



City of Keene, Texas

Annual Financial Report

September 30, 2023



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Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Keene, Texas, as of and for the year ended September 30, 2023, 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 accompanying 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, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 benefit 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Dallas, Texas
July 30, 2024**

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City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

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, 2023. 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 11 through 51 of this report.

Financial Highlights

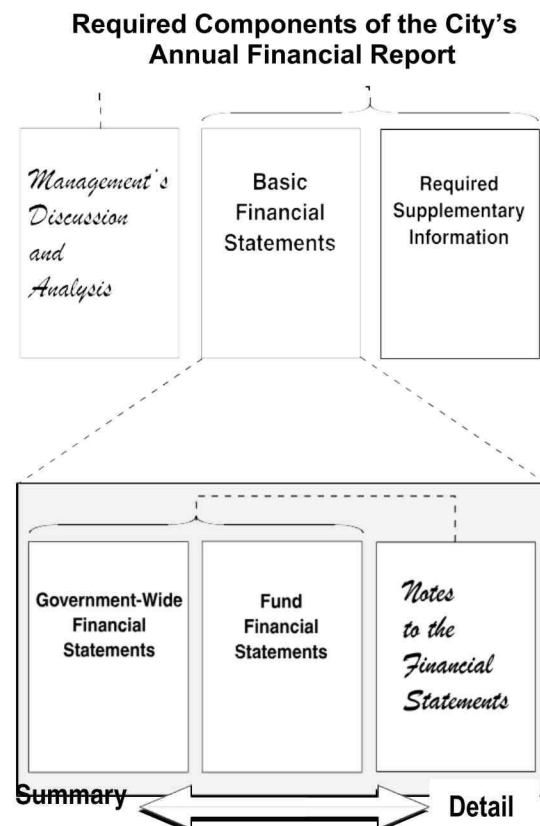
The City's total combined net position was \$16,878,577 at September 30, 2023, of which \$4,488,148 was unrestricted. Additionally, the City's general fund reported a fund balance this year of \$2,247,704 of which \$2,172,959 is unassigned and subject to use at the City's discretion.

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, 2023

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

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 Grant 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, 2023

Financial Analysis of the City as a Whole

Net Position. The City's *combined* net position was \$16,878,577 at September 30, 2023.

Statement of Net Position for Governmental and Business-Type Activities

	Governmental Activities 2023	Business-type Activities 2023	Total 2023	Governmental Activities 2022 *	Business-type Activities 2022 *	Total 2022 *
Current and other assets	\$ 6,985,771	\$ 2,842,679	\$ 9,828,450	\$ 5,900,427	\$ 2,333,034	\$ 8,233,461
Capital, lease and subscription assets	15,439,940	5,963,499	21,403,439	15,195,601	5,769,006	20,964,607
Total assets	22,425,711	8,806,178	31,231,889	21,096,028	8,102,040	29,198,068
Deferred outflows of resources	1,181,076	392,418	1,573,494	660,328	181,906	842,234
Current liabilities	2,334,120	697,451	3,031,571	2,933,852	662,855	3,596,707
Long term liabilities	9,290,727	3,382,268	12,672,995	7,602,505	3,175,609	10,778,114
Total liabilities	11,624,847	4,079,719	15,704,566	10,536,357	3,838,464	14,374,821
Deferred inflows of resources	77,684	144,556	222,240	472,543	298,112	770,655
Net position						
Net investment in capital assets	9,187,426	2,865,140	12,052,566	8,813,365	2,554,434	11,367,799
Restricted	337,863	-	337,863	332,732	35,219	367,951
Unrestricted	2,378,967	2,109,181	4,488,148	1,601,359	1,557,717	3,159,076
Total net position	\$ 11,904,256	\$ 4,974,321	\$ 16,878,577	\$ 10,747,456	\$ 4,147,370	\$ 14,894,826

* Fiscal year 2022 amounts have not been restated for the adoption of GASB 96, *Subscription-Based Information Technology Arrangements*

By far, the largest portion of the City's net position (71 percent) reflects its investment in capital, lease and subscription assets (e.g., land, buildings, machinery, equipment, vehicles, infrastructure, lease equipment, and subscription assets), less any related outstanding debt, lease liabilities, and subscription liabilities that was used to acquire those assets. The City uses these capital, lease and subscription 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 \$4,488,148 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, 2023

Revenues and Expenses for Governmental and Business-Type Activities

	Governmental Activities 2023	Business-type Activities 2023	Total 2023	Governmental Activities 2022 *	Business-type Activities 2022 *	Total 2022 *
Revenues						
Program revenues						
Charges for services	\$ 553,105	\$ 3,909,603	\$ 4,462,708	\$ 1,009,364	\$ 3,693,252	\$ 4,702,616
Operating grants and contribution	314,279	-	314,279	245,507	-	245,507
Capital grants and contributions	-	324,500	324,500	29,670	-	29,670
General revenues						
Taxes and fees	4,391,318	-	4,391,318	4,097,209	-	4,097,209
Grants not restricted to specific programs	514,680	-	514,680	-	-	-
Other	274,392	50,376	324,768	132,489	5,768	138,257
Total revenues	<u>6,047,774</u>	<u>4,284,479</u>	<u>10,332,253</u>	<u>5,514,239</u>	<u>3,699,020</u>	<u>9,213,259</u>
Expenses						
General government	745,995	-	745,995	1,327,327	-	1,327,327
Public safety	1,506,227	-	1,506,227	1,233,105	-	1,233,105
Fire and rescue	1,678,135	-	1,678,135	1,391,300	-	1,391,300
Streets	670,963	-	670,963	537,410	-	537,410
Parks and recreation	-	-	-	55,437	-	55,437
Municipal court	107,195	-	107,195	84,005	-	84,005
Economic development	255,420	-	255,420	228,592	-	228,592
Community development	57,243	-	57,243	50,933	-	50,933
Interest and fiscal charges	229,796	65,320	295,116	247,584	88,117	335,701
Water	-	1,907,047	1,907,047	-	1,635,218	1,635,218
Sewer	-	852,633	852,633	-	731,099	731,099
Sanitation	-	272,528	272,528	-	233,682	233,682
Total expenses	<u>5,250,974</u>	<u>3,097,528</u>	<u>8,348,502</u>	<u>5,155,693</u>	<u>2,688,116</u>	<u>7,843,809</u>
Increase in Net Position Before Transfers	796,800	1,186,951	1,983,751	358,546	1,010,904	1,369,450
Transfers	<u>360,000</u>	<u>(360,000)</u>	<u>-</u>	<u>469,717</u>	<u>(469,717)</u>	<u>-</u>
Change in Net Position	1,156,800	826,951	1,983,751	828,263	541,187	1,369,450
Net Position, Beginning of Year*	<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>
Net Position, End of Year	<u>\$ 11,904,256</u>	<u>\$ 4,974,321</u>	<u>\$ 16,878,577</u>	<u>\$ 10,747,456</u>	<u>\$ 4,147,370</u>	<u>\$ 14,894,826</u>

