

ANNUAL FINANCIAL REPORT

of the

CITY OF KILGORE, TEXAS

For the Year Ended
September 30, 2021

Issued by:

Finance Department

Josh Selleck, City Manager
Landon Ward, Director of Finance
William E. Martin, Controller

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CITY OF KILGORE, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor,
City Council Members, and Finance Committee of the
City of Kilgore, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kilgore Economic Development Corporation or the Roy H. Laird Memorial Hospital Foundation, discretely presented component units of the City, which represent more than 99 percent of the City's discretely presented component units' assets, revenues, and net position. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2022 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 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 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
June 23, 2021

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

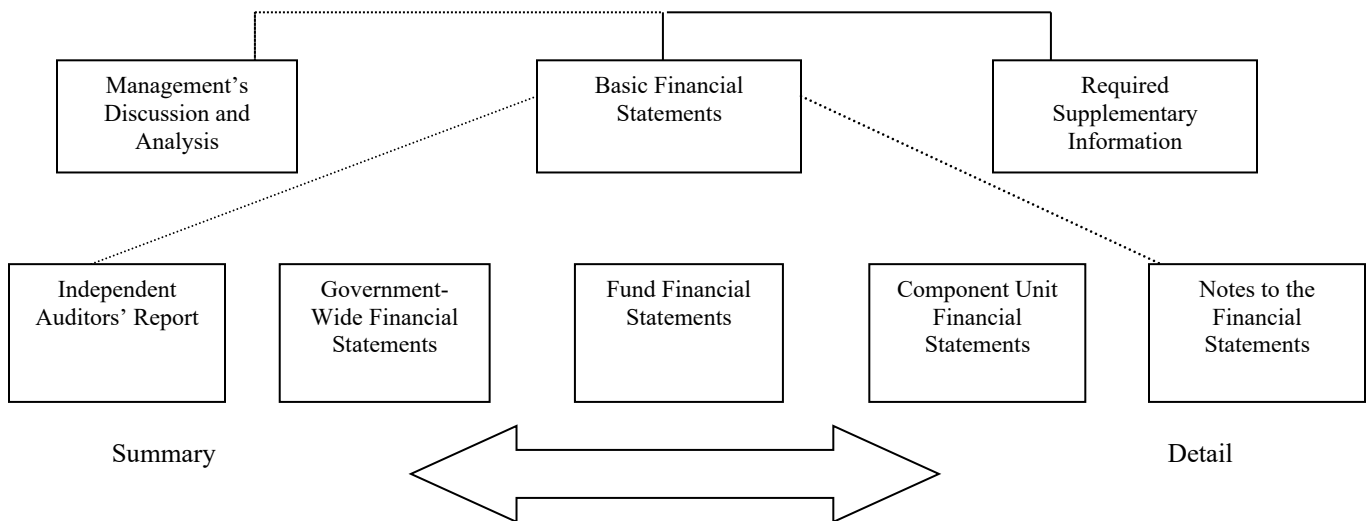
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CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Kilgore, Texas (the "City") for the year ending September 30, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police and fire protection (public safety), streets and drainage (public works), development services, sanitation, cultural and recreation, public welfare, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and sewer services, golf course, hospital services, as well as interest payments on debt issued for water and sewer and hospital improvements.

The government-wide financial statements include not only the City itself (known as the primary government), but also four legally separate component units, Kilgore Economic Development Corporation (KEDC), Kilgore Redevelopment Authority (KRA), Kilgore Community Development Corporation (KCDC), and the Roy H. Laird Memorial Hospital Foundation (the "Foundation"). Financial information for the KEDC, KRA, KCDC, and the Foundation is reported separately from the financial information presented for the primary government itself. The tax increment reinvestment zone, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds for reporting purposes. The City elected to report the capital projects fund as a major fund even though it does not meet the criteria of a major fund based on the City's reporting opinion units.

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

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer collection/treatment operations, activities associated with leasing the hospital building, and golf course activities. The City also uses internal service funds to account for its capital equipment purchases, information technology services, and for expenses associated with risk management of health benefits. These internal service funds have been included within governmental activities in the government-wide financial statements.

The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the hospital fund, and the golf course. Conversely, all three internal service funds are combined in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, the Other Post-Employment Benefits Trust fund for the City's retiree health insurance plan. The City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedules of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), schedule of contributions for TMRS, and schedule of changes in total other postemployment benefits (OPEB) asset and related ratios for the City's retiree healthcare benefits and TMRS OPEB benefits. RSI can be found after the notes to the basic financial statements.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$94,275,904 as of September 30, 2021 in the primary government. The largest portion of the City's net position (approximately 73 percent) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 25,005,652	\$ 23,255,111	\$ 25,403,722	\$ 13,897,335	\$ 50,409,374	\$ 37,152,446
Capital assets, net	33,968,489	35,179,200	46,431,590	43,347,260	80,400,079	78,526,460
Total Assets	58,974,141	58,434,311	71,835,312	57,244,595	130,809,453	115,678,906
Deferred outflows - charge on refunding	96,212	110,292	-	-	96,212	110,292
Deferred outflows - pensions	841,690	2,890,285	168,083	1,245,361	1,009,773	4,135,646
Deferred outflows - OPEB	133,209	109,019	28,313	21,215	161,522	130,234
Total Deferred Outflows of Resources	1,071,111	3,109,596	196,396	1,266,576	1,267,507	4,376,172
Long-term liabilities	6,862,060	6,794,644	24,553,752	10,212,262	31,415,812	17,006,906
Other liabilities	3,089,161	2,476,684	1,086,135	1,371,765	4,175,296	3,848,449
Total Liabilities	9,951,221	9,271,328	25,639,887	11,584,027	35,591,108	20,855,355
Deferred inflows - pensions	1,274,637	3,773,810	542,206	1,752,326	1,816,843	5,526,136
Deferred inflows - OPEB	341,917	317,426	51,188	46,949	393,105	364,375
Total Deferred Inflows of Resources	1,616,554	4,091,236	593,394	1,799,275	2,209,948	5,890,511
Net Position:						
Net investment in capital assets	31,502,341	32,394,958	36,961,260	33,826,470	68,463,601	66,221,428
Restricted	1,174,265	830,822	-	-	1,174,265	830,822
Unrestricted	15,800,871	14,955,563	8,837,167	11,301,399	24,638,038	26,256,962
Total Net Position	\$ 48,477,477	\$ 48,181,343	\$ 45,798,427	\$ 45,127,869	\$ 94,275,904	\$ 93,309,212

A portion of the primary government's net position, \$1,174,265, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$24,638,038, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$966,692 during the current fiscal year, an increase of one percent in comparison to the prior year. Deferred outflows and inflows of resources both decreased by \$3,108,665 and \$3,680,563, respectively, due primarily to the change in the net difference between projected and actual investment earnings related to the net pension liability. Current and other assets increased by \$13,256,928 which was mainly the result of an increase in cash and investments from proceeds from issuance of debt and grant awards that remained

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

unspent at the end of the fiscal year. Capital assets increased by \$1,873,619 due to more capital additions than depreciation expense. Total liabilities increased by \$14,735,753 primarily as a result of an increase in long-term liabilities from issuance of debt and other liabilities from unearned revenue from grant awards to be used for future projects.

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 3,211,449	\$ 3,078,316	\$ 7,359,392	\$ 7,354,909	\$ 10,570,841	\$ 10,433,225
Operating grants	725,552	411,232	11,485	898,676	737,037	1,309,908
Capital grants and contributions	112,410	1,257,972	-	-	112,410	1,257,972
General revenues:						
Property taxes	6,868,748	6,957,208	-	-	6,868,748	6,957,208
Sales taxes	4,944,448	4,820,959	-	-	4,944,448	4,820,959
Fees and other taxes	1,188,479	1,062,302	-	-	1,188,479	1,062,302
Other revenues	380,830	672,523	96,651	204,156	477,481	876,679
Total Revenues	<u>17,431,916</u>	<u>18,260,512</u>	<u>7,467,528</u>	<u>8,457,741</u>	<u>24,899,444</u>	<u>26,718,253</u>
Expenses						
General government	1,403,231	1,550,121	-	-	1,403,231	1,550,121
Public safety	7,698,663	8,333,020	-	-	7,698,663	8,333,020
Public works	2,770,080	2,113,502	-	-	2,770,080	2,113,502
Development services	516,620	635,718	-	-	516,620	635,718
Sanitation	1,827,282	2,136,490	-	-	1,827,282	2,136,490
Culture and recreation	1,963,424	2,120,412	-	-	1,963,424	2,120,412
Public welfare	220,025	290,346	-	-	220,025	290,346
Interest and fiscal agent fees on long-term debt	80,457	98,400	-	-	80,457	98,400
Water and sewer	-	-	5,922,065	6,058,498	5,922,065	6,058,498
Hospital	-	-	1,056,741	958,004	1,056,741	958,004
Golf course	-	-	474,164	479,581	474,164	479,581
Total Expenses	<u>16,479,782</u>	<u>17,278,009</u>	<u>7,452,970</u>	<u>7,496,083</u>	<u>23,932,752</u>	<u>24,774,092</u>
Increase in Net Position before Transfers	952,134	982,503	14,558	961,658	966,692	1,944,161
Transfers	(656,000)	(200,327)	656,000	200,327	-	-
Change in Net Position	296,134	782,176	670,558	1,161,985	966,692	1,944,161
Beginning net position	48,181,343	47,399,167	45,127,869	43,965,884	93,309,212	91,365,051
Ending Net Position	<u>\$ 48,477,477</u>	<u>\$ 48,181,343</u>	<u>\$ 45,798,427</u>	<u>\$ 45,127,869</u>	<u>\$ 94,275,904</u>	<u>\$ 93,309,212</u>

For the year ended September 30, 2021, revenues from governmental activities totaled \$17,431,916. The decrease from prior year revenues was approximately \$828,596 and was mainly due to less revenues from capital grants and contributions. General revenues and revenues generated through governmental activities' charges for services

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

remained consistent with the prior fiscal year. General revenues for fiscal year 2021 slightly decreased by \$130,487 to \$13,382,505 from the prior fiscal year. Charges for services for fiscal year 2021 slightly increased by \$133,133.

For the year ended September 30, 2021, expenses for governmental activities totaled \$16,479,782. This represents a decrease of \$798,227 from last year. This decrease was due to a variety of factors and experienced across all governmental activities' functions except for public works. Public works expenses experienced increases due to cost related to right away fees to the Texas Department of Transportation. The other functions experienced decreases primarily due to a decrease in personnel cost from less full-time employees and a decrease in pension expense related to the City's pension liability.

Total business-type revenues decreased \$990,213 or 12 percent, which was mainly due to less operating grant revenues. Expenses for business-type activities slightly decreased by \$43,113. Overall business-type activities expenses in fiscal year 2021 were consistent with charges for services from revenues related to water and sewer usage, hospital rental income, golf course usage fees, and other revenues of \$7,467,528. After transfers in from governmental activities, total net position increased by \$670,558 from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$16,712,927. Of the total governmental fund balance, \$1,516,995 is nonspendable, \$1,174,265 is restricted for various purposes, \$3,373,907 is committed for development and capital projects, and \$1,201,678 is assigned for the City cemetery. The remaining balance of \$9,446,082 is unassigned.

There was a net decrease in the combined fund balance of \$500,423 from the prior year. This decrease in fund balance is in large part due to capital outlay in the capital projects fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$9,875,794, while total fund balance reached \$12,865,758. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent approximately 64 percent and 84 percent of total general fund expenditures.

