
Machinery and equipment	833,334	19,106	-	-	852,440
Office furniture and equipment	638,885	11,176	-	-	650,061
Vehicles	1,979,536	-	-	-	1,979,536
Infrastructure	1,230,136	-	-	-	1,230,136
Streets	11,365,634	22,996	-	550,677	11,939,307
Leased equipment	25,004	10,439	-	-	35,443
Total capital and leased assets being depreciated/amortized	22,884,077	63,717	-	550,677	23,498,471
Less accumulated depreciation/amortization:	(9,314,188)	(711,703)	-	-	(10,025,891)
Total capital and leased assets being depreciated (net)	13,569,889	(647,986)	-	550,677	13,472,580
Governmental activities capital and leased assets, net	\$ 15,813,687	\$ (618,086)	\$ -	\$ -	\$ 15,195,601

* Fiscal year 2021 amounts have been restated for GASB 87

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

Governmental activities	
General and administrative	\$ 31,729
Public safety	107,198
Fire and rescue	102,763
Streets	391,460
Parks and recreation	2,933
Community development and recreation	55,551
Economic development	20,069
Total depreciation and amortization expense – governmental activities	<u>\$ 711,703</u>

City of Keene, Texas
Notes to Basic Financial Statements
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Capital asset activity in the business-type activities for the year ended September 30, 2022, was as follows:

	9/30/2021 Balance	Increases	Decreases	Transfers	9/30/2022 Balance
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 192,622	\$ -	\$ -	\$ -	\$ 192,622
Construction in progress	206,152	77,804	-	(206,152)	77,804
Total capital assets not being depreciated	398,774	77,804	-	(206,152)	270,426
Capital assets being depreciated					
Buildings and improvements	232,228	-	-	-	232,228
Machinery and equipment	371,782	26,504	-	-	398,286
Infrastructure	17,082,189	-	-	206,152	17,288,341
Office furniture and equipment	63,783	-	-	-	63,783
Vehicles	349,262	-	-	-	349,262
Total capital assets being depreciated	18,099,244	26,504	-	206,152	18,331,900
Less accumulated depreciation:	(12,374,472)	(458,848)	-	-	(12,833,320)
Total capital assets being depreciated (net)	5,724,772	(432,344)	-	206,152	5,498,580
Business-type activities capital assets, net	\$ 6,123,546	\$ (354,540)	\$ -	\$ -	\$ 5,769,006

City of Keene, Texas
Notes to Basic Financial Statements
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Note 7: Long-Term Obligations

As of September 30, 2022, the City's bonds, tax notes, notes payable, and financed purchase 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%	\$ 5,848,000	\$ 1,462,000	\$ 7,310,000
\$1,645,000, 2021B General Obligation bonds, due in annual installments through February 15, 2035, 2.000% to 3.000%	-	1,560,000	1,560,000
	<u>\$ 5,848,000</u>	<u>\$ 3,022,000</u>	<u>\$ 8,870,000</u>
<u>Tax Notes</u>			
\$825,000, 2021 Tax Notes due in annual installments through February 15, 2028, 3.000%	\$ 760,000	-	\$ 760,000
<u>Notes Payable</u>			
\$724,727 note payable, due in quarterly installments through June 14, 2026, 4.750%	\$ 160,032	\$ -	\$ 160,032
\$386,000 note payable, due in quarterly installments through April 13, 2032, 5.000%	152,699	-	152,699
	<u>\$ 312,731</u>	<u>\$ -</u>	<u>\$ 312,731</u>
<u>Financed purchase</u>			
\$179,302, financed purchase, due in annual installments through January 4, 2025, 2.82%	\$ 136,329	\$ -	\$ 136,329
	<u>\$ 136,329</u>	<u>\$ -</u>	<u>\$ 136,329</u>

City of Keene, Texas
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Changes in long-term obligations for the year ended September 30, 2022, 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	\$ -	\$ (32,000)	5,848,000	\$ 72,000
Tax notes	825,000	-	(65,000)	760,000	125,000
Premium	637,613	-	(56,875)	580,738	54,529
Notes payable	476,818	-	(164,087)	312,731	61,998
Financed purchase	-	179,302	(42,973)	136,329	44,185
Lease liabilities	25,004	10,439	(19,867)	15,576	10,145
Compensated absences	256,838	29,692	(105,820)	180,710	18,071
	<u>\$ 8,101,273</u>	<u>\$ 219,433</u>	<u>\$ (486,622)</u>	<u>\$ 7,834,084</u>	<u>\$ 385,928</u>
Total governmental activities					
Business-type Activities					
Bonds payable and premiums					
General obligation bonds	\$ 3,115,000	\$ -	\$ (93,000)	\$ 3,022,000	\$ 118,000
Premium	235,901	-	(21,489)	214,412	20,740
Compensated absences	63,948	19,490	(63,535)	19,903	1,990
	<u>\$ 3,414,849</u>	<u>\$ 19,490</u>	<u>\$ (178,024)</u>	<u>\$ 3,256,315</u>	<u>\$ 140,730</u>
Total business-type activities					