* Fiscal year 2022 amounts have not been restated for the adoption of GASB 96, *Subscription-Based Information Technology Arrangements*

Change in Net Position. The City's total revenues were \$10,332,253 and total expenses were \$8,348,502 resulting in an increase in net position of \$1,983,751 for the year ended September 30, 2023. Revenues increased \$1,118,994 (12 percent) compared to 2022 due primarily to an increase in grants and contributions of approximately \$878,000 primarily related to the utilization of the Coronavirus State and Local Fiscal Recovery Funds, and an increase in property and sales tax revenue of \$294,000 due to population growth and the economy recovering from the pandemic, offset by a decrease of approximately \$240,000 in charges for services due to a one-time settlement with Oncor related to franchise fees received in prior year. Overall expenses increased \$505,000 (6 percent) compared to 2022 which is mostly attributable to increase in public safety of approximately \$273,000 and fire and rescue of approximately \$287,000 related to increase in personnel costs, and water, sewer, and sanitation costs increased by approximately \$432,000 related to incurring eligible expenditures of federal grant monies and population growth. These increases were offset by a decrease in general government costs of approximately \$580,000 mostly related to nonrecurring software implementation costs, personnel costs, and maintenance costs in prior year.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

Capital, Lease and Subscription Assets. The City's capital, lease and subscription assets for its governmental and business-type activities as of September 30, 2023, amount to \$21,403,439 (net of accumulated depreciation/amortization). This net investment in capital assets includes land, buildings, park facilities, machinery and equipment, lease equipment, roads, and water, sewer, and sanitation lines.

Major capital, lease and subscription asset events during the current fiscal year included the following:

- Purchase and upfitting of a patrol vehicle of approximately \$76,000
- Improvements to the basketball court of approximately \$60,000
- Various sidewalk improvement projects of approximately \$162,000
- Various well and sewer line enhancements of approximately \$622,000
- Elevated storage tower improvements of approximately \$615,000.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022 *	2023	2022 *
Land	\$ 1,703,121	\$ 1,703,121	\$ 192,622	\$ 192,622	\$ 1,895,743	\$ 1,895,743
Construction in progress	855,777	19,900	35,000	77,804	890,777	97,704
Buildings and improvements	6,811,548	6,811,548	340,313	232,228	7,151,861	7,043,776
Machinery and equipment	852,440	852,440	398,286	398,286	1,250,726	1,250,726
Streets	11,939,307	11,939,307	-	-	11,939,307	11,939,307
Infrastructure	1,289,986	1,230,136	17,783,245	17,288,341	19,073,231	18,518,477
Office furniture and equipment	650,061	650,061	63,783	63,783	713,844	713,844
Vehicles	2,055,606	1,979,536	403,963	349,262	2,459,569	2,328,798
Leased equipment	35,443	35,443	-	-	35,443	35,443
Subscription assets	-	-	30,678	27,678	30,678	27,678
Accumulated depreciation/amortization	(10,753,349)	(10,025,891)	(13,284,391)	(12,833,320)	(24,037,740)	(22,859,211)
Total	<u>\$ 15,439,940</u>	<u>\$ 15,195,601</u>	<u>\$ 5,963,499</u>	<u>\$ 5,796,684</u>	<u>\$ 21,403,439</u>	<u>\$ 20,992,285</u>

* Fiscal year 2022 amounts have been restated for the adoption of GASB 96, *Subscription-Based Information Technology Arrangements*

Long-Term Obligations. At year-end, the City had \$11,587,634 in total outstanding long-term obligations (including current portion) as shown below. In fiscal year 2023, the City issued a note payable of \$1,437,000 related to financing a pumper truck and brush truck.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022 *	2023	2022 *
Bonds payable	\$ 6,937,209	\$ 7,188,738	\$ 3,097,672	\$ 3,236,412	\$ 10,034,881	\$ 10,425,150
Notes payable	1,437,000	312,731	-	-	1,437,000	312,731
Financed purchase	92,144	136,329	-	-	92,144	136,329
Lease liabilities	5,431	15,576	-	-	5,431	15,576
Subscription liabilities	-	-	18,178	27,678	18,178	27,678
Total	<u>\$ 8,471,784</u>	<u>\$ 7,653,374</u>	<u>\$ 3,115,850</u>	<u>\$ 3,264,090</u>	<u>\$ 11,587,634</u>	<u>\$ 10,917,464</u>

* Fiscal year 2022 amounts have been restated for the adoption of GASB 96, *Subscription-Based Information Technology Arrangements*

Financial Analysis of the City's Funds

General Fund Highlights. The General Fund balance increased by \$483,443 from \$1,764,261 to \$2,247,704. 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, as well as an increase in investment earnings of approximately \$130,000 due to favorable market conditions compared to the prior year.

Capital Projects Fund. The Capital Projects Fund balance increased by \$1,068,882 from 2022 due to the proceeds of \$1,437,000 from financing the purchase of a pumper truck and brush truck, offset by an increase in capital expenditures of debt proceeds issued in prior year.

Type A Economic Development. The fund balance decreased by \$52,428, from \$118,157 to \$65,729 due to a slight increase in overall sales tax revenue from the prior year, as well as an increase in investment earnings due to favorable market conditions compared to the prior year, offset by increased debt service costs of approximately \$200,000 in relation to paying off the outstanding balance on notes payable.

Type B Business Development. The fund balance increased by \$59,538, from \$63,939 to \$123,477, due to a slight increase in overall sales tax revenue from the prior year, as well as an increase in investment earnings due to favorable market conditions as compared to the prior year, offset by a decrease in debt service costs due to paying off the outstanding balance on notes payable in the prior year.

Debt Service. The fund balance increased by \$69,198, from \$8,277 to \$77,475. This increase can be attributed to a transfer in from the General Fund and an increase in property tax revenue due to population growth, offset by an increase in debt service and reimbursement related costs in the current fiscal year.