The capital projects fund had a total fund balance of \$3,123,776 which is committed for future capital projects. During the fiscal year, the capital projects fund spent approximately \$1,045,671 on capital improvements with transfers from the general fund of \$108,348.

Proprietary Funds – The City's water and sewer fund had a total net position of \$40,633,882, which was an increase of \$729,218. This increase can be attributed to operating income with more water and sewer sales than operational expenses in the current year.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

The City's hospital fund had a net position decrease of \$174,963. This decrease includes an operating loss of \$387,674, interest expense of \$304,048, and transfers in of \$515,000.

The City's golf course fund had a net position of \$1,047,385, which was an increase of \$77,765 from the prior year. This can be primarily attributed to a transfer in of \$156,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's original general fund budget included a projected decrease in fund balance of \$161,658. The City amended the general fund budget to decrease fund balance by \$1,625,998 primarily due to amendments to the original budgeted expenditures and transfers out. Budgeted expenditures were amended to increase by \$773,614 and transfers out by \$761,848 for additional costs that were not expected at the beginning of the fiscal year.

Amended budgeted revenues exceeded actual general fund revenues by \$181,706 during 2021. This decrease is primarily due to a decrease in miscellaneous revenues from the County related to the pandemic that were not recognized as earned revenue during the fiscal year.

Total actual expenditures were less than budgeted amounts by \$1,786,525 for the fiscal year. This positive variance can be attributed to a concerted effort to stay within budget across all of the City's departments.

CAPITAL ASSETS

At the end of fiscal year 2021, the City's governmental and business-type activities had invested \$80,400,079 in a variety of capital assets and infrastructure (net of accumulated depreciation).

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

- Construction in progress for various utility improvements and relocation for \$4,258,657.
- Construction in progress for hospital building reconstruction of \$580,510.

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City's governmental and business-type activities had total bonds and certificates of obligation outstanding of \$24,320,000 as well as unamortized premiums of \$817,906, notes payable of \$715,453, and capital leases payable of \$134,503. During the year, the City issued \$13,200,000 in certificates of obligation for water and sewer and hospital fund projects. The City also obtained \$749,998 in notes payable for utility meter upgrades and obtained golf course equipment from a capital lease agreement for \$72,253.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic factors and considerations in preparing the City's 2022 fiscal year budget were:

- The general fund budgeted expenditures for fiscal year 2022 is \$17,884,752. The City estimates general fund revenues for fiscal year 2022 to be \$17,884,753 with \$6,331,356 coming from property taxes and \$4,800,000 from sales taxes.
- The Ad Valorem Tax rate (the "property tax rate") to support operations and maintenance within the general fund and debt service payments is \$0.599 per \$100 of value.
- The City expects water, sewer, and other utility fund revenues in fiscal year 2022 to be \$7,012,157 and expects utility fund operational cost to be \$4,874,680 along with capital project cost of \$2,116,238.
- In April 2022, the City received an \$8,000,000 grant from the Roy H. Laird Memorial Hospital Foundation to assist in the construction of a new \$23,300,000 multi-purpose medical and educational facility. The City will receive additional funding of \$2,700,000 from Kilgore College and \$1,600,000 from Christus Hospital who will occupy the facility upon completion. Additional proceeds for the project were obtained from certificates of obligation of \$8,130,000 issued by the City in the Hospital Fund, \$2,500,000 from an economic development grant, and a \$500,000 transfer from the City's general fund. The new facility will be constructed on the former site of the Roy H. Laird Memorial Hospital. Demolition of the old facility began in early June of 2022.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Office of the City Manager, City of Kilgore, Texas, 815 N. Kilgore Street, Kilgore, Texas 75662-5860.

BASIC FINANCIAL STATEMENTS

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CITY OF KILGORE, TEXAS

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,100,221	\$ 7,353,108	\$ 15,453,329	\$ 1,873,647
Investments	9,960,383	17,664,174	27,624,557	17,884,690
Receivables, net	3,465,504	980,634	4,446,138	25,656
Due from primary government	-	-	-	501,120
Internal balances	918,043	(918,043)	-	-
Inventories and prepaid expenses	16,834	53,855	70,689	-
Restricted assets:				
Cash and cash equivalents	647,482	30,685	678,167	-
Investments	604,670	-	604,670	-
Notes receivable	551,390	-	551,390	-
Net OPEB asset - health	741,125	117,972	859,097	-
Net pension asset	-	121,337	121,337	-
Capital assets (net of accumulated depreciation)	33,968,489	46,431,590	80,400,079	11,262,082
Property held for resale	-	-	-	6,426,433
Total Assets	58,974,141	71,835,312	130,809,453	37,973,628
Deferred Outflows of Resources				
Deferred outflows - pensions	841,690	168,083	1,009,773	-
Deferred outflows - OPEB:				
Supplemental death benefits	133,209	28,313	161,522	-
Deferred charge on refunding	96,212	-	96,212	-
Total Deferred Outflows of Resources	1,071,111	196,396	1,267,507	-
Liabilities				
Accounts payable	1,086,902	962,823	2,049,725	94,386
Accrued expenses	139,771	25,530	165,301	-
Accrued interest payable	10,350	67,097	77,447	151,391
Due to component units	501,120	-	501,120	-
Unearned revenue	1,286,206	-	1,286,206	-
Customer deposits	64,812	30,685	95,497	-
Noncurrent liabilities:				
Due within one year	1,053,077	983,175	2,036,252	390,000
Due in more than one year	5,808,983	23,570,577	29,379,560	6,809,656
Total Liabilities	9,951,221	25,639,887	35,591,108	7,445,433
Deferred Inflows of Resources				
Deferred inflows - pensions	1,274,637	542,206	1,816,843	-
Deferred inflows - OPEB:				
Health benefits	287,528	41,879	329,407	-
Supplemental death benefits	54,389	9,309	63,698	-
Total Deferred Inflows of Resources	1,616,554	593,394	2,209,948	-
Net Position				
Net investment in capital assets	31,502,341	36,961,260	68,463,601	4,462,426
Restricted for:				
Debt service	170,865	-	170,865	543,440
Grant restrictions	76,941	-	76,941	-
Municipal court	142,297	-	142,297	-
Public safety	356,151	-	356,151	-
Tourism and convention	406,851	-	406,851	-
Other purposes	21,160	-	21,160	-
Unrestricted	15,800,871	8,837,167	24,638,038	25,522,329
Total Net Position	\$ 48,477,477	\$ 45,798,427	\$ 94,275,904	\$ 30,528,195

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,403,231	\$ 118,579	\$ 23,130	\$ -
Public safety	7,698,663	576,304	695,422	-
Public works	2,770,080	-	-	112,410
Developmental services	516,620	89,026	-	-
Sanitation	1,827,282	2,375,849	-	-
Culture and recreation	1,963,424	51,691	7,000	-
Public welfare	220,025	-	-	-
Interest and fiscal agent fees	80,457	-	-	-
Total Governmental Activities	16,479,782	3,211,449	725,552	112,410
Business-Type Activities				
Water and sewer	5,922,065	6,644,259	10,806	-
Hospital	1,056,741	367,403	679	-
Golf course	474,164	347,730	-	-
Total Business-Type Activities	7,452,970	7,359,392	11,485	-
Total Primary Government	\$ 23,932,752	\$ 10,570,841	\$ 737,037	\$ 112,410
Component Units				
KEDC	\$ 1,893,269	\$ -	\$ -	\$ -
Redevelopment Authority	15,656	-	-	-
KCDC	3,951	-	-	-
Hospital Foundation	75,794	-	-	-
Total Component Units	\$ 1,988,670	\$ -	\$ -	\$ -

General Revenues:

Taxes:

Property taxes

Sales and hotel/motel taxes

Franchise fees

Investment income

Miscellaneous

Transfers, net

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (1,261,522)	\$ -	\$ (1,261,522)	\$ -
(6,426,937)	-	(6,426,937)	-
(2,657,670)	-	(2,657,670)	-
(427,594)	-	(427,594)	-
548,567	-	548,567	-
(1,904,733)	-	(1,904,733)	-
(220,025)	-	(220,025)	-
(80,457)	-	(80,457)	-
<u>(12,430,371)</u>	<u>-</u>	<u>(12,430,371)</u>	<u>-</u>
-	733,000	733,000	-
-	(688,659)	(688,659)	-
-	(126,434)	(126,434)	-
<u>-</u>	<u>(82,093)</u>	<u>(82,093)</u>	<u>-</u>
<u>(12,430,371)</u>	<u>(82,093)</u>	<u>(12,512,464)</u>	<u>-</u>
-	-	-	(1,893,269)
-	-	-	(15,656)
-	-	-	(3,951)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,794)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,988,670)</u>
6,868,748	-	6,868,748	25,130
4,944,448	-	4,944,448	2,473,016
1,188,479	-	1,188,479	-
169,369	48,651	218,020	1,403,749
211,461	48,000	259,461	345,771
(656,000)	656,000	-	-
<u>12,726,505</u>	<u>752,651</u>	<u>13,479,156</u>	<u>4,247,666</u>
296,134	670,558	966,692	2,258,996
48,181,343	45,127,869	93,309,212	28,269,199
<u>\$ 48,477,477</u>	<u>\$ 45,798,427</u>	<u>\$ 94,275,904</u>	<u>\$ 30,528,195</u>

CITY OF KILGORE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Capital Projects	Nonmajor Governmental	Total Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,441,579	\$ 1,146,866	\$ 582,670	\$ 7,171,115
Investments	6,952,315	2,018,248	583,510	9,554,073
Receivables, net	3,345,988	-	111,216	3,457,204
Interest on long-term receivables	-	-	151,390	151,390
Advance receivable	1,500,161	-	-	1,500,161
Inventory	16,834	-	-	16,834
Total Assets	\$ 17,256,877	\$ 3,165,114	\$ 1,428,786	\$ 21,850,777
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 976,385	\$ 41,338	\$ 29,591	\$ 1,047,314
Accrued expenditures	138,246	-	562	138,808
Customer deposits	64,812	-	-	64,812
Due to other governments	501,120	-	-	501,120
Unearned revenue	1,215,508	-	70,698	1,286,206
Advance payable	-	-	429,712	429,712
Total Liabilities	2,896,071	41,338	530,563	3,467,972
Deferred inflows of resources:				
Unavailable revenue:				
Property taxes	331,867	-	23,440	355,307
Fines	110,088	-	-	110,088
Special assessments	1,053,093	-	-	1,053,093
Interest on long-term receivables	-	-	151,390	151,390
Total Deferred Inflows of Resources	1,495,048	-	174,830	1,669,878
Fund balances:				
Nonspendable:				
Inventory	16,834	-	-	16,834
Advance receivables	1,500,161	-	-	1,500,161
Restricted:				
Debt service	-	-	170,865	170,865
Grant restrictions	-	-	76,941	76,941
Municipal court	-	-	142,297	142,297
Public safety	-	-	356,151	356,151
Tourism and convention	-	-	406,851	406,851
Other purposes	21,160	-	-	21,160
Committed:				
Capital projects	-	3,123,776	-	3,123,776
Residential development	250,131	-	-	250,131
Assigned:				
Cemeteries	1,201,678	-	-	1,201,678
Unassigned	9,875,794	-	(429,712)	9,446,082
Total Fund Balances	12,865,758	3,123,776	723,393	16,712,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,256,877	\$ 3,165,114	\$ 1,428,786	\$ 21,850,777