* Fiscal year 2021 amounts have been restated for GASB 87

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

Debt service requirements on long-term debt at September 30, 2022, are as follows:

Fiscal Year	Bonds Payable					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	112,000	162,000	274,000	143,000	67,775	210,775
2028-2032	1,012,000	736,620	1,748,620	878,000	266,580	1,144,580
2033-2037	1,840,000	525,840	2,365,840	865,000	143,610	1,008,610
2038-2042	2,182,667	191,400	2,374,067	545,667	47,850	593,517
2043-2044	309,333	9,540	318,873	77,333	2,385	79,718
Total	<u>\$ 5,848,000</u>	<u>\$ 2,305,320</u>	<u>\$ 8,153,320</u>	<u>\$ 3,022,000</u>	<u>\$ 839,605</u>	<u>\$ 3,861,605</u>

Fiscal Year	Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
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	130,000	6,000	136,000
2028	135,000	2,025	137,025
Total	<u>\$ 760,000</u>	<u>\$ 69,600</u>	<u>\$ 829,600</u>

Fiscal Year	Notes Payable		
	Governmental Activities		
	Principal	Interest	Total
2023	\$ 61,998	\$ 16,979	\$ 78,977
2024	65,014	13,962	78,976
2025	68,215	10,762	78,977
2026	26,180	7,422	33,602
2027	17,347	5,290	22,637
2028-2032	73,977	12,263	86,240
Total	<u>\$ 312,731</u>	<u>\$ 66,678</u>	<u>\$ 379,409</u>

Fiscal Year	Financed Purchase		
	Governmental Activities		
	Principal	Interest	Total
2023	\$ 44,185	\$ 3,844	\$ 48,029
2024	45,431	2,598	48,029
2025	46,713	1,317	48,030
Total	<u>\$ 136,329</u>	<u>\$ 7,759</u>	<u>\$ 144,088</u>

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2022

Lease Liability

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2023 through 2026. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

An initial lease liability was recorded in the amount of \$25,004 during the current fiscal year. As of September 30, 2022, the value of the lease liabilities was \$15,576. Incremental borrowing rates of 3.00 percent were used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was \$35,443 and had accumulated amortization of \$18,583.

The future principal and interest payments for lease liabilities as of September 30, 2022, are as follows:

Fiscal Year	Lease Liabilities		
	Governmental Activities		
	Principal	Interest	Total
2023	\$ 10,144	\$ 245	\$ 10,389
2024	1,757	119	1,876
2025	1,810	65	1,875
2026	1,865	10	1,875
Total	<u>\$ 15,576</u>	<u>\$ 439</u>	<u>\$ 16,015</u>

Note 8: Employee Retirement System

Plan Description

The City participates as one of 921 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com.

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

City of Keene, Texas
Notes to Basic Financial Statements
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Benefits Provided

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

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

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.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

Employees Covered By Benefit Terms

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	78
Active employees	<u>48</u>
Total	<u><u>156</u></u>

Contributions

Member contribution rates in TMRS are either 5 percent, 6 percent, or 7 percent of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7 percent of their annual gross earnings during the year ended September 30, 2022. The contribution rates for the City were 12.19 and 12.56 percent in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$321,209 and were equal to the required contributions.

Net Pension Asset

The City's net pension asset (NPA) was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021, 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%

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2022

Salary increases 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 are 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.

The 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 postretirement 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.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of October 1, 2021	\$ 11,014,673	\$ 10,437,931	\$ 576,742
Changes for the year			
Service cost	417,141	-	417,141
Interest	738,932	-	738,932
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,959)	-	(8,959)
Changes of assumptions	-	-	-
Contributions – employer	-	315,954	(315,954)
Contributions – employee	-	179,581	(179,581)
Net investment income	-	1,360,354	(1,360,354)
Benefit payments, including refunds of employee contributions	(552,217)	(552,217)	-
Administrative expenses	-	(6,296)	6,296
Other charges	-	44	(44)
Net changes	594,897	1,297,420	(702,523)
Balances as of September 30, 2022	<u>\$ 11,609,570</u>	<u>\$ 11,735,351</u>	<u>\$ (125,781)</u>

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

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)	\$ 1,599,233	\$ (125,781)	\$ (1,511,552)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained on the internet at www.tnrs.com.

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

For the year ended September 30, 2022, the City recognized a reduction in pension expense of \$93,688.