Grant Fund. The fund balance increased \$20,749, from \$0 to \$20,749, due to investment earnings on the unspent Coronavirus State and Local Fiscal Recovery Funds in the current fiscal year as a result of favorable market conditions as compared to the prior year.

Community Activity Fund. The fund balance decreased by \$1,364, from \$33,686 to \$32,322 due to an increase in overall community activity expenditures, offset by an increase in donations during 2023.

General Fund Budgetary Highlights

General fund revenues exceeded expenditures by \$325,347. After considering transfers to/from other funds, the fund balance for the City's general fund is \$2,247,704 as of September 30, 2023, which was \$600,818 more than the budgeted change in fund balance. This difference between budgeted and actual can mainly be attributed to property tax revenues exceeding budget and expenditures that were budgeted but did not occur.

Economic Factors and Next Year's Budgets and Rates

The proposed tax rate for the upcoming year will remain consistent at \$0.834134 per \$100. General fund revenue budgeted for next year totals \$5,600,610 for an increase of \$547,410 in the upcoming year.

City of Keene, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

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.

Basic Financial Statements

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City of Keene, Texas
Statement of Net Position
September 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,526,062	\$ 1,921,272	\$ 6,447,334
Receivables, net	691,809	657,227	1,349,036
Prepaid items	-	9,500	9,500
Inventory	56,634	-	56,634
Restricted cash and cash equivalents	1,711,266	254,680	1,965,946
Capital, lease and subscription assets			
Nondepreciable assets	2,558,898	227,622	2,786,520
Depreciable assets, net	12,881,042	5,735,877	18,616,919
Total assets	22,425,711	8,806,178	31,231,889
Deferred Outflows of Resources			
Deferred outflows of resources – Pension	656,520	368,492	1,025,012
Deferred outflows of resources – OPEB	16,552	6,435	22,987
Deferred loss on refunding	508,004	17,491	525,495
Total deferred outflows of resources	1,181,076	392,418	1,573,494
Liabilities			
Current liabilities			
Accounts payable	102,365	162,719	265,084
Accrued interest	122,202	50,833	173,035
Accrued liabilities	96,008	26,704	122,712
Other payables	193,839	44,069	237,908
Unearned revenue	1,481,315	-	1,481,315
Customer deposits	-	254,680	254,680
Current portion of long term debt:			
Compensated absences	15,771	3,612	19,383
Bonds payable	275,432	145,879	421,311
Financed purchase	45,431	-	45,431
Lease liabilities	1,757	-	1,757
Subscription liabilities	-	8,955	8,955
Total current liabilities	2,334,120	697,451	3,031,571
Noncurrent liabilities			
Notes payable	1,437,000	-	1,437,000
Bonds payable	6,661,777	2,951,793	9,613,570
Financed purchase	46,713	-	46,713
Lease liabilities	3,674	-	3,674
Subscription liabilities	-	9,223	9,223
Compensated absences	141,942	32,511	174,453
Net pension liability	893,375	347,423	1,240,798
Total OPEB liability	106,246	41,318	147,564
Total noncurrent liabilities	9,290,727	3,382,268	12,672,995
Total liabilities	11,624,847	4,079,719	15,704,566
Deferred Inflows of Resources			
Deferred inflows of resources – Pension	23,351	123,426	146,777
Deferred inflows of resources – OPEB	54,333	21,130	75,463
Total deferred inflows of resources	77,684	144,556	222,240
Net Position			
Net investment in capital assets	9,187,426	2,865,140	12,052,566
Restricted for			
Debt service	77,475	-	77,475
Grants	20,749	-	20,749
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	32,322	-	32,322
Economic development	189,206	-	189,206
Unrestricted	2,378,967	2,109,181	4,488,148
Total net position	\$ 11,904,256	\$ 4,974,321	\$ 16,878,577

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, 2023

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	\$ 745,995	\$ 75,102	\$ -	\$ -	\$ (670,892)	\$ -	\$ (670,892)
Public safety	1,506,227	-	-	-	(1,506,227)	-	(1,506,227)
Fire and rescue	1,678,135	205,989	314,279	-	(1,157,867)	-	(1,157,867)
Streets	670,963	-	-	-	(670,963)	-	(670,963)
Municipal court	107,195	272,014	-	-	164,819	-	164,819
Economic development	255,420	-	-	-	(255,420)	-	(255,420)
Community development	57,243	-	-	-	(57,243)	-	(57,243)
Interest and fiscal charges	229,796	-	-	-	(229,796)	-	(229,796)
Total governmental activities	5,250,974	553,105	314,279	-	(4,383,590)	-	(4,383,590)
Business-type activities							
Water	1,907,047	2,527,500	-	204,088	-	824,541	824,541
Sewer	852,633	1,027,692	-	91,247	-	266,306	266,306
Sanitation	272,528	354,411	-	29,165	-	111,048	111,048
Interest on long-term debt	65,320	-	-	-	-	(65,320)	(65,320)
Total business-type activities	3,097,528	3,909,603	-	324,500	-	1,136,575	1,136,575
Total primary government	\$ 8,348,502	\$ 4,462,708	\$ 314,279	\$ 324,500	\$ (4,383,590)	\$ 1,136,575	\$ (3,247,015)
General revenues and transfers							
General revenues							
Taxes							
Property taxes					\$ 3,027,143	\$ -	\$ 3,027,143
Sales taxes					1,206,615	-	1,206,615
Franchise taxes					157,560	-	157,560
Grants not restricted to specific programs					514,680	-	514,680
Miscellaneous					95,213	-	95,213
Interest income					179,179	50,376	229,555
Transfers					360,000	(360,000)	-
Total general revenues and transfers					5,540,390	(309,624)	5,230,766
Change in Net Position					1,156,800	826,951	1,983,751
Net Position, Beginning of Year					10,747,456	4,147,370	14,894,826
Net Position, End of Year					<u>\$ 11,904,256</u>	<u>\$ 4,974,321</u>	<u>\$ 16,878,577</u>