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balances for governmental funds		\$ 16,712,927
Amounts reported for governmental activities in the Statement of Net Position are different, because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	58,188,532	
Accumulated depreciation	<u>(26,075,191)</u>	32,113,341
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		400,000
Some of the City's revenues will be collected after year end, but are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		
		1,669,878
Internal service funds are used by management to charge the costs of certain services and benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
Internal service current assets, net of current liabilities	2,402,911	
Capital assets, net of accumulated depreciable	<u>1,855,148</u>	4,258,059
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, net of unamortized premium	(2,562,360)	
Deferred outflows - charge on refunding	96,212	
Claims liability	(66,302)	
Accrued interest payable	(10,350)	
Compensated absences	(825,641)	
Net pension liability	(2,794,044)	
Deferred outflows - pensions	841,690	
Deferred inflows - pensions	(1,274,637)	
Total OPEB liability - health benefits	741,125	
Deferred inflows - OPEB for health benefits	(287,528)	
Total OPEB liability - supplemental death benefits	(613,713)	
Deferred outflows - OPEB for supplemental death benefits	133,209	
Deferred inflows - OPEB for supplemental death benefits	<u>(54,389)</u>	<u>(6,676,728)</u>
Net Position of Governmental Activities		\$ <u>48,477,477</u>

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Funds</u>
<u>Revenues</u>				
Taxes:				
Property	\$ 6,437,548	\$ -	\$ 380,036	\$ 6,817,584
Sales	4,944,448	-	-	4,944,448
Other taxes and fees	701,894	-	486,585	1,188,479
Charges for services:				
Garbage collection	2,379,981	-	-	2,379,981
Police court fines and fees	346,983	-	12,195	359,178
Permits	84,893	-	-	84,893
Cemetary	104,450	-	-	104,450
Swimming pool	47,251	-	-	47,251
Library	3,980	-	-	3,980
County support	69,160	-	-	69,160
Drug seizure revenue	-	-	132,412	132,412
Grants	707,451	112,410	11,100	830,961
Interest on investments	88,290	6,442	4,010	98,742
Miscellaneous	149,234	7,636	11,986	168,856
Total Revenues	16,065,563	126,488	1,038,324	17,230,375
<u>Expenditures</u>				
Current:				
General government:				
Administration	327,823	198,965	-	526,788
Finance	348,216	750	-	348,966
Cemetary	179,506	-	-	179,506
City council	69,345	-	-	69,345
Building maintenance	179,131	-	-	179,131
Human resources	79,593	-	-	79,593
KMHP maintenance expense	1,800	-	-	1,800
Property and liability insurance	202,730	-	-	202,730
Public safety:				
Police	4,737,265	-	137,918	4,875,183
Fire	3,019,410	205,874	-	3,225,284
Rescue unit	94,781	-	-	94,781
Municipal court	178,473	-	41	178,514
Public works:				
Streets	1,661,801	208,339	-	1,870,140

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
For the Year Ended September 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Funds</u>
<u>Expenditures (continued)</u>				
Developmental services:				
Inspection	\$ 195,193	\$ -	\$ -	\$ 195,193
Equipment services	180,694	-	-	180,694
Planning and zoning	181,969	-	-	181,969
Sanitation:				
Garbage collection	1,827,282	-	-	1,827,282
Culture and recreation:				
Parks	1,029,306	410,978	2	1,440,286
Library	413,573	20,765	-	434,338
Swimming pool	181,647	-	-	181,647
Grants	-	-	170,222	170,222
Public welfare:				
Code enforcement	232,856	-	-	232,856
Debt service:				
Principal	-	-	315,000	315,000
Interest and fiscal agent fees	-	-	83,550	83,550
Total Expenditures	<u>15,322,394</u>	<u>1,045,671</u>	<u>706,733</u>	<u>17,074,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>743,169</u>	<u>(919,183)</u>	<u>331,591</u>	<u>155,577</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	108,348	-	108,348
Transfers (out)	(764,348)	-	-	(764,348)
Total Other Financing Sources (Uses)	<u>(764,348)</u>	<u>108,348</u>	<u>-</u>	<u>(656,000)</u>
Net Change in Fund Balances	(21,179)	(810,835)	331,591	(500,423)
Beginning fund balances	12,886,937	3,934,611	391,802	17,213,350
Ending Fund Balances	<u>\$ 12,865,758</u>	<u>\$ 3,123,776</u>	<u>\$ 723,393</u>	<u>\$ 16,712,927</u>

See Notes to Financial Statements.

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CITY OF KILGORE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Net change in fund balances – total governmental funds \$ (500,423)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay 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.

Capital outlay, net of disposals	827,737
Depreciation	(1,711,751)

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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.

Debt principal repayments	315,000
Amortization of premium on bonds and deferred charges	17,174
Amortization of deferred charges	(14,081)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	87,847
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	128,180
Change in net pension liability and related deferred outflows and inflows	761,031
Change in total OPEB liability from health benefits and related deferred outflows and inflows	(3,735)
Change in total OPEB liability from supplemental death benefits and related deferred outflows and inflows	(49,768)
Change in liabilities related to insurance claims	44,955

Internal service funds are used by management to charge the costs of providing various services and benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

393,968

Change in Net Position of Governmental Activities	\$ 296,134
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See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,130,037	\$ 144,442	\$ 78,629	\$ 7,353,108
Investments	9,526,525	8,010,355	127,294	17,664,174
Accounts receivable, net	900,689	58,617	21,328	980,634
Due from other funds	14,078	-	-	14,078
Inventories	42,792	-	8,874	51,666
Prepaid expenses	-	-	2,189	2,189
Restricted cash and equity in pooled cash and investments	30,685	-	-	30,685
Total Current Assets	17,644,806	8,213,414	238,314	26,096,534
Noncurrent assets:				
Net OPEB asset - health	117,972	-	-	117,972
Net pension asset	-	121,337	-	121,337
Capital assets (net)	40,583,603	4,728,286	1,119,701	46,431,590
Total Capital Assets	40,701,575	4,849,623	1,119,701	46,670,899
Total Assets	58,346,381	13,063,037	1,358,015	72,767,433
Deferred Outflows of Resources				
Deferred outflows - pensions	114,953	32,441	20,689	168,083
Deferred outflows related to OPEB:				
Supplemental death benefits	19,980	5,494	2,839	28,313
Total Deferred Outflows of Resources	134,933	37,935	23,528	196,396

CITY OF KILGORE, TEXAS
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 920,336	\$ 29,004	\$ 13,483	\$ 962,823
Accrued expenses	19,603	2,123	3,804	25,530
Accrued interest payable	37,656	28,977	464	67,097
Advance payables	1,070,449	-	-	1,070,449
Due to other funds	-	14,078	-	14,078
Restricted liabilities from deposits	30,685	-	-	30,685
Compensated absences - current	39,469	7,448	11,144	58,061
Capital lease payable - current	-	-	30,136	30,136
Bonds and notes payable - current	454,978	440,000	-	894,978
Total Current Liabilities	2,573,176	521,630	59,031	3,153,837
Noncurrent liabilities:				
Compensated absences	4,385	827	1,238	6,450
Capital lease payable	-	-	104,367	104,367
Bonds and notes payable, net of premiums	14,550,603	7,845,418	-	22,396,021
Net pension liability	410,528	-	136,579	547,107
Total OPEB liability:				
Supplemental death benefits	95,951	410,662	10,019	516,632
Total Noncurrent Liabilities	15,061,467	8,256,907	252,203	23,570,577
Total Liabilities	17,634,643	8,778,537	311,234	26,724,414
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	162,768	357,681	21,757	542,206
Deferred inflows related to OPEB:				
Health benefits	41,879	-	-	41,879
Supplemental death benefits	8,142	-	1,167	9,309
Total Deferred Inflows of Resources	212,789	357,681	22,924	593,394
<u>Net Position</u>				
Net investment in capital assets	31,522,847	4,453,215	985,198	36,961,260
Unrestricted	9,111,035	(488,461)	62,187	8,684,761
Total Net Position	\$ 40,633,882	\$ 3,964,754	\$ 1,047,385	\$ 45,646,021
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				152,406
Total Net Position per Governmental-Wide Financial Statements.				\$ 45,798,427

See Notes to Financial Statements.

**Internal
Service**

\$ 39,588
963
-
-
-
-
-
-
40,551

-
-
-
-
-
-
-
40,551

-
-
-
-
-

1,855,148
2,555,317
\$ 4,410,465

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Operating Revenues				
Charges for services	\$ 6,593,507	\$ -	\$ 346,760	\$ 6,940,267
Other operating revenue	50,752	367,403	970	419,125
Total Operating Revenues	<u>6,644,259</u>	<u>367,403</u>	<u>347,730</u>	<u>7,359,392</u>
Operating Expenses				
Operating expenses	3,948,594	523,862	397,147	4,869,603
Depreciation	1,567,648	231,215	73,562	1,872,425
Total Operating Expenses	<u>5,516,242</u>	<u>755,077</u>	<u>470,709</u>	<u>6,742,028</u>
Operating Income (Loss)	<u>1,128,017</u>	<u>(387,674)</u>	<u>(122,979)</u>	<u>617,364</u>
Nonoperating Revenues (Expenses)				
Investment earnings	46,957	1,080	614	48,651
Interest expense and other	(441,562)	(304,048)	(3,870)	(749,480)
Intergovernmental revenues	10,806	679	-	11,485
Gain on sale of capital assets	-	-	48,000	48,000
Total Nonoperating Revenues (Expenses)	<u>(383,799)</u>	<u>(302,289)</u>	<u>44,744</u>	<u>(641,344)</u>
Income (Loss) Before Transfers	744,218	(689,963)	(78,235)	(23,980)
Transfers in	-	515,000	156,000	671,000
Transfers (out)	(15,000)	-	-	(15,000)
Change in Net Position	729,218	(174,963)	77,765	632,020
Beginning net position	39,904,664	4,139,717	969,620	
Ending Net Position	<u>\$ 40,633,882</u>	<u>\$ 3,964,754</u>	<u>\$ 1,047,385</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				38,538
Change in Net Position per Government-Wide Financial Statements				<u>\$ 670,558</u>

See Notes to Financial Statements.

**Internal
Service**

\$ 2,957,827
-
2,957,827

2,171,358
467,654
2,639,012

318,815

70,627
-
43,064

113,691

432,506
-
-

432,506
3,977,959
\$ 4,410,465

CITY OF KILGORE, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
<u>Cash Flows from Operating Activities</u>				
Cash received from charges of services	\$ 7,329,842	\$ 360,105	\$ 347,829	\$ 8,037,776
Cash payments for goods and services	(2,422,307)	(320,100)	(144,429)	(2,886,836)
Cash payments to employees	(1,531,492)	(225,182)	(276,745)	(2,033,419)
Net Cash Provided (Used) by Operating Activities	3,376,043	(185,177)	(73,345)	3,117,521
<u>Cash Flows from Noncapital and Related Financing Activities</u>				
Transfers in	-	515,000	156,000	671,000
Transfers (out)	(15,000)	-	-	(15,000)
Advances from other funds	(58,975)	-	-	(58,975)
Operating grants	10,806	679		11,485
Net Cash Provided (Used) for Noncapital and Related Financing Activities	(63,169)	515,679	156,000	608,510
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(4,253,406)	(611,096)	(92,253)	(4,956,755)
Proceeds from sale of capital assets	-	-	48,000	48,000
Proceeds from debt and capital leases	6,033,719	8,285,417	72,253	14,391,389
Principal paid on capital debt	(404,545)	-	(54,309)	(458,854)
Interest and fiscal agent fees paid	(469,386)	(275,070)	(3,805)	(748,261)
Net Cash Provided (Used) by Capital and Related Financing Activities	906,382	7,399,251	(30,114)	8,275,519
<u>Cash Flows from Investing Activities</u>				
Interest received	46,957	1,080	614	48,651
Cash from sale of investments	43,815	-	-	43,815
Purchase of investments	-	(7,994,265)	(126,142)	(8,120,407)
Net Cash Provided (Used) by Investing Activities	90,772	(7,993,185)	(125,528)	(8,027,941)
Net Increase (Decrease) in Cash and Cash Equivalents	4,310,028	(263,432)	(72,987)	3,973,609
Beginning cash and cash equivalents	2,850,694	407,874	151,616	3,410,184
Ending Cash and Cash Equivalents	\$ 7,160,722	\$ 144,442	\$ 78,629	\$ 7,383,793

See Notes to Financial Statements.