At September 30, 2022, 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	\$ 619	\$ 48,023
Change in actuarial assumptions	-	421
Net difference between projected and actual investment earnings	-	703,016
Contributions subsequent to the measurement date	242,544	-
	<u>\$ 243,163</u>	<u>\$ 751,460</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 \$242,554 will be recognized as an addition to the net pension asset for year ending September 30, 2023.

City of Keene, Texas
Notes to Basic Financial Statements
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
2023	\$ (168,932)
2024	(303,080)
2025	(147,671)
2026	(131,158)
	<u>\$ (750,841)</u>

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the net pension liability is liquidated by the general fund. For the business type activities, the water, sewer, and sanitation fund liquidates the net pension liability.

Note 9: Other Postemployment Benefits

Plan Description

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75). 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.

Benefits Provided

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.

City of Keene, Texas

Notes to Basic Financial Statements

September 30, 2022

Employees Covered by Benefit Terms

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	15
Active employees	48
Total	87

Benefit Payments

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.23 percent for 2022 and 0.29 percent for 2021, of which 0.15 percent and 0.21 percent, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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. The City's payments to the SDBF for the year ended September 30, 2022, were \$6,392 representing payments for both active and retiree coverage, which equaled the required payments each year.

Total OPEB Liability

The City's total OPEB liability of \$214,373 (\$154,349 for governmental activities and \$60,024 for business-type activities) was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2021 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, 2021</u>
Discount Rate	1.84% as of December 31, 2021 (2.00% as of December 31, 2020)
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.

City of Keene, Texas
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Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2021, was 1.84 percent, compared to 2.00 percent as of December 31, 2020. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of October 1, 2021	\$ 206,198
Changes for the year	
Service Cost	9,236
Interest on total OPEB liability	4,162
Differences between expected and actual experience	(7,164)
Changes in assumptions or other inputs	7,328
Benefit payments	<u>(5,387)</u>
Balances as of September 30, 2022	<u>\$ 214,373</u>

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 1.84 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 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB liability	\$ 268,887	\$ 214,373	\$ 174,222

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$23,063. At September 30, 2022, 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	\$ 36,243	\$ 2,595
Difference between expected and actual experience	1,233	16,600
Total	<u>\$ 37,476</u>	<u>\$ 19,195</u>

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
2023	\$ 8,053
2024	8,479
2025	1,713
2026	32
2027	4
	<u>\$ 18,281</u>

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the water, sewer, and sanitation fund liquidates the total OPEB liability.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2022

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 2022, 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.

Note 11: Subsequent Events

In June 2023 the City issued Public Property Finance Contractual Obligations, Series 2023 for the purchase of a fire engine and brush truck in the amount of \$1,437,000.

Subsequent events have been evaluated through August 25, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Information

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

	2021	2020	2019	Measurement Year		2016	2015	2014
				2018	2017			
Total Pension Liability								
Service cost	\$ 417,141	\$ 376,998	\$ 387,233	\$ 360,896	\$ 388,522	\$ 420,580	\$ 404,244	\$ 360,186
Interest	738,932	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	(8,959)	(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	(552,217)	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Net change in total pension liability	594,897	326,362	497,689	368,043	(985,927)	702,829	1,084,983	789,605
Total pension liability – Beginning	11,014,673	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)	<u>\$ 11,609,570</u>	<u>\$ 11,014,673</u>	<u>\$ 10,688,311</u>	<u>\$ 10,190,622</u>	<u>\$ 9,822,579</u>	<u>\$ 10,808,506</u>	<u>\$ 10,105,677</u>	<u>\$ 9,020,694</u>
Plan Fiduciary Net Position								
Contributions – employer	\$ 315,954	\$ 308,195	\$ 278,674	\$ 263,191	\$ 354,987	\$ 378,465	\$ 386,100	\$ 354,901
Contributions – employee	179,581	165,870	162,216	158,686	167,673	185,862	186,779	164,524
Net investment income	1,360,354	747,125	1,354,637	(271,100)	1,144,618	502,148	10,330	359,633
Benefit payments, including refunds of employee contributions	(552,217)	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Administrative expense	(6,296)	(4,836)	(7,655)	(5,240)	(5,927)	(5,668)	(6,291)	(3,754)
Other	44	(189)	(230)	(274)	(300)	(306)	(311)	(309)
Net change in plan fiduciary net position	1,297,420	592,576	1,082,565	(288,642)	798,994	826,952	425,726	714,936
Plan fiduciary net position – Beginning	10,437,931	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)	<u>\$ 11,735,351</u>	<u>\$ 10,437,931</u>	<u>\$ 9,845,355</u>	<u>\$ 8,762,790</u>	<u>\$ 9,051,432</u>	<u>\$ 8,252,438</u>	<u>\$ 7,425,486</u>	<u>\$ 6,999,760</u>
City's net pension liability (asset) – Ending (a) – (b)	<u>\$ (125,781)</u>	<u>\$ 576,742</u>	<u>\$ 842,956</u>	<u>\$ 1,427,832</u>	<u>\$ 771,147</u>	<u>\$ 2,556,068</u>	<u>\$ 2,680,191</u>	<u>\$ 2,020,934</u>
Plan fiduciary net position as a percentage of the total pension liability	101.08%	94.76%	92.11%	85.99%	92.15%	76.35%	73.48%	77.60%
Covered payroll	\$ 2,565,443	\$ 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 (asset) as a percentage of covered payroll	-4.90%	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 (asset) 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 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 321,209	\$ 346,217	\$ 288,878	\$ 279,268	\$ 278,821	\$ 378,465	\$ 386,100	\$ 354,901
Contributions in relation to the actuarially determined contribution	<u>(321,209)</u>	<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>\$ -</u>	<u>\$ (33,318)</u>	<u>\$ 213</u>	<u>\$ (28,970)</u>
Covered payroll	<u>\$ 2,616,010</u>	<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	12.28%	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 – 24 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.