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

City of Keene, Texas
Balance Sheet – Governmental Funds
September 30, 2023

	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	\$ 2,332,864	\$ 2,551,142	\$ 16,960	\$ 81,281	\$ 74,963	\$ 1,143,229	\$ 36,889	\$ 6,237,328
Receivables (net of allowance for uncollectibles)								
Property taxes	93,918	-	-	-	15,768	-	-	109,686
Sales tax	102,472	-	51,235	51,235	-	-	-	204,942
Ambulance receivable	346,843	-	-	-	-	-	-	346,843
Accounts receivable	30,338	-	-	-	-	-	-	30,338
Inventory	56,634	-	-	-	-	-	-	56,634
Total assets	<u>\$ 2,963,069</u>	<u>\$ 2,551,142</u>	<u>\$ 68,195</u>	<u>\$ 132,516</u>	<u>\$ 90,731</u>	<u>\$ 1,143,229</u>	<u>\$ 36,889</u>	<u>\$ 6,985,771</u>
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 62,859	\$ 15,340	\$ 2,466	\$ 9,039	\$ -	\$ 8,094	\$ 4,567	\$ 102,365
Accrued payroll liabilities	96,008	-	-	-	-	-	-	96,008
Other payables	193,839	-	-	-	-	-	-	193,839
Unearned revenue	16,929	350,000	-	-	-	1,114,386	-	1,481,315
Total liabilities	<u>369,635</u>	<u>365,340</u>	<u>2,466</u>	<u>9,039</u>	<u>-</u>	<u>1,122,480</u>	<u>4,567</u>	<u>1,873,527</u>
Deferred inflows of resources – unavailable revenue	<u>345,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,256</u>	<u>-</u>	<u>-</u>	<u>358,986</u>
Fund balances								
Nonspendable for inventory	56,634	-	-	-	-	-	-	56,634
Committed	-	474,536	-	-	-	-	-	474,536
Restricted for								
Debt service	-	-	-	-	77,475	-	-	77,475
Capital projects	-	1,711,266	-	-	-	-	-	1,711,266
Grants	-	-	-	-	-	20,749	-	20,749
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	-	-	-	-	-	-	32,322	32,322
Economic development	-	-	65,729	123,477	-	-	-	189,206
Unassigned	2,172,959	-	-	-	-	-	-	2,172,959
Total fund balances	<u>2,247,704</u>	<u>2,185,802</u>	<u>65,729</u>	<u>123,477</u>	<u>77,475</u>	<u>20,749</u>	<u>32,322</u>	<u>4,753,258</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,963,069</u>	<u>\$ 2,551,142</u>	<u>\$ 68,195</u>	<u>\$ 132,516</u>	<u>\$ 90,731</u>	<u>\$ 1,143,229</u>	<u>\$ 36,889</u>	<u>\$ 6,985,771</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, 2023

Total fund balances – governmental funds \$ 4,753,258

Amounts reported for governmental activities in the statement of net position are different because:

Capital and lease assets (net of accumulated depreciation/amortization) used in governmental are not current financial resources and, therefore, are not reported in the fund financial 15,439,940

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 358,986

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. (122,202)

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)	656,520
Deferred outflows of resources (OPEB)	16,552
Deferred inflows of resources (Pension)	(23,351)
Deferred inflows of resources (OPEB)	(54,333)

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	508,004
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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	(6,937,209)
Notes payable	(1,437,000)
Financed purchase	(92,144)
Lease liabilities	(5,431)
Compensated absences	(157,713)
Net pension liability	(893,375)
Total OPEB liability	(106,246)

Total net position of governmental activities	<u>\$ 11,904,256</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, 2023

	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	\$ 2,645,514	\$ -	\$ -	\$ -	\$ 308,609	\$ -	\$ -	\$ 2,954,123
Sales taxes	603,307	-	301,654	301,654	-	-	-	1,206,615
Franchise fees	157,560	-	-	-	-	-	-	157,560
Licenses, permits and filing fees	70,589	-	-	-	-	-	-	70,589
Charges for services	383,600	-	-	-	-	-	-	383,600
Fines and forfeitures	98,916	-	-	-	-	-	-	98,916
Investment earnings	143,303	-	5,171	9,956	-	20,749	-	179,179
Other revenues	75,063	-	7,026	1,480	-	-	11,644	95,213
Intergovernmental revenue	314,279	-	-	-	-	514,680	-	828,959
Total revenues	4,492,131	-	313,851	313,090	308,609	535,429	11,644	5,974,754
Expenditures								
Current								
General government	733,297	-	-	-	-	-	-	733,297
Public safety	1,400,722	-	-	-	-	-	-	1,400,722
Fire and rescue	1,575,507	-	-	-	-	-	-	1,575,507
Highway and streets	263,315	-	-	-	-	-	-	263,315
Municipal court	107,508	-	-	-	-	-	-	107,508
Economic development	-	-	41,182	193,702	-	-	-	234,884
General and administrative	-	-	-	-	-	-	13,008	13,008
Capital outlay	76,070	321,197	-	59,850	-	514,680	-	971,797
Debt service								
Principal	10,145	-	312,731	-	241,185	-	-	564,061
Interest	220	-	12,366	-	200,130	-	-	212,716
Issuance costs	-	46,921	-	-	-	-	-	46,921
Total expenditures	4,166,784	368,118	366,279	253,552	441,315	514,680	13,008	6,123,736
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	325,347	(368,118)	(52,428)	59,538	(132,706)	20,749	(1,364)	(148,982)
Other Financing Sources (Uses)								
Issuance of debt	-	1,437,000	-	-	-	-	-	1,437,000
Transfers in	360,000	-	-	-	201,904	-	-	561,904
Transfers out	(201,904)	-	-	-	-	-	-	(201,904)
Total other financing sources (uses)	158,096	1,437,000	-	-	201,904	-	-	1,797,000
Net Change in Fund Balances	483,443	1,068,882	(52,428)	59,538	69,198	20,749	(1,364)	1,648,018
Fund Balances, Beginning of Year	1,764,261	1,116,920	118,157	63,939	8,277	-	33,686	3,105,240
Fund Balances, End of Year	\$ 2,247,704	\$ 2,185,802	\$ 65,729	\$ 123,477	\$ 77,475	\$ 20,749	\$ 32,322	\$ 4,753,258

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, 2023

Net change in fund balances – total governmental funds	\$ 1,648,018
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 lease assets recorded in the current period.	971,797
Depreciation/amortization expense on capital and lease 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.	(727,458)
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.	(1,437,000)
Issuance of notes payable	54,529
Amortization of premium	564,061
Principal paid on bonds and other debt instruments	(31,751)
Amortization of deferred loss on refunding	
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 liability and Total OPEB liabilities, deferred outflows of resources, and deferred inflows of resources balances.	11,524
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.	22,997
Current year change in accrued interest payable required the use of current financial resources and is not reported as an expense in the statement of activities.	7,063
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.	73,020
Change in net position of governmental activities	<u>\$ 1,156,800</u>