**Internal
Service**

\$	2,997,858
	(578,059)
	<u>(1,602,382)</u>
	<u>817,417</u>
	-
	-
	-
	<u>-</u>
	-
	(140,957)
	43,064
	-
	-
	-
	<u>(97,893)</u>
	70,627
	-
	<u>(356,047)</u>
	<u>(285,420)</u>
	434,104
	<u>1,142,484</u>
\$	<u><u>1,576,588</u></u>

CITY OF KILGORE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 1,128,017	\$ (387,674)	\$ (122,979)	\$ 617,364
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,567,648	231,215	73,562	1,872,425
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Inventory	(1,352)	-	(2,491)	(3,843)
Prepays	-	-	682	682
Accounts receivable	681,078	(7,298)	99	673,879
Net OPEB asset	(3,957)	-	-	(3,957)
Net pension asset	-	(25,434)	-	(25,434)
Deferred outflows - pensions	319,414	711,376	46,488	1,077,278
Deferred outflows - OPEB	(3,887)	(2,137)	(1,074)	(7,098)
Increase (Decrease) in Current Liabilities:				
Accounts payable	187,611	614	3,222	191,447
Accrued expenses	(24,669)	(2,084)	(4,110)	(30,863)
Compensated absences	(56,361)	(717)	(5,190)	(62,268)
Net pension liability	(48,405)	-	(7,045)	(55,450)
Total OPEB liability	12,251	52,571	1,783	66,605
Refundable deposits	4,505	-	-	4,505
Deferred inflows - pensions	(389,668)	(755,609)	(56,713)	(1,201,990)
Deferred inflows - OPEB	3,818	-	421	4,239
Net Cash Provided (Used) by Operating Activities	\$ 3,376,043	\$ (185,177)	\$ (73,345)	\$ 3,117,521

See Notes to Financial Statements.

**Internal
Service**

\$ 318,815

467,654

-

-

6,292

-

-

-

-

24,783

(127)

-

-

-

-

-

-

\$ 817,417

CITY OF KILGORE, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2021

	Discretely Presented Component Units			
	Economic Development Corporation	Redevelopment Authority	Community Development Corporation	Hospital Foundation
Assets				
Current assets:				
Cash and cash equivalents	\$ 542,157	\$ 200,713	\$ 24,176	\$ 1,106,601
Investments	9,519,776	-	98,082	8,266,832
Accounts receivable, net	507,609	18,770	-	397
Total Current Assets	<u>10,569,542</u>	<u>219,483</u>	<u>122,258</u>	<u>9,373,830</u>
Noncurrent assets:				
Capital assets (net)	11,262,082	-	-	-
Property held for resale	6,315,992	-	110,441	-
Total Capital Assets	<u>17,578,074</u>	<u>-</u>	<u>110,441</u>	<u>-</u>
Total Assets	<u>28,147,616</u>	<u>219,483</u>	<u>232,699</u>	<u>9,373,830</u>
Liabilities				
Current liabilities:				
Accounts payable	94,386	-	-	-
Accrued interest payable	-	151,391	-	-
Bonds payable - current	390,000	-	-	-
Total Current Liabilities	<u>484,386</u>	<u>151,391</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:				
Bonds and notes payable, net of premiums	6,409,656	400,000	-	-
Total Noncurrent Liabilities	<u>6,409,656</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>6,894,042</u>	<u>551,391</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	4,462,426	-	-	-
Restricted for debt service	543,440	-	-	-
Unrestricted	16,247,708	(331,908)	232,699	9,373,830
Total Net Position	<u>\$ 21,253,574</u>	<u>\$ (331,908)</u>	<u>\$ 232,699</u>	<u>\$ 9,373,830</u>

See Notes to Financial Statements.

**Total
Discretely
Presented
Component
Units**

\$ 1,873,647
17,884,690
526,776
20,285,113

11,262,082
6,426,433
17,688,515
37,973,628

94,386
151,391
390,000
635,777

6,809,656
6,809,656
7,445,433

4,462,426
543,440
25,522,329
\$ 30,528,195

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2021

	Discretely Presented Component Units			
	Economic Development Corporation	Redevelopment Authority	Community Development Corporation	Hospital Foundation
Operating Revenues				
Property taxes	\$ -	\$ 25,130	\$ -	\$ -
Sales taxes	2,473,016	-	-	-
Other operating revenue	345,771	-	-	-
Total Operating Revenues	<u>2,818,787</u>	<u>25,130</u>	<u>-</u>	<u>-</u>
Operating Expenses				
Operating expenses	1,160,475	15,656	3,951	75,794
Depreciation	469,173	-	-	-
Total Operating Expenses	<u>1,629,648</u>	<u>15,656</u>	<u>3,951</u>	<u>75,794</u>
Operating Income (Loss)	<u>1,189,139</u>	<u>9,474</u>	<u>(3,951)</u>	<u>(75,794)</u>
Nonoperating Revenues (Expenses)				
Investment earnings	9,639	1,060	176	1,392,874
Interest expense and other	(263,621)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(253,982)</u>	<u>1,060</u>	<u>176</u>	<u>1,392,874</u>
Change in Net Position	935,157	10,534	(3,775)	1,317,080
Beginning net position	20,318,417	(342,442)	236,474	8,056,750
Ending Net Position	<u>\$ 21,253,574</u>	<u>\$ (331,908)</u>	<u>\$ 232,699</u>	<u>\$ 9,373,830</u>

See Notes to Financial Statements.

**Total
Discretely
Presented
Component
Units**

\$ 25,130
2,473,016
345,771
2,843,917

1,255,876
469,173
1,725,049

1,118,868

1,403,749
(263,621)

1,140,128

2,258,996
28,269,199
\$ 30,528,195

CITY OF KILGORE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2021

	<u>OPEB Trust</u>
<u>Assets</u>	
Current assets:	
Investment at fair value:	
Collateral investment trust	\$ 1,233,191
Total Assets	<u>1,233,191</u>
<u>Liabilities</u>	
Accounts payable	29,553
Total Liabilities	<u>29,553</u>
<u>Net Position</u>	
Held in trust for OPEB benefits	1,203,638
Total Net Position	<u><u>\$ 1,203,638</u></u>

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2021

		<u>OPEB Trust</u>
<u>Additions</u>		
Net increase in fair value of investments	\$	<u>139,008</u>
Total Additions		<u>139,008</u>
 <u>Deductions</u>		
Administrative expenses		1,203
Trust draw downs for benefit payments		<u>90,397</u>
Total Deductions		<u>91,600</u>
Change in Net Position		47,408
 Beginning net position		 <u>1,156,230</u>
Ending net position	\$	<u>1,203,638</u>

See Notes to Financial Statements.

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CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kilgore, Texas (the “City”) was incorporated February 1, 1931 and operated under the provision of a general rule concept until September 13, 1960, when the City charter was adopted. The City operates under a Council-Manager form of government and provides the following authorized services; police and fire protection, streets, sanitation, health services, development services, public welfare, water utilities, library, recreation, planning and zoning, and general administration.

The City elected Mayor and four member Council, which is the principal legislative body of the City, make up the City Council for voting purposes. The City Manager is appointed by a majority vote of the City Council and is responsible to City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. They present the government and its component units, entities for which the government is considered to be financially accountable. The component units listed below, although legally separate entities, are, in substance, part of the government’s operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are separate from the government. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Units

The financial statements of the following component units have been discretely presented in the accompanying report because the City is considered financially accountable. Resources that flow between the City’s primary government and its discretely presented component units are reported as external transactions – that is, as revenue and expenses.

Kilgore Economic Development Corporation

The Kilgore Economic Development Corporation (KEDC) is a nonprofit corporation. The governing body of KEDC is appointed by the City Council and KEDC’s operating budget is

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

subject to approval by the City Council. The purpose of KEDC, which is financed with a voter-approved half-cent City sales tax, is to aid, promote, and further economic development within the City and surrounding areas. KEDC is presented as a major component unit in the government-wide financial statements. Under a contract with KEDC, the City performs financial services for KEDC. Separate issued financial statements for the KEDC may be obtained by contacting the City of Kilgore City Manager, Josh Selleck, at (903) 988-4110.

Kilgore Redevelopment Authority

The Kilgore Redevelopment Authority (KRA) is a public nonprofit corporation organized for the purpose of aiding, assisting, and acting on behalf of the City to promote the common good and welfare included in the tax increment reinvestment zone and neighboring areas; to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the City. The KRA is managed by a board of directors consisting of nine members, of which a majority is appointed by City Council. The City performs financial services for KRA. Separate financial statements are not issued for KRA.

Kilgore Community Development Corporation

The Kilgore Community Development Corporation (KCDC) is a 501 (c)(3) nonprofit corporation organized for the purpose of assisting in the development of adequate housing for the residents of the City and to conduct activities to achieve educational and charitable objectives within the City and surrounding areas. The governing body of KCDC is comprised of board members appointed by the City Council and can be removed at will by the City. The City performs financial services for KCDC. Separate financial statements are not issued for KRA.

Roy H. Laird Memorial Hospital Foundation

The Roy H. Laird Memorial Hospital Foundation (the “Foundation”) is a 501 (c)(3) nonprofit corporation funded primarily by the Roy H. Laird Memorial Hospital Endowment Trust. The Foundation is dedicated to promoting, fostering, facilitating, and supporting indigent and general health care services in the City and its surrounding areas. The governing body of the Foundation is appointed by the City. In addition, the Foundation has agreed by contract, to the extent it receives proceeds from the Endowment Trust, to satisfy the City’s obligation to the Texas Municipal Retirement System for the former City employees of Roy H. Laird Memorial Hospital (a financial benefit to the City). The agreement also stated that the Foundation would reimburse the City for costs associated with defeasance of bonds of the Roy H. Laird Memorial Hospital, to which that obligation has now been paid in full. The Foundation’s fiscal yearend is December 31. As a result, the financial statements of the Foundation presented herein are for the year ended December 31, 2020. Separate issued financial statements for the Foundation may be obtained by contacting the City of Kilgore City Manager, Josh Selleck, at (903) 988-4110.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Blended Component Units

The financial statements of the following component unit have been presented in the accompanying report as a nonmajor special revenue fund. The City is considered financially accountable and the activities of the component unit is solely to benefit the City.

Tax Increment Reinvestment Zone

The Tax Increment Reinvestment Zone (TIRZ) was created as a development/redevelopment financing tool. The TIRZ provides a method to finance public improvements in a designated zone utilizing the property tax increment, or growth in value, subsequent to the creation of the TIRZ. The TIRZ board is appointed by the City Council. Separate financial statements are not issued for TIRZ.