Other Information

Notes – There were no benefit changes during the year.

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)

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 9,236	\$ 7,583	\$ 4,171	\$ 4,987	\$ 4,551
Interest on the total OPEB liability	4,162	5,134	5,348	4,764	4,681
Differences between expected and actual experience	(7,164)	(18,905)	1,375	2,862	-
Changes in assumptions or other inputs	7,328	30,198	31,335	(10,831)	11,450
Benefit payments	<u>(5,387)</u>	<u>(1,422)</u>	<u>(1,390)</u>	<u>(907)</u>	<u>(719)</u>
Net change in total OPEB liability	8,175	22,588	40,839	875	19,963
Total OPEB liability (Beginning)	<u>206,198</u>	<u>183,610</u>	<u>142,771</u>	<u>141,896</u>	<u>121,933</u>
Total OPEB liability (Ending)	<u>\$ 214,373</u>	<u>\$ 206,198</u>	<u>\$ 183,610</u>	<u>\$ 142,771</u>	<u>\$ 141,896</u>
Covered payroll	\$ 2,565,443	\$ 2,369,565	\$ 2,317,372	\$ 2,266,937	\$ 2,395,329
Total OPEB liability as a percentage of covered payroll	8.36%	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
For the Year Ended September 30, 2022
General Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Property taxes	\$ 2,208,500	\$ 2,208,500	\$ 2,316,001	\$ 107,501
Sales taxes	670,000	670,000	586,063	(83,937)
Franchise fees	295,000	295,000	271,436	(23,564)
License and permits	225,500	225,500	165,453	(60,047)
Charges for services	708,693	708,693	708,288	(405)
Investment earnings	15,000	15,000	10,593	(4,407)
Intergovernmental	235,000	235,000	245,507	10,507
Other	359,717	359,717	247,160	(112,557)
Total revenues	4,717,410	4,717,410	4,550,501	(166,909)
Expenditures				
Current:				
Administration	299,067	299,067	417,997	(118,930)
City secretary	126,660	126,660	80,298	46,362
Finance	279,323	279,323	284,988	(5,665)
Human resources	99,600	99,600	91,862	7,738
Police	1,226,215	1,226,215	1,142,680	83,535
Fire	1,412,135	1,412,135	1,408,346	3,789
Animal control	45,915	45,915	41,544	4,371
Development services	204,115	204,115	146,566	57,549
Municipal court	111,125	111,125	90,437	20,688
Streets	(4,700)	(4,700)	153,174	(157,874)
Parks	53,165	53,165	52,504	661
Community center	20,310	20,310	11,759	8,551
Economic development	98,090	98,090	36,573	61,517
Non-departmental	313,495	313,495	380,867	(67,372)
Capital outlay	294,900	294,900	23,720	271,180
Total expenditures	4,579,415	4,579,415	4,363,315	216,100
Excess of revenues over expenditures	137,995	137,995	187,186	49,191
Other financing sources (uses)				
Financed purchase issued	-	-	179,302	(179,302)
Leases issued	-	-	10,439	10,439
Transfers in	-	-	371,463	371,463
Total other financing sources (uses)	-	-	561,204	202,600
Change in Fund Balances	137,995	137,995	748,390	251,791
Fund Balance, Beginning of Year	1,015,871	1,015,871	1,015,871	-
Fund Balance, End of Year	\$ 1,153,866	\$ 1,153,866	\$ 1,764,261	\$ 610,395

City of Keene, Texas
Notes to Budgetary Comparison Schedule
For the Year Ended September 30, 2022
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 the Community Activity Fund and Grants Fund. Legal budgets are adopted for the General Fund, Capital Projects Fund, Debt Service Fund, and Water, Sewer, and Sanitation 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.