City of Keene, Texas
Statement of Net Position
Proprietary Fund
September 30, 2023

	<u>Water, Sewer, and Sanitation</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 1,921,272
Customer receivables, net	657,227
Prepaid expenses	9,500
Restricted cash and cash equivalents	<u>254,680</u>
Total current assets	<u>2,842,679</u>
Noncurrent Assets	
Capital assets	
Nondepreciable	227,622
Depreciable (net of accumulated depreciation and amortization)	<u>5,735,877</u>
Total noncurrent assets	<u>5,963,499</u>
Total assets	<u>8,806,178</u>
Deferred Outflows of Resources	
Deferred outflows of resources – Pension	368,492
Deferred outflows of resources – OPEB	6,435
Deferred loss on refunding	<u>17,491</u>
Total deferred outflows of resources	<u>392,418</u>
Liabilities, Deferred Inflows or Resources and Net Position	
Current Liabilities	
Accounts and contracts payable	162,719
Accrued interest payable	50,833
Accrued wages payable	26,704
Customer deposits	254,680
Due to other governments	44,069
Compensated absences	3,612
Current portion long-term debt	
Bonds payable	145,879
Subscription liabilities	<u>8,955</u>
Total current liabilities	<u>697,451</u>
Noncurrent Liabilities	
Bonds payable	2,778,000
Premium on bonds payable	173,793
Subscription liability	9,223
Compensated absences	32,511
Net pension liability	347,423
Total OPEB liability	<u>41,318</u>
Total noncurrent liabilities	<u>3,382,268</u>
Total liabilities	<u>4,079,719</u>
Deferred Inflows of Resources	
Deferred inflows of resources – Pension	123,426
Deferred inflows of resources – OPEB	<u>21,130</u>
Total deferred outflows of resources	<u>144,556</u>
Net Position	
Net investment in capital assets	2,865,140
Unrestricted	<u>2,109,181</u>
Total net position	<u>\$ 4,974,321</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, 2023

	Water, Sewer, and Sanitation
Operating Revenues	
Charges for services	
Water	\$ 2,199,333
Wastewater	1,027,692
Sanitation	354,411
Other	<u>328,167</u>
Total operating revenues	<u>3,909,603</u>
Operating Expenses	
Personnel services	887,644
Contracted services	372,213
Administrative	64,767
Water purchases	512,914
Utilities	270,637
Repairs and maintenance	265,606
Permits and fees	11,432
Materials and supplies	195,924
Depreciation and amortization	<u>451,071</u>
Total operating expenses	<u>3,032,208</u>
Operating income	<u>877,395</u>
Nonoperating Revenues (Expenses)	
Intergovernmental	324,500
Interest income	50,376
Interest expense	<u>(65,320)</u>
Total nonoperating revenues (expenses)	<u>309,556</u>
Income before transfers	1,186,951
Transfers out	<u>(360,000)</u>
Change in Net Position	826,951
Net Position, Beginning of Year	<u>4,147,370</u>
Net Position, End of Year	<u><u>\$ 4,974,321</u></u>

City of Keene, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2023

	<u>Water, Sewer, and Sanitation</u>
Operating Activities	
Receipts from customers and users	\$ 3,868,234
Payments to employees	(859,742)
Payments to suppliers	<u>(1,703,257)</u>
Net cash provided by operating activities	<u>1,305,235</u>
Noncapital and Related Financing Activities	
Transfers to other funds	<u>(360,000)</u>
Net cash used in noncapital financing activities	<u>(360,000)</u>
Capital and Related Financing Activities	
Acquisition and construction of capital and subscription assets	(617,886)
Proceeds from intergovernmental sources	324,500
Principal payments on debt and subscription liabilities	(127,500)
Interest payments on debt	<u>(84,040)</u>
Net cash used in capital and financing activities	<u>(504,926)</u>
Investing Activities	
Interest on investments	<u>50,376</u>
Net cash provided by investing activities	<u>50,376</u>
Increase in Cash and Cash Equivalents	490,685
Cash and Cash Equivalents, Beginning of Year	<u>1,685,267</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,175,952</u></u>
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Operating income	877,395
Item not requiring cash	
Depreciation and amortization	451,071
Changes in	
Accounts receivable	(44,679)
Prepaid expenses	(9,500)
Deferred outflows of resources	(214,861)
Accounts payable	(264)
Accrued expenses	16,163
Customer deposits	3,310
Net pension liability/(asset)	382,642
Total OPEB liability	(18,706)
Compensated absences	16,220
Deferred inflows of resources	<u>(153,556)</u>
Net cash provided by operating activities	<u><u>\$ 1,305,235</u></u>

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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, 2023

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.

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.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2023

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.

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.

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

Cash and Cash Equivalents

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

Capital Assets

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

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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straightline basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Other Assets

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

Interfund Activity

Inter-fund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination. 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 assets 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 – 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.
- 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.
- 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 assets 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 – 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.

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 \$1,114,386 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 incurred eligible expenditures of \$514,680 during fiscal year 2023 and recognized revenue in relation to the qualifying expenditures. In the Capital Projects Fund, unearned revenue of \$350,000 represents intergovernmental monies received as a contribution towards the City's purchase of a pumper truck. The City will recognize revenue when the asset is purchased and placed into service.

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.

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.

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, lease and subscription assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

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

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription 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 subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital, lease, and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

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.

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 related assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

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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.

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

During fiscal year 2023, the City adopted the following GASB standards:

GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This standard provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The adoption of this standard had no impact on the City.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities. As a result of implementing this standard the City recognized right-to-use subscription assets and liabilities. The adoption of this standard had no impact on beginning net position. The additional disclosures required by this standard are included in Note 6 and Note 7.