B. 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 activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. Separate financial statements are also provided for the fiduciary fund even though this fund is excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Expenditures include general government, public safety, public works, developmental services, sanitation, cultural and recreation, and public welfare. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes and presented within the combining statements of nonmajor governmental funds.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The special revenue funds are considered a nonmajor fund for reporting purposes and presented within the combining statements of nonmajor governmental funds.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund however the City elected to report the capital projects fund as a major fund within the basic financial statements for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for and report the operations that provide water and sewer collection, hospital rental income, and golf course operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer and hospital fund are considered major funds for reporting purposes. The City has elected to present the golf course fund as a major fund.

Additionally, the City reports the following fund types:

Internal service funds account for services provided to other departments of the City. These funds include the employee benefit, capital equipment purchases, and information technology funds. The internal service funds are reported as one aggregate fund in the basic proprietary fund statements. Each of the individual internal service funds are reported in combining statements.

The *fiduciary fund* is used to account for the *other postemployment benefits trust fund*. The *other postemployment trust fund* accounts for assets held in a trustee capacity to fund other postemployment benefits to employees of the City. These funds are not available to support the City's activities and they are not included in the government-wide statements.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). 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 City.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Equity in Pooled Cash and Investments

The City maintains a pooled cash and investments account. Each fund whose monies are deposited in the pooled cash and investments account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed separately on the balance sheet as cash and cash equivalent and investments.

Investments, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to place available deposits and investments in the following:

Obligations of the United States, its agencies, and instrumentalities.

Direct obligations of the State, its agencies, and instrumentalities rated not less than 'A' or its equivalent.

Depository banks and credit unions in the State that are collateralized.

Local government investment pools authorized under Section 2256.016 of the Texas Government Code which invest instruments and follow practices allowed by current law. The pool must be continuously rated no lower than 'AAA' or 'AAA-m' or at an equivalent rating by at least one nationally recognized rating service.

Certificates of deposit and share certificates authorized under Section 2256.010 of the Texas Government Code.

Securities Exchange Commission registered no-load money market mutual funds.

The KRA and KCDC discretely component units' investment policies are consistent with the City's investment policy. In addition to the City's investment policy, the Foundation and KEDC discretely presented component units' investment policies are disclosed in their separately issued financial reports.

2. Inventories and Prepaid Items

Inventories of supplies are maintained at the City warehouses. Supplies used in governmental activities (i.e. the General fund) are accounted for on the purchases method whereby expenditures are recognized at the time of purchase. Reported inventories in governmental funds are equally offset by non-spendable fund balance, which indicates that they do not constitute, "available expendable resources" even though they are a component of net current assets.

Supplies used in business-type activities are accounted for by the consumption method. Supply inventory is capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. They are valued at the lower of cost or net realizable value, using the first-in, first-out (FIFO) method for determining unit cost.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Assets whose use is subject to constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

The cash and investment balances of the restricted assets at September 30, 2021 are as follows:

	Governmental Activities	Business-Type Activities
Customer deposits	\$ 64,812	\$ 30,685
Debt service/bond reserves	170,865	-
Special revenue purposes	995,315	-
Donations	21,160	-
Total	\$ 1,252,152	\$ 30,685

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and improvements/systems	20 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 10 years
Computer equipment	5 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, uncollected fines, special assessments, and interest on long-term receivables. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate certain earned but unused benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

In 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report 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.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 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.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. Commitments are typically done through adoption and

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

amendment of the budget. Commitments include amounts committed for capital projects and residential development.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund and the amounts within the general fund assigned to cemeteries.

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

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

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death payments for the upcoming year. Benefit payments are treated as being equal to the City's yearly contributions for retirees.

The City administers an additional single-employer defined benefit OPEB plan, known as the City of Kilgore Retiree Healthcare Plan (KRHP). The City elected, by ordinance, to provide medical benefits for eligible retirees and their dependents. The premiums are based on a combination of years of service and hire date, and the coverage levels for retirees are the same as the coverage provided to active employees. For the period ending September 30, 2020, the actuarially determined contribution amount was zero and no contributions were made to the KRHP for fiscal year 2021.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an annual operating budget for the City's major funds and certain nonmajor funds on a generally accepted accounting principles (GAAP) basis. Adopted budgets can be amended by the Council throughout the year. The following nonmajor funds did not have an adopted budget for fiscal year 2021: Grants, Chapter 59 Seizure, Main Street Hotel Taxes, and Main Street Downtown. The level of budgetary control (the level at which expenditures may not exceed budget) is the fund level. The City Manager is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total budgeted expenditures of any fund must be approved by the City Council. Unencumbered appropriations for annual budgets lapse at fiscal yearend. Encumbrances outstanding at yearend are reported as assigned fund balances and do not constitute expenditures on the budget to actual financial statements. The capital projects fund appropriates funds on a project life basis, which means appropriated funds will be available for the life of the stated project. In accordance with GAAP, the City presents the general fund budget to actual financial statements within the Required Supplementary Information to demonstrate that the City is within the legal level of budgetary control.

B. Deficit Fund Balance

The TIRZ fund had a deficit fund balance of \$429,712 as of September 30, 2021. The deficit fund balance is a result of a loan the City made to KRA in the amount of \$400,000 plus interest to accrue at three percent per year. The City plans to cover the deficit fund equity of the TIRZ fund as future property tax revenues are received from the TIRZ area which KRA will use to repay the loan and accrued interest.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the City had the following investments:

<u>Investments</u>	<u>Value</u>
Primary Government:	
TexPool	\$ 11,765,588
TexStar	12,462,979
Certificates of deposit	250,000
Municipal bonds	<u>3,750,660</u>
Total Primary Government	<u>28,229,227</u>
Discretely Presented Component Units:	
TexPool	6,764,100
TexStar	2,853,758
Fixed income	2,931,594
Equities	5,026,287
Alternative assets	<u>308,951</u>
Total Discretely Presented Component Units	<u>17,884,690</u>
Fiduciary Funds:	
Collateral investment trust	<u>1,233,191</u>
Total Investments	\$ <u>47,347,108</u>

Weighted average maturity of the portfolio of investments type for the primary government, KEDC, KRA, and KEDC is stated in years in the table below. The Foundation's investment type information is in their separately issued financial reports. The City's investment balance, and weighted average maturity for the primary government, KEDC, KRA, and KEDC are as follows:

<u>Investment Type (Excluding Foundation and Investments Held in Trust)</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 18,529,688	0.10
TexStar	15,316,737	0.11
Certificates of deposits	250,000	0.94
Municipal bonds	<u>3,750,660</u>	0.51
Total	\$ <u>37,847,085</u>	

Portfolio weighted average maturity 0.15

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's primary government investment policy limits its investments to those investments rated to at least "AAAm", or its equivalent by a nationally recognized investment rating firm. As of September 30, 2021, the City's investments in TexPool and TexStar were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Custodial credit risk – deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the fair value of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s primary government investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR’s strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

Fair Value Measurements

TexPool and TexStar investments are measured at amortized cost and are exempt from fair value reporting. Certificate of deposits are also exempt from fair value reporting since these investments are in nonparticipating interest earning contracts and reported at cost. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

As of September 30, 2021, the City had the following recurring fair value measurements:

	September 30, 2021	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments by Fair Value Level			
Municipal Bonds	\$ 3,750,660	\$ -	\$ 3,750,660
Fixed Income	2,931,594	2,931,594	-
Equities	5,026,287	5,026,287	-
Alternative Assets	308,951	-	308,951
Collateral Investment Trust	1,233,191	-	1,233,191
Total	<u>\$ 13,250,683</u>	<u>\$ 7,957,881</u>	<u>\$ 5,292,802</u>

Fixed income and equities are categorized as Level 1, since they are traded on active markets. These Level 1 valued investments are subject to market fluctuations that may cause a decline in the value of investments held at yearend. Municipal bonds, alternative assets, and the collateral investment trust are classified in Level 2 of the fair value hierarchy and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

B. Receivables

The following comprise receivable balances at year end:

Governmental-Type Activities

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Property tax	\$ 470,788	\$ 41,581	\$ -	\$ 512,369
Sales tax	1,429,191	-	-	1,429,191
Other taxes	2,292	79,082	-	81,374
Municipal court	290,798	-	-	290,798
Accounts	1,604,234	8,694	8,300	1,621,228
Less allowance	(451,315)	(18,141)	-	(469,456)
	<u>\$ 3,345,988</u>	<u>\$ 111,216</u>	<u>\$ 8,300</u>	<u>\$ 3,465,504</u>

Business-Type Activities

	<u>Water and Sewer</u>	<u>Hospital</u>	<u>Golf Course</u>	<u>Total</u>
Accounts	\$ 1,959,387	\$ 183,617	\$ 39,350	\$ 2,182,354
Less allowance	(1,058,698)	(125,000)	(18,022)	(1,201,720)
	<u>\$ 900,689</u>	<u>\$ 58,617</u>	<u>\$ 21,328</u>	<u>\$ 980,634</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

C. Capital Assets

1. Primary Government

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,510,235	\$ 10,000	\$ -	\$ 2,520,235
Equipment (historical treasure)	40,000	-	-	40,000
Construction in progress	2,137,879	799,460	(1,668,406)	1,268,933
Total Capital Assets Not Being Depreciated	<u>4,688,114</u>	<u>809,460</u>	<u>(1,668,406)</u>	<u>3,829,168</u>
Capital assets being depreciated:				
Buildings and systems	42,335,779	1,414,983	-	43,750,762
Equipment, machinery, and vehicles	16,796,241	412,657	(229,321)	16,979,577
Total Capital Assets Being Depreciated	<u>59,132,020</u>	<u>1,827,640</u>	<u>(229,321)</u>	<u>60,730,339</u>
Less accumulated depreciation for:				
Buildings and systems	(15,865,175)	(1,656,821)	-	(17,521,996)
Equipment, machinery, and vehicles	(12,775,759)	(522,584)	229,321	(13,069,022)
Total Accumulated Depreciation	<u>(28,640,934)</u>	<u>(2,179,405)</u>	<u>229,321</u>	<u>(30,591,018)</u>
Total Capital Assets, Net Governmental Activities	<u>30,491,086</u>	<u>(351,765)</u>	<u>-</u>	<u>30,139,321</u>
Capital Assets, Net	<u>\$ 35,179,200</u>	<u>\$ 457,695</u>	<u>\$ (1,668,406)</u>	<u>33,968,489</u>
			Less associated debt	(2,562,360)
			Plus deferred charge on refunding	96,212
			Net Investment in Capital Assets	<u>\$ 31,502,341</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 149,632
Public safety	297,431
Public works	984,743
Development services	11,835
Culture and recreation	268,110
Capital assets held by the City's internal service funds are charged to various functions based on their usage of the assets	467,654
Total Governmental Activities Depreciation Expense	<u>\$ 2,179,405</u>