Future Financial Reporting Requirements

The GASB has issued the following potentially significant statements which the Town has not yet adopted, and which require adoption subsequent to September 30, 2023. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
100	<i>Accounting Changes and Error Correction</i>	September 30, 2024
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026

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, 2023, the total carrying amounts of the City's deposits including restricted and unrestricted cash and money market accounts were \$8,413,280. While there may be days which the bank balance exceeded FDIC coverage during the year, the City's cash deposits at September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

Credit Risk

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

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

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 \$2,610,202 as of September 30, 2023, 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	\$ 252,019	\$ 51,235	\$ 51,235	\$ 19,670	\$ -	\$ 374,159
Accounts	629,093	-	-	-	-	629,093
Ambulance	1,538,007	-	-	-	-	1,538,007
Utility	-	-	-	-	976,145	976,145
Gross receivables	2,419,119	51,235	51,235	19,670	976,145	3,517,404
Less: allowance for uncollectibles	(1,845,548)	-	-	(3,902)	(318,918)	(2,168,368)
Net total receivables	<u>\$ 573,571</u>	<u>\$ 51,235</u>	<u>\$ 51,235</u>	<u>\$ 15,768</u>	<u>\$ 657,227</u>	<u>\$ 1,349,036</u>

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, 2023, 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, 2023, the City had a tax rate of \$.83413 per \$100.00 assessed valuation, of which \$.073708 was allocated for general government and \$.09705 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.

Note 5: Interfund Balances and Activity

The composition of interfund balances as of September 30, 2023, is as follows:

Transfers In/Transfers Out:

Transfer In		Transfer Out	Amount
General Fund	Water, Sewer & Sanitation Fund		\$ 360,000
Debt Service	General Fund		201,904
			<u>\$ 561,904</u>

The transfers between the Water, Sewer, and Sanitation Fund and General Fund are annual budgeted transfers to finance various programs accounted for in the General Fund in accordance with budgetary authorization. The transfers between the Debt Service Fund and the General Fund are annual budgeted transfers as debt service principal and interest payments become due.

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Note 6: Capital, Lease and Subscription Assets

Capital, lease and subscription asset activity in the governmental activities for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Land	\$ 1,703,121	\$ -	\$ -	\$ -	\$ 1,703,121
Construction in progress	19,900	835,877	-	-	855,777
Total capital assets not being depreciated	1,723,021	835,877	-	-	2,558,898
Capital, lease and subscription assets being depreciated/amortized					
Buildings and improvements	5,896,619	-	-	-	5,896,619
Parks and improvements	914,929	-	-	-	914,929
Machinery and equipment	852,440	-	-	-	852,440
Office furniture and equipment	650,061	-	-	-	650,061
Vehicles	1,979,536	76,070	-	-	2,055,606
Infrastructure	1,230,136	59,850	-	-	1,289,986
Streets	11,939,307	-	-	-	11,939,307
Lease equipment	35,443	-	-	-	35,443
Total capital, lease and subscription assets being depreciated/amortized	23,498,471	135,920	-	-	23,634,391
Less accumulated depreciation/amortization:	(10,025,891)	(727,458)	-	-	(10,753,349)
Total capital, lease and subscription assets being depreciated/amortized (net)	13,472,580	(591,538)	-	-	12,881,042
Governmental activities capital, lease and subscription assets, net	\$ 15,195,601	\$ 244,339	\$ -	\$ -	\$ 15,439,940

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	\$ 23,915
Public safety	111,005
Fire and rescue	106,309
Streets	408,000
Community development and recreation	57,468
Economic development	20,761
Total depreciation and amortization expense – governmental activities	<u>\$ 727,458</u>

City of Keene, Texas
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Capital, lease and subscription asset activity in the business-type activities for the year ended September 30, 2023, was as follows:

	Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 192,622	\$ -	\$ -	\$ -	\$ 192,622
Construction in progress	77,804	452,100	-	(494,904)	35,000
Total capital assets not being depreciated	270,426	452,100	-	(494,904)	227,622
Capital, lease and subscription assets being depreciated/amortized					
Buildings and improvements	232,228	108,085	-	-	340,313
Machinery and equipment	398,286	-	-	-	398,286
Infrastructure	17,288,341	-	-	494,904	17,783,245
Office furniture and equipment	63,783	-	-	-	63,783
Vehicles	349,262	54,701	-	-	403,963
Subscription asset	27,678	3,000	-	-	30,678
Total capital, lease and subscription assets being depreciated/amortized	18,359,578	165,786	-	494,904	19,020,268
Less accumulated depreciation/amortization:	(12,833,320)	(451,071)	-	-	(13,284,391)
Total capital, lease and subscription assets being depreciated/amortized (net)	5,526,258	(285,285)	-	494,904	5,735,877
Business-type activities capital, lease and subscription assets, net	\$ 5,796,684	\$ 166,815	\$ -	\$ -	\$ 5,963,499

* Beginning balance amounts have been restated for GASB 96, *Subscription-Based Information Technology Arrangements*

City of Keene, Texas
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Note 7: Long-Term Obligations

As of September 30, 2023, 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%	\$ 5,776,000	\$ 1,444,000	\$ 7,220,000
\$1,645,000, 2021B General Obligation bonds, due in annual installments through February 15, 2035, 2.000% to 3.000%	-	1,460,000	1,460,000
	<u>\$ 5,776,000</u>	<u>\$ 2,904,000</u>	<u>\$ 8,680,000</u>
<u>Tax Notes</u>			
\$825,000, 2021 Tax Notes due in annual installments through February 15, 2028, 3.000%	\$ 635,000	-	\$ 635,000
<u>Notes Payable</u>			
\$1,437,000, note payable, due in annual installments through February 15, 2033, 4.370%	\$ 1,437,000	\$ -	\$ 1,437,000
<u>Financed purchase</u>			
\$179,302, financed purchase, due in annual installments through January 4, 2025, 2.82%	\$ 92,144	\$ -	\$ 92,144

City of Keene, Texas
Notes to Basic Financial Statements
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Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable and premiums					
General obligation bonds	\$ 5,848,000	\$ -	\$ (72,000)	\$ 5,776,000	\$ 104,000
Tax notes	760,000	-	(125,000)	635,000	120,000
Premium	580,738	-	(54,529)	526,209	51,432
Notes payable	312,731	1,437,000	(312,731)	1,437,000	-
Financed purchase	136,329	-	(44,185)	92,144	45,431
Lease liabilities	15,576	-	(10,145)	5,431	1,757
Compensated absences	180,710	164,681	(187,678)	157,713	15,771
Total governmental activities	<u>\$ 7,834,084</u>	<u>\$ 1,601,681</u>	<u>\$ (806,268)</u>	<u>\$ 8,629,497</u>	<u>\$ 338,391</u>
Business-type Activities					
Bonds payable and premiums					
General obligation bonds	\$ 3,022,000	\$ -	\$ (118,000)	\$ 2,904,000	\$ 126,000
Premium	214,412	-	(20,740)	193,672	19,879
Subscription liability	27,678	-	(9,500)	18,178	8,955
Compensated absences	19,903	41,788	(25,568)	36,123	3,612
Total business-type activities	<u>\$ 3,283,993</u>	<u>\$ 41,788</u>	<u>\$ (173,808)</u>	<u>\$ 3,151,973</u>	<u>\$ 158,446</u>

* Beginning balance amounts have been restated for GASB 96, *Subscription-Based Information Technology Arrangements*

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2023

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Fiscal Year	Bonds Payable					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	116,000	158,580	274,580	149,000	63,395	212,395
2029-2033	1,196,000	703,500	1,899,500	939,000	241,300	1,180,300
2034-2038	2,024,000	467,880	2,491,880	776,000	122,370	898,370
2039-2043	1,853,334	131,040	1,984,374	463,334	32,760	496,094
2044	154,666	2,400	157,066	38,666	600	39,266
Total	<u>\$ 5,776,000</u>	<u>\$ 2,130,960</u>	<u>\$ 7,906,960</u>	<u>\$ 2,904,000</u>	<u>\$ 756,065</u>	<u>\$ 3,660,065</u>

Fiscal Year	Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
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>\$ 635,000</u>	<u>\$ 48,675</u>	<u>\$ 683,675</u>

Fiscal Year	Notes Payable		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ -	\$ 70,821	\$ 70,821
2025	29,000	62,163	91,163
2026	95,000	59,454	154,454
2027	125,000	54,647	179,647
2028	209,000	47,349	256,349
2029-2033	979,000	98,216	1,077,216
Total	<u>\$ 1,437,000</u>	<u>\$ 392,650</u>	<u>\$ 1,829,650</u>

Fiscal Year	Financed Purchase		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ 45,431	\$ 2,598	\$ 48,029
2025	46,713	1,317	48,030
Total	<u>\$ 92,144</u>	<u>\$ 3,915</u>	<u>\$ 96,059</u>

City of Keene, Texas
Notes to Basic Financial Statements
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Lease Liability

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2024 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 previous fiscal year. As of September 30, 2023, the value of the lease liabilities was \$5,431. 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 \$29,006.

The future principal and interest payments for lease liabilities as of September 30, 2023, are as follows:

Fiscal Year	Lease Liabilities		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ 1,757	\$ 119	\$ 1,876
2025	1,810	65	1,875
2026	1,864	10	1,874
Total	<u>\$ 5,431</u>	<u>\$ 194</u>	<u>\$ 5,625</u>

Subscription Liabilities

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2025. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription 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 subscription incentives payable.

An initial subscription liability was recorded for in the amount of \$27,678 during fiscal year 2023 for Business-Type Activities. As of September 30, 2023, the value of the subscription liabilities was \$18,178 for Business-Type Activities. An incremental borrowing rate of 3 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2023 for Business-Type Activities was \$30,678 and had accumulated amortization of \$9,226.

The future principal and interest payments for subscription liabilities as of September 30, 2023, are as follows:

Fiscal Year	Subscription Liabilities		
	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 8,955	\$ 545	\$ 9,500
2025	9,223	277	9,500
Total	<u>\$ 18,178</u>	<u>\$ 822</u>	<u>\$ 19,000</u>

Note 8: Employee Retirement System

Plan Description

The City participates as one of over 920 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.tmrs.com.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit 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.

Employees Covered By Benefit Terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving b	32
Inactive employees entitled to but not yet receiving bene	88
Active employees	<u>45</u>
Total	<u><u>165</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, 2023. The contribution rates for the City were 12.42 and 11.96 percent in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$364,322 and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases 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.

City of Keene, Texas
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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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Public Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	100.00%	

Discount Rate

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

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2023

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 December 1, 2021	\$ 11,609,570	\$ 11,735,351	\$ (125,781)
Changes for the year			
Service cost	452,840	-	452,840
Interest	779,839	-	779,839
Difference between expected and actual experience	(218,609)	-	(218,609)
Contributions – employer	-	317,300	(317,300)
Contributions – employee	-	185,048	(185,048)
Net investment income	-	(856,290)	856,290
Benefit payments, including refunds of employee contributions	(565,629)	(565,629)	-
Administrative expenses	-	(7,413)	7,413
Other charges	-	8,846	(8,846)
Net changes	448,441	(918,138)	1,366,579
Balances as of December 31, 2022	\$ 12,058,011	\$ 10,817,213	\$ 1,240,798

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)	\$ 3,017,859	\$ 1,240,798	\$ (189,621)

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, 2023, the City recognized an increase in pension expense of \$340,205.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2023

At September 30, 2023, 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	\$ -	\$ 146,777
Net difference between projected and actual investment earnings	739,610	-
Contributions subsequent to the measurement date	<u>285,402</u>	<u>-</u>
	<u><u>\$ 1,025,012</u></u>	<u><u>\$ 146,777</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date but before the end of the City's reporting period of \$285,402 will be recognized as a reduction to the net pension liability for year ending September 30, 2024.

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
2024	\$ (48,005)
2025	112,628
2026	198,528
2027	<u>329,682</u>
	<u><u>\$ 592,833</u></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.

Employees Covered by Benefit Terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>45</u>
Total	<u><u>86</u></u>

Benefit Payments

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.35 percent for 2023 and 0.23 percent for 2022, of which 0.16 percent and 0.15 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, 2023, were \$8,228 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 \$147,564 (\$106,246 for governmental activities and \$41,318 for business-type activities) was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

City of Keene, Texas
Notes to Basic Financial Statements
September 30, 2023

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2022 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, 2022</u>
Discount Rate	4.05% as of December 31, 2022 (1.84% as of December 31, 2021)
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 requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully 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 set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2022, was 4.05 percent, compared to 1.84 percent as of December 31, 2021. 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, 2022.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2021	\$ 214,373
Changes for the year	
Service Cost	10,574
Interest on total OPEB liability	4,005
Differences between expected and actual experience	1,322
Changes in assumptions or other inputs	(78,745)
Benefit payments	(3,965)
Balances as of December 31, 2022	<u>\$ 147,564</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 4.05 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 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
Total OPEB liability	\$ 177,263	\$ 147,564	\$ 124,800

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$7,913. At September 30, 2023, 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	\$ 21,504	\$ 64,310
Difference between expected and actual experience	1,483	11,153
Total	<u>\$ 22,987</u>	<u>\$ 75,463</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
2024	\$ (6,240)
2025	(13,006)
2026	(14,687)
2027	(14,715)
2028	<u>(3,828)</u>
	<u>\$ (52,476)</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.