The City has active governmental activities construction projects as of September 30, 2021. The projects include the following:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Texan Theatre	\$ 442,957	\$ 320,464	\$ 122,493
Wells Street	195,000	106,545	88,455
Downtown Storm Drain	850,524	265,730	584,794
Bates Street Culvert	146,535	12,000	134,535
Danville Cemetary Irrigation System	459,151	-	459,151
Main Street Improvements	1,634,613	255,665	1,378,948
Total	<u>\$ 3,728,780</u>	<u>\$ 960,404</u>	<u>\$ 2,768,376</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 480,079	\$ 1,184	\$ -	\$ 481,263
Construction in progress	2,933,132	4,859,253	(687,142)	7,105,243
Total Capital Assets Not Being Depreciated	<u>3,413,211</u>	<u>4,860,437</u>	<u>(687,142)</u>	<u>7,586,506</u>
Capital assets being depreciated:				
Buildings and systems	72,998,848	537,768	-	73,536,616
Machinery, equipment, and vehicles	11,865,626	245,692	(54,000)	12,057,318
Total Capital Assets Being Depreciated	<u>84,864,474</u>	<u>783,460</u>	<u>(54,000)</u>	<u>85,593,934</u>
Less accumulated depreciation for:				
Buildings and systems	(35,123,689)	(1,676,232)	-	(36,799,921)
Machinery, equipment, and vehicles	(9,806,736)	(196,193)	54,000	(9,948,929)
Total Accumulated Depreciation	<u>(44,930,425)</u>	<u>(1,872,425)</u>	<u>54,000</u>	<u>(46,748,850)</u>
Total Capital Assets, Net Business-Type Activities Capital Assets, Net	<u>\$ 43,347,260</u>	<u>\$ 3,771,472</u>	<u>\$ (687,142)</u>	<u>46,431,590</u>
			Less associated debt	(23,425,502)
			Unspent bond proceeds	13,955,172
			Net Investment in Capital Assets	<u>\$ 36,961,260</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,567,648
Hospital	231,215
Golf course	<u>73,562</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,872,425</u>

The City has active business-type activities construction projects that are in progress and have a portion completed that is reported as building and system as of September 30, 2021. The projects include the following:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Main Street Improvements	\$ 1,153,105	\$ 58,000	\$ 1,095,105
Rabbit Creek Lift Station Phase 2	3,540,000	1,137,851	2,402,149
Dudley Road Transmission Main	2,889,000	2,673,936	215,064
South Commerce Waterline Improvement	850,000	552,045	297,955
High Service Pump Station	3,412,164	512,987	2,899,177
Laird Hospital Project	23,315,000	611,095	22,703,905
Industrial Drive Utility Relocation	4,051,126	1,926,037	2,125,089
Highway 42 Utility Relocation	150,000	3,377	146,623
Advance Meter Infrastructure Upgrade	757,986	571,379	186,607
Surface Water Treatment Plan Improvements	1,117,755	514,527	603,228
Well Number 6R Construction	966,126	766,126	200,000
Total	<u>\$ 42,202,262</u>	<u>\$ 9,327,360</u>	<u>\$ 32,874,902</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

2. KEDC Discretely Presented Component Unit

The following is a summary of changes in capital assets for KEDC for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 161,072	\$ -	\$ -	\$ 161,072
Construction in progress	4,951,317	127,327	(5,078,644)	-
Total Capital Assets Not Being Depreciated	<u>5,112,389</u>	<u>127,327</u>	<u>(5,078,644)</u>	<u>161,072</u>
Capital assets, being depreciated:				
Buildings and systems	10,035,077	5,078,644	-	15,113,721
Furniture, fixtures, and equipment	251,463	9,735	-	261,198
Total Capital Assets Being Depreciated	<u>10,286,540</u>	<u>5,088,379</u>	<u>-</u>	<u>15,374,919</u>
Total Capital Assets	<u>15,398,929</u>	<u>5,215,706</u>	<u>(5,078,644)</u>	<u>15,535,991</u>
Less accumulated depreciation for:				
Buildings and systems	(3,570,131)	(465,280)	-	(4,035,411)
Furniture, fixtures, and equipment	(234,605)	(3,893)	-	(238,498)
Total Accumulated Depreciation	<u>(3,804,736)</u>	<u>(469,173)</u>	<u>-</u>	<u>(4,273,909)</u>
Total Capital Assets Being Depreciated, Net	<u>6,481,804</u>	<u>4,619,206</u>	<u>-</u>	<u>11,101,010</u>
Discretely Presented Component Unit Capital Assets, Net	<u>\$ 11,594,193</u>	<u>\$ 4,746,533</u>	<u>\$ (5,078,644)</u>	<u>11,262,082</u>
			Less associated debt	<u>(6,799,656)</u>
			Net Investment in Capital Assets	<u>\$ 4,462,426</u>

Depreciation was charged to the discretely presented component unit as follows:

Economic Development \$ 469,173

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

D. Long-Term Liabilities

The following is a summary of changes in the City's primary government and component units total long-term liabilities for the year ended September 30, 2021. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General obligation bonds	\$ 2,760,000	\$ -	\$ (315,000)	\$ 2,445,000	\$ 310,000
Premium on debt issuances	134,534	-	(17,174)	117,360	-
Total	<u>2,894,534</u>	<u>-</u>	<u>(332,174)</u>	<u>2,562,360</u> *	<u>310,000</u>
Other liabilities:					
Net pension liability	3,104,497	-	(310,453)	2,794,044	-
Total OPEB liability	535,138	78,575	-	613,713	-
Compensated absences	953,821	699,317	(827,497)	825,641	743,077
Claims payable	111,257	90,846	(135,801)	66,302	-
Total	<u>4,704,713</u>	<u>868,738</u>	<u>(1,273,751)</u>	<u>4,299,700</u>	<u>743,077</u>
Total Governmental Activities	<u>\$ 7,599,247</u>	<u>\$ 868,738</u>	<u>\$ (1,605,925)</u>	<u>\$ 6,862,060</u>	<u>\$ 1,053,077</u>
Long-term debt due in more than one year				<u>\$ 5,808,983</u>	
*Debt associated with capital assets				<u>\$ 2,562,360</u>	
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities					
Certificates of obligation	\$ 9,045,000	\$ 13,200,000	\$ (370,000)	\$ 21,875,000	\$ 825,000
Note payable	-	749,998	(34,545)	715,453	69,978
Premium on debt issuances	359,231	369,138	(27,823)	700,546	-
Total	<u>9,404,231</u>	<u>14,319,136</u>	<u>(432,368)</u>	<u>23,290,999</u> **	<u>894,978</u>
Other liabilities:					
Capital lease obligation	116,559	72,253	(54,309)	134,503	** 30,136
Net pension liability	602,557	-	(55,450)	547,107	-
Total OPEB liability	450,027	66,605	-	516,632	-
Compensated absences	126,779	56,537	(118,805)	64,511	58,061
Total	<u>1,295,922</u>	<u>195,395</u>	<u>(228,564)</u>	<u>1,262,753</u>	<u>88,197</u>
Total Business-Type Activities	<u>\$ 10,700,153</u>	<u>\$ 14,514,531</u>	<u>\$ (660,932)</u>	<u>\$ 24,553,752</u>	<u>\$ 983,175</u>
Long-term debt due in more than one year				<u>\$ 23,570,577</u>	
**Debt associated with capital assets				<u>\$ 23,425,502</u>	
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Discretely Presented Component Units					
Revenue bonds	\$ 7,140,000	\$ -	\$ (375,000)	\$ 6,765,000	*** 390,000
Note payable	400,000	-	-	400,000	-
Less deferred amounts:					
For premiums	39,954	-	(5,298)	34,656	*** -
Total Discretely Presented Component Units	<u>\$ 7,579,954</u>	<u>\$ -</u>	<u>\$ (380,298)</u>	<u>\$ 7,199,656</u>	<u>\$ 390,000</u>
Long-term debt payable in more than one year				<u>\$ 6,809,656</u>	
Debt associated with capital assets				<u>\$ 6,799,656</u> ***	

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The bonds are certificates of obligation, general obligation bonds, and notes payable that are secured by the full faith and credit of the City and are paid from taxes levied on all taxable property located within the City and revenue generated from operations. For governmental activities, compensated absences and claims payable are generally liquidated by the general fund. For governmental activities, the net pension liability and total other postemployment benefits liability are fully liquidated by the general fund.

The certificates of obligation, note payable, and capital leases constitute special obligations of the City solely secured by a lien on, and pledge of, the net revenues of the discretely presented component units and the water and sewer system.

Long-term governmental debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Outstanding</u>
General Obligation Bonds:			
Series 2017	3.00	2036	\$ 2,445,000

Long-term business-type activity debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Certificates of Obligation:			
Series 2017	3.00	2036	\$ 3,405,000
Series 2019	1.70 - 2.90	2039	5,270,000
Series 2021	1.00 - 3.00	2041	5,070,000
Series 2021A	1.25 - 3.00	2051	3,735,000
Series 2021B	0.35 - 2.50	2041	4,395,000
Total Certificates of Obligation			<u>21,875,000</u>
Notes Payable:			
Appropriated notes payable proceeds to upgrade water meters with 20 semi-annual payments of \$40,957, including interest.	1.71	2031	715,453
Capital Leases:			
John Deere Mower payable in 48 monthly installments of \$2,189.44, including interest.	4.20	2024	62,250
Yamaha Golf Carts payable in 48 monthly installments of \$738.20, including interest, with a balloon payment of \$46,641 on October 1, 2025.	4.20	2025	72,253
Total Capital Leases			<u>134,503</u>
Total Business-Type Activities Debt			<u>\$ 22,724,956</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The discretely presented component unit's debt at year end was comprised of the following debt issues:

Description	Interest Rate (%)	Maturity Date	Outstanding
Sales Tax Revenue Bonds:			
Series 2010	2.00 - 4.25	2029	\$ 1,325,000
Series 2015	2.00 - 4.00	2035	1,340,000
Series 2019	2.00 - 4.00	2039	4,100,000
Total Certificates of Obligation			<u>6,765,000</u>
Notes Payable:			
Primary Government Note Payable	3.00	No Timeline	<u>400,000</u>
Total Component Unit Debt			<u>\$ 7,165,000</u>

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities		Business-Type Activities		Total Primary Government
	Principal	Interest	Principal	Interest	
2022	\$ 310,000	\$ 73,350	\$ 825,000	\$ 526,345	\$ 1,734,695
2023	310,000	64,050	840,000	520,136	1,734,186
2024	355,000	54,750	855,000	495,390	1,760,140
2025	350,000	44,100	880,000	470,503	1,744,603
2026	370,000	33,600	905,000	446,644	1,755,244
2027-2031	750,000	34,050	4,910,000	1,856,438	7,550,488
2032-2036	-	-	5,550,000	1,207,675	6,757,675
2037-2041	-	-	3,960,000	608,810	4,568,810
2042-2046	-	-	1,470,000	301,950	1,771,950
2047-2051	-	-	1,680,000	96,188	1,776,188
Total	<u>\$ 2,445,000</u>	<u>\$ 303,900</u>	<u>\$ 21,875,000</u>	<u>\$ 6,530,079</u>	<u>\$ 31,153,979</u>

Year Ending Sept. 30	Discretely Presented Component Unit		
	Principal	Interest	Total
2022	\$ 390,000	\$ 255,763	\$ 645,763
2023	405,000	243,038	648,038
2024	415,000	229,580	644,580
2025	430,000	215,742	645,742
2026	440,000	201,205	641,205
2027-2031	2,075,000	751,790	2,826,790
2032-2036	1,720,000	387,494	2,107,494
2037-2039	890,000	74,727	964,727
Total	<u>\$ 6,765,000</u>	<u>\$ 2,359,339</u>	<u>\$ 9,124,339</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

General Obligation Bonds

The City intends to retire the majority of its general obligation bonds, plus interest, from ad valorem taxes and current revenues from the governmental funds, therefore, they have been reported as long-term liabilities for governmental activities.