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 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Contingent Liabilities

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

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

	2022	2021	2020	2019	Measurement Year 2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 452,840	\$ 417,141	\$ 376,998	\$ 387,233	\$ 360,896	\$ 388,522	\$ 420,580	\$ 404,244	\$ 360,186
Interest	779,839	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	(218,609)	(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	(565,629)	(552,217)	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Net change in total pension liability	448,441	594,897	326,362	497,689	368,043	(985,927)	702,829	1,084,983	789,605
Total pension liability – Beginning	11,609,570	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>\$ 12,058,011</u>	<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	\$ 317,300	\$ 315,954	\$ 308,195	\$ 278,674	\$ 263,191	\$ 354,987	\$ 378,465	\$ 386,100	\$ 354,901
Contributions – employee	185,048	179,581	165,870	162,216	158,686	167,673	185,862	186,779	164,524
Net investment income	(856,290)	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	(565,629)	(552,217)	(623,589)	(705,077)	(433,905)	(862,057)	(233,549)	(150,881)	(160,059)
Administrative expense	(7,413)	(6,296)	(4,836)	(7,655)	(5,240)	(5,927)	(5,668)	(6,291)	(3,754)
Other	8,846	44	(189)	(230)	(274)	(300)	(306)	(311)	(309)
Net change in plan fiduciary net position	(918,138)	1,297,420	592,576	1,082,565	(288,642)	798,994	826,952	425,726	714,936
Plan fiduciary net position – Beginning	11,735,351	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>\$ 10,817,213</u>	<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>\$ 1,240,798</u>	<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	89.71%	101.08%	94.76%	92.11%	85.99%	92.15%	76.35%	73.48%	77.60%
Covered payroll	\$ 2,643,547	\$ 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	46.94%	-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 2023	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	\$ 364,322	\$ 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>(364,322)</u>	<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>\$ -</u>	<u>\$ (33,318)</u>	<u>\$ 213</u>	<u>\$ (28,970)</u>
Covered payroll	<u>\$ 2,957,792</u>	<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	12.32%	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 – 23 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)

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 10,574	\$ 9,236	\$ 7,583	\$ 4,171	\$ 4,987	\$ 4,551
Interest on the total OPEB liability	4,005	4,162	5,134	5,348	4,764	4,681
Differences between expected and actual experience	1,322	(7,164)	(18,905)	1,375	2,862	-
Changes in assumptions or other inputs	(78,745)	7,328	30,198	31,335	(10,831)	11,450
Benefit payments	(3,965)	(5,387)	(1,422)	(1,390)	(907)	(719)
Net change in total OPEB liability	(66,809)	8,175	22,588	40,839	875	19,963
Total OPEB liability (Beginning)	214,373	206,198	183,610	142,771	141,896	121,933
Total OPEB liability (Ending)	<u>\$ 147,564</u>	<u>\$ 214,373</u>	<u>\$ 206,198</u>	<u>\$ 183,610</u>	<u>\$ 142,771</u>	<u>\$ 141,896</u>
Covered payroll	\$ 2,643,547	\$ 2,565,443	\$ 2,369,565	\$ 2,317,372	\$ 2,266,937	\$ 2,395,329
Total OPEB liability as a percentage of covered payroll	5.58%	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.

Notes to Schedule:

Changes of benefit terms:	None	
Changes of assumptions:		
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:	2023	4.05%
	2022	1.84%
	2021	2.00%
	2020	2.75%
	2019	3.71%
	2018	3.31%

City of Keene, Texas
Budgetary Comparison Schedule
For the Year Ended September 30, 2023
General Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Property taxes	\$ 2,555,157	\$ 2,555,157	\$ 2,645,514	\$ 90,357
Sales taxes	670,000	670,000	603,307	(66,693)
Franchise fees	229,500	229,500	157,560	(71,940)
License and permits	235,000	235,000	70,589	(164,411)
Charges for services	568,600	568,600	383,600	(185,000)
Fines and forfeitures	-	-	98,916	98,916
Investment earnings	134,943	134,943	143,303	8,360
Intergovernmental	300,000	300,000	314,279	14,279
Other	66,600	66,600	75,063	8,463
Total revenues	<u>4,759,800</u>	<u>4,759,800</u>	<u>4,492,131</u>	<u>(267,669)</u>
Expenditures				
Current:				
Administration	305,730	305,730	100,000	205,730
City secretary	118,240	118,240	88,200	30,040
Finance	286,900	286,900	234,341	52,559
Human resources	104,770	104,770	102,142	2,628
Police	1,359,190	1,359,190	1,320,734	38,456
Fire	1,652,630	1,652,630	1,572,518	80,112
Emergency management	10,610	10,610	2,989	7,621
Code enforcement	41,400	41,400	36,938	4,462
Animal control	42,750	42,750	43,050	(300)
Development services	176,715	176,715	105,078	71,637
Municipal court	108,250	108,250	107,508	742
Streets	265,440	265,440	263,315	2,125
Community center	26,550	26,550	12,449	14,101
Economic development	83,000	83,000	39,270	43,730
Non-departmental	401,450	401,450	62,182	339,268
Capital outlay	50,300	50,300	76,070	(25,770)
Total expenditures	<u>5,033,925</u>	<u>5,033,925</u>	<u>4,166,784</u>	<u>867,141</u>
Excess of revenues over expenditures	<u>(274,125)</u>	<u>(274,125)</u>	<u>325,347</u>	<u>599,472</u>
Other financing sources (uses)				
Transfers in	360,750	360,750	360,000	(750)
Transfers out	<u>(204,000)</u>	<u>(204,000)</u>	<u>(201,904)</u>	<u>2,096</u>
Total other financing sources (uses)	<u>156,750</u>	<u>156,750</u>	<u>158,096</u>	<u>1,346</u>
Change in Fund Balances	<u>(117,375)</u>	<u>(117,375)</u>	<u>483,443</u>	<u>600,818</u>
Fund Balance, Beginning of Year	<u>1,764,261</u>	<u>1,764,261</u>	<u>1,764,261</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,646,886</u>	<u>\$ 1,646,886</u>	<u>\$ 2,247,704</u>	<u>\$ 600,818</u>

City of Keene, Texas
Notes to Budgetary Comparison Schedule
For the Year Ended September 30, 2023
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 Type A Economic Development Corporation, Type B Business Development Corporation, Community Activity Fund and Grant 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.

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