Certificates of Obligation

During the year, the City issued combination tax and limited pledge revenue certificates of obligation, series 2021, 2021A, and 2021B for a total of \$13,200,000. The proceeds from series 2021 for \$5,070,000 issued within the water and sewer fund will be used for the constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving wastewater system properties and facilities. The proceeds from series 2021A and 2021B for \$3,735,000 and \$4,395,000, respectively, issued within the hospital fund will be used for the constructing, acquiring, remodeling, renovating, equipping, and improving the City’s hospital facilities.

The certificates of obligation are expected to be repaid from the enterprise fund revenues; therefore, they have been reported in the enterprise funds.

Sales Tax Revenue Bonds

The KEDC intends to retire bonds, plus interest, from income from sales tax revenue allocated to KEDC therefore; the KEDC reports the long-term liability.

Notes Payable

The City’s water and sewer fund obtained a note payable from a master equipment purchase agreement for \$749,998 for installment and upgrades to the City’s water meters. Payment for the note payables, plus interest, will be paid from the proprietary fund revenues. The annual requirement to amortize the long-term liability for the note payable related to the water meter installment and upgrades is as follows:

Year Ending Sept. 30	Business - Type Activities		
	Principal	Interest	Total
2022	\$ 69,978	\$ 11,936	\$ 81,914
2023	71,180	10,734	81,914
2024	72,402	9,512	81,914
2025	73,645	8,269	81,914
2026	74,910	7,004	81,914
2027-2031	353,338	15,278	368,616
Total	\$ 715,453	\$ 62,733	\$ 778,186

The KRA note payable owed to the City’s primary government in the amount of \$400,000 currently does not have a payment timeline established. The note continues to accrue interest at a rate of three percent annually. The note receivable is reported in the City’s primary government and the accrued interest receivable owed to the City as of September 30, 2021 was \$151,390.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Capital Leases

During the fiscal year, the City obtained capital leases to be utilized for the purchase of golf carts for the golf course fund for \$72,253, plus interest. The first payment of capital lease begins on October 1, 2022. The remaining capital lease is for golf course equipment and is also reported in the golf course proprietary fund.

The annual requirement to amortize capital leases outstanding at year end were as follows:

Year Ending Sept. 30	Business - Type Activities		
	Principal	Interest	Total
2022	\$ 30,136	\$ 4,996	\$ 35,132
2023	31,420	3,712	35,132
2024	19,506	2,490	21,996
2025	53,441	2,058	55,499
Total	\$ 134,503	\$ 13,256	\$ 147,759

The assets acquired through capital leases are as follows:

	Business - Type Activities
Assets:	
Machinery and equipment	\$ 169,176
Less: Accumulated depreciation	(32,017)
Total	\$ 137,159

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage legislation consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfers Out</u>	<u>Transfers in</u>	<u>Amounts</u>
General Fund	Capital Projects Fund	\$ 108,348
General Fund	Hospital Fund	500,000
General Fund	Golf Course Fund	156,000
Water and Sewer Fund	Hospital Fund	15,000
	Total Transfers	<u><u>\$ 779,348</u></u>

Significant transfers to the capital projects fund are related to funding capital projects during the year. The general fund also transferred funds to the hospital and golf course funds to support current projects and administrative support.

Amounts recorded as advances to/from other funds are considered to be temporary loans and will be repaid during the following year.

<u>Advances From</u>	<u>Advances To</u>		<u>Total</u>
	<u>Governmental</u>	<u>Proprietary</u>	
	<u>Nonmajor</u>	<u>Water and Sewer</u>	
General Fund	<u>\$ 429,712</u>	<u>\$ 1,070,449</u>	<u>\$ 1,500,161</u>

The advances from the general funds to the non-major governmental fund is related to the deficit fund balance in the TIRZ nonmajor governmental fund as a result of a loan the City made to KRA. The advances from the general fund to the water and sewer fund is related to an advances for the purpose of a sanitary sewer evaluation which will be repaid within the next 20 years at a 3.5% interest rate.

F. Fund Equity

As of September 30, 2021, \$905,299 of the City’s total fund balance is restricted by enabling legislation.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City provides workers’ compensation insurance through the TML Workers’ Compensation Fund (the “Fund”). Workers’ compensation premiums are subject to change when audited by the Fund. At September 30, 2021, the City believed the amounts paid on workers’ compensation would not change significantly from the amounts recorded.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The City is also exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Estimated claims for various losses and workers' compensation that have been incurred but not reported are accrued as governmental activities long-term liabilities at year end. The estimated claims liability is \$66,302 as of September 30, 2021. The estimated liability is based upon the Pool incurred losses and paid to date claims. It is management's opinion that the liability recorded for the City as of September 30, 2021 is adequate to cover insurance deductibles and potential claims outside of insurance coverage.

Changes in the balances of claim liabilities during the past year are as follows:

	2021	2020
Reconciliation of Changes in the Aggregate Liabilities for Claims and Judgments:		
Unpaid claims, beginning of year	\$ 111,257	\$ 128,497
Plus: incurred claims	90,846	187,245
Less: claim payments	(135,801)	(204,485)
Claims Payable, End of Year	\$ 66,302	\$ 111,257

B. Contingent Liabilities

Amounts received or receivable from granting 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 amounts of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. With the exception of the claim liabilities as described in note IV. A, no other claim liabilities are reported at year end.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

C. Related Party Transactions

In prior years, the City owned and operated the Laird Memorial Hospital which now serves as a 501 (c)(3) nonprofit corporation as the Roy H. Laird Memorial Hospital Foundation (the “Foundation”). The Foundation is currently a discretely presented component unit of the City. The Foundation has entered into a contractual agreement with the City to fund the City’s cost for the pension plan and other postemployment benefits (OPEB) plan that is administered by TMRS. The City is obligated to pay for benefits administered with TMRS on behalf of former City hospital employees. This obligation arose in prior years when the City owned and operated the Laird Memorial Hospital. The Foundation contributed \$55,592 to the City during the fiscal year which was the required actuarial contributions for the benefits administered with TMRS for the former City hospital employees for calendar year 2021. The TMRS administered pension and OPEB plans for the former City hospital employees are recognized in the hospital pension fund (HPF) and hospital supplemental death benefits fund (HSDBF). HPF and HSDBF are reported in the City’s hospital fund which is a fund reported with the City’s enterprise funds. Note D and E describe the pension and OPEB plan administered by TMRS. TMRS also administers the Kilgore pension fund (KPF) and Kilgore supplemental death benefits fund (KSDBF) which are pension and OPEB plans for all other active and inactive City employees that are not former City hospital employees.

D. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates in two of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State 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. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS. The following notes include information for both the KPF and HPF since these plans are administered by TMRS.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member’s deposits and interest.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

	KPF	
	2021	2020
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

	HPF	
	2021	2020
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/yrs of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	137
Inactive employees entitled to, but not yet receiving, benefits	100
Active employees	148
Total	385

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

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to, but not yet receiving, benefits	24
Active employees	-
Total	88

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method. The 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the KPF were 13.78 percent and 13.84 percent in calendar years 2020 and 2021, respectively.

There were no active employees with annual gross earnings in the HPF. The required monthly contributions for the inactive employees for the HPF in calendar years 2020 and 2021 were \$3,012 and \$4,633, respectively.

The City's contributions to TMRS for KPF and HPF for the fiscal year ended September 30, 2021 were \$1,193,200 and \$50,731 which were equal to the required contributions.

Net Pension Liability/(Assets)

The Net Pension Liability (NPL) for KPF and Net Pension Asset (NPA) for HPF are measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the NPL and (NPA) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year for KPF, 0.00% per year for HPF
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were 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 active members, 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 four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for annuity purchase rates 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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL 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 TMRS 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 TPL.

Changes in the NPL for KPF

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 1,464,811	\$ -	\$ 1,464,811
Interest	3,184,397	-	3,184,397
Difference between expected and actual experience	112,094	-	112,094
Contributions - employer	-	1,198,742	(1,198,742)
Contributions - employee	-	607,735	(607,735)
Net investment income	-	3,343,218	(3,343,218)
Benefit payments, including refunds of employee contributions	(2,662,105)	(2,662,105)	-
Administrative expense	-	(21,645)	21,645
Other changes	-	(845)	845
Net Changes	2,099,197	2,465,100	(365,903)
Balance at December 31, 2019	47,774,904	44,067,850	3,707,054
Balance at December 31, 2020	\$ 49,874,101	\$ 46,532,950	\$ 3,341,151

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Changes in the (NPA) for HPF

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	(Net Pension Asset)
	(A)	(B)	(A) - (B)
Changes for the year:			
Interest	\$ 815,044	\$ -	\$ 815,044
Difference between expected and actual experience	135,562	-	135,562
Contributions - employer	-	31,671	(31,671)
Net investment income	-	950,774	(950,774)
Benefit payments, including refunds of employee contributions	(760,466)	(760,466)	-
Administrative expense	-	(6,165)	6,165
Other changes	-	(240)	240
Net Changes	190,140	215,574	(25,434)
Balance at December 31, 2019	12,454,961	12,550,864	(95,903)
Balance at December 31, 2020	\$ 12,645,101	\$ 12,766,438	\$ (121,337)

Sensitivity of the NPL and (NPA) to Changes in the Discount Rate

The following presents the NPL of the KPF and NPA of the HPF, calculated using the discount rate of 6.75 percent, as well as what the NPL or (NPA) would be if they were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
KPF Net Pension Liability / (Asset)	\$ 10,292,787	\$ 3,341,151	\$ (2,333,653)
HPF Net Pension Liability / (Asset)	\$ 1,154,417	\$ (121,337)	\$ (1,205,501)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the fiscal year ended September 30, 2021, the KPF recognized a net pension expense of \$222,684 and the HPF recognized pension income of \$29,307.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

	KPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 81,397	\$ 210,781
Changes in actuarial assumptions	88,558	-
Difference between projected and actual investment earnings	-	1,248,381
Contributions subsequent to the measurement date	807,377	-
Total	\$ 977,332	\$ 1,459,162
	HPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	357,681
Contributions subsequent to the measurement date	32,441	-
Total	\$ 32,441	\$ 357,681
	KPF and HPF Combined	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 81,397	\$ 210,781
Changes in actuarial assumptions	88,558	-
Difference between projected and actual investment earnings	-	1,606,062
Contributions subsequent to the measurement date	839,818	-
Total	\$ 1,009,773	\$ 1,816,843

A total of \$839,818 is reported for the KPF and HPF as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the City's combined NPL of \$3,219,814 (NPL from the KPF of \$3,341,151, net of the (NPA) from the HPF of \$121,337) for the fiscal year ending September 30, 2022.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense for the City’s KPF and HPF is as follows:

KPF	
Fiscal Year Ended September	Pension Expense
2022	\$ (594,510)
2023	108,969
2024	(729,939)
2025	(73,727)
Total	\$ (1,289,207)

HPF	
Fiscal Year Ended September	Pension Expense
2022	\$ (139,036)
2023	21,063
2024	(218,989)
2025	(20,719)
Total	\$ (357,681)

Combined KPF and HPF	
Fiscal Year Ended September	Pension Expense
2022	\$ (733,546)
2023	130,032
2024	(948,928)
2025	(94,446)
Total	\$ (1,646,888)

E. Other Postemployment Benefits

1. TMRS – Supplemental Death Benefit

Plan Description

The City participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the 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. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers. No assets are

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

accumulated in a trust that meets the criteria in paragraph 4 of *Governmental Accounting Standards Board Statement No. 75 Accounting and Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

The following notes include the City's plans for both the KSDBF and HSDBF since these plans are administered by TMRS.

Benefits

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the KSDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to, but not yet receiving, benefits	20
Active employees	148
Total	260

Participation in the HSDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to, but not yet receiving, benefits	19
Active employees	-
Total	79

Total OPEB Liability

The City's total OPEB liability for the KSDBF and HSDBF of \$719,683 and \$410,662, respectively, was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation for KSDBF, 0.00% for HSDBF
Discount rate	2.00%*
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

		KSDBF Total OPEB Liability
		<hr/>
Changes for the year:		
Service cost		\$ 29,522
Interest		17,567
Differences between expected and actual experience		(40,953)
Changes of assumptions		92,551
Benefit payments*		(6,078)
	Net Changes	<hr/> 92,609
Balance at December 31, 2019		627,074
	Balance at December 31, 2020	<hr/> \$ 719,683 <hr/>

		HSDBF Total OPEB Liability
		<hr/>
Changes for the year:		
Interest		\$ 9,786
Differences between expected and actual experience		324
Changes of assumptions		46,937
Benefit payments*		(4,476)
	Net Changes	<hr/> 52,571
Balance at December 31, 2019		358,091
	Balance at December 31, 2020	<hr/> \$ 410,662 <hr/>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

		Combined KSDBF and HSDBF Total OPEB Liability
Changes for the year:		
Service cost	\$	29,522
Interest		27,353
Differences between expected and actual experience		(40,629)
Changes of assumptions		139,488
Benefit payments*		(10,554)
	Net Changes	145,180
Balance at December 31, 2019		985,165
	Balance at December 31, 2020	\$ 1,130,345

*Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the KSDBF and HSDBF, as well as what the total OPEB liability for KSDBF and HSDBF would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
KSDBF's Total OPEB Liability	\$ 875,223	\$ 719,683	\$ 600,014
	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
HSDBF's Total OPEB Liability	\$ 488,830	\$ 410,662	\$ 349,892

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

For the year ended September 30, 2021, the KSDBF recognized OPEB expense of \$71,311 and the HSDBF recognized OPEB expense of \$57,047. The City reported total deferred outflows/inflows of resources related to OPEB for both KSDBF and HSDBF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,944	\$ 16,142
Changes in actuarial assumptions	-	47,556
Contributions subsequent to the measurement date	16,578	-
Total	\$ 161,522	\$ 63,698

The City's HSDBF only reported deferred outflows and inflows related to contributions subsequent to the measurement date. \$16,578 (\$11,084 for KSDBF and \$5,494 for HSDBF) is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2022.

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

Fiscal Year Ended September 30	OPEB Expense
2022	\$ 24,222
2023	21,395
2024	20,612
2025	13,909
2026	1,108
	\$ 81,246

2. Postemployment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the KRHP. The KRHP offers medical benefits for eligible retirees (age 55 with 20 years of service). The benefits includes a flat subsidy per month, based on the premium of the standard PPO plan of the current fiscal year. For the year ending September 30, 2021, the monthly subsidy was equal to \$530.94.

A separate, audited GAAP basis postemployment benefit plan report is not available for the KRHP.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Participation in the KRHP as of September 30, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>12</u>
Total	<u><u>18</u></u>

Funding Policy

The City set up an irrevocable trust for KRHP, which is reported as a fiduciary fund in the financial statements. The annual employer contribution policy is to contribute an amount equal to the annual required contribution. Under this funding policy, a discounted rate consistent with the investment return earned on the KRHP assets is used. Dependent on the asset allocation of the investment pool, this rate is based on longer term investments. In this valuation, the discount rate is 5.50%. For the period ending September 30, 2021, the actuarially determined contribution amount was zero and no contributions were made.

Net OPEB (Asset)

The City's net OPEB (Asset) of \$859,097 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The net OPEB (Asset) in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Single discount rate	5.50% as of September 30, 2021
Actuarial cost method	Individual entry-age normal
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the TMRS. For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health care trends rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 14 years.
Participation rates	100% of eligible retirees are assumed to receive the City's subsidy.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Changes in the Net OPEB (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	(Net OPEB Asset) (a) - (b)
Changes for the year:			
Service cost	\$ 3,742	\$ -	\$ 3,742
Interest	13,900	-	13,900
Difference between expected and actual experience	(8,557)	-	(8,557)
Changes of assumptions	99,385	-	99,385
Net investment income	-	139,008	(139,008)
Administration	-	(1,203)	1,203
Benefit payments	(29,553)	(29,553)	-
Net Changes	78,917	108,252	(29,335)
Beginning balance	265,624	1,095,386	(829,762)
Ending Balance	\$ 344,541	\$ 1,203,638	\$ (859,097)

There were no changes of assumptions or other inputs that affected measurement of the Net OPEB (Asset) during the measurement period.

There were no significant changes of benefit terms that affected measurement of the Net OPEB (Asset) during the measurement period.

Sensitivity of Net OPEB (Asset) to the Discount Rate

Regarding the sensitivity of the Net OPEB (Asset) to changes in the discount rate, the following presents the KPHP's Net OPEB (Asset), calculated using a discount rate of 5.50%, as well as what the KPHP's Net OPEB (Asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (4.50%)	Discount Rate (5.50%)	1% Increase in Discount Rate (6.50%)
City's Net OPEB (Asset)	\$ (834,219)	\$ (859,097)	\$ (882,166)

Sensitivity of the Net OPEB (Asset) to the Healthcare Costs Trend Rate Assumption

Regarding the sensitivity of the Net OPEB (Asset) to changes in the healthcare cost trend rates, the following presents the KPHP's Net OPEB (Asset), calculated using the assumed trend rates, as well as what the KPHP's Net OPEB (Asset) would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Net OPEB (Asset)	\$ (886,999)	\$ (859,097)	\$ (827,726)

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$4,201. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 271,291
Changes in actuarial assumptions	-	4,154
Difference between expected and actual investment earnings	-	53,962
Total	\$ -	\$ 329,407

The measurement date of the Net OPEB (Asset) is equal to the last day of the City’s fiscal year; therefore, there is no deferred outflow related to contributions made subsequent to the measurement date.

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

Fiscal Year Ended September 30	OPEB Expense
2022	\$ (54,918)
2023	(61,967)
2024	(66,057)
2025	(64,220)
2026	(48,300)
Thereafter	(33,945)
	\$ (329,407)

F. Deferred Compensation Plans

The City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Nationwide Retirement Solutions, Inc. At September 30, 2021, the balance of the deferred compensation plan assets was \$1,032,491. However, since the City does not administer this plan, the plan is not included in the City’s financial statements.

G. Operating Lessor Agreements

The City entered into a long-term operating lease agreement (the “Agreement”) with various tenants for space in the hospital building that the City owns. The Agreement in place began January 1, 2010, and automatically renewed on January 1, 2016 and January 1, 2020. The Agreements expires on December 31, 2025. The operating lease income is accounted for in the hospital fund (a proprietary fund). The operating lease income to the City for the year ending September 30, 2021 was \$310,550. The leased building has a cost of \$21,408,918 and accumulated depreciation of \$17,291,728 and a carrying amount of \$4,117,190.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

H. Tax Abatements

The City is authorized by Section 312 of the Texas Tax Code and City Resolution No. 00-15 to enter into property tax abatement agreements for the purpose of enhancing the competitiveness and expansion of businesses. Tax abatements, which cannot exceed a term of ten years, may be granted for the exemption of real property located within the TIRZ and/or personal property (excluding inventory and supplies). The possible abatement amount is based on the amount of the capital investment, minimum annual payroll, and number of jobs created. The City Council approves all abatements. The amount of the abatement is automatically deducted from the property owner’s tax bill. The City recaptures a prorated amount of abated taxes if these conditions are not met.

For the year ended September 30, 2021, the City abated property taxes totaling \$367,706 under this program, including the following Agreements:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percentage Abated</u>	<u>Amount Abated</u>
Skeeter Products, Inc	Construction and improvement to real property; personal property investment; job creation	50%	\$ 83,392
Orgill, Inc	Construction and improvement to real property; personal property investment; job creation	50%	\$ 284,314

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KILGORE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 1 of 2)
For the Year Ended September 30, 2021

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes:				
Property	\$ 6,375,000	\$ 6,375,000	\$ 6,437,548	\$ 62,548
Sales	4,700,000	4,761,473	4,944,448	182,975
Other taxes and fees	683,000	683,000	701,894	18,894
Charges for services:				
Garbage collection	2,465,000	2,465,000	2,379,981	(85,019)
Police court fines and fees	500,000	500,000	346,983	(153,017)
Permits	78,450	78,450	84,893	6,443
Cemetary	62,000	62,000	104,450	42,450
Swimming pool	38,500	38,500	47,251	8,751
Library	6,000	6,000	3,980	(2,020)
County support	61,000	61,000	69,160	8,160
Grants	68,655	68,655	707,451	638,796
Interest on investments	260,001	260,001	88,290	(171,711)
Miscellaneous	878,541	888,190	149,234	(738,956)
Total Revenues	<u>16,176,147</u>	<u>16,247,269</u>	<u>16,065,563</u>	<u>(181,706)</u>
<u>Expenditures</u>				
Current:				
General government:				
Administration	457,603	519,076	327,823	191,253
Finance	461,186	461,186	348,216	112,970
Cemetary	181,095	181,095	179,506	1,589
City council	106,919	106,919	69,345	37,574
Contingency	200,000	200,000	-	200,000
Building maintenance	194,687	194,687	179,131	15,556
Human resources	131,073	131,073	79,593	51,480
KMHP maintenance expense	-	-	1,800	(1,800)
Property and liability insurance	194,000	194,000	202,730	(8,730)
Public safety:				
Police	4,759,298	4,772,338	4,737,265	35,073
Fire	3,253,819	3,253,819	3,019,410	234,409
Rescue unit	125,058	125,058	94,781	30,277
Municipal court	237,694	237,694	178,473	59,221
Public works:				
Streets	1,323,459	1,968,010	1,661,801	306,209

CITY OF KILGORE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 2 of 2)
For the Year Ended September 30, 2021

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures (continued)</u>				
Developmental services:				
Inspection	\$ 251,314	\$ 251,314	\$ 195,193	\$ 56,121
Equipment services	262,666	262,666	180,694	81,972
Planning and zoning	242,674	252,674	181,969	70,705
Sanitation:				
Garbage collection	1,915,600	1,915,600	1,827,282	88,318
Culture and recreation:				
Parks	1,066,402	1,110,952	1,029,306	81,646
Library	460,268	460,268	413,573	46,695
Swimming pool	151,254	151,254	181,647	(30,393)
Public welfare:				
Code enforcement	359,236	359,236	232,856	126,380
Total Expenditures	<u>16,335,305</u>	<u>17,108,919</u>	<u>15,322,394</u>	<u>1,786,525</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(159,158)</u>	<u>(861,650)</u>	<u>743,169</u>	<u>1,604,819</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	<u>(2,500)</u>	<u>(764,348)</u>	<u>(764,348)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(2,500)</u>	<u>(764,348)</u>	<u>(764,348)</u>	<u>-</u>
Net Change in Fund Balance	<u>(161,658)</u>	<u>(1,625,998)</u>	<u>(21,179)</u>	<u>1,604,819</u>
Beginning fund balance	<u>12,886,937</u>	<u>12,886,937</u>	<u>12,886,937</u>	<u>-</u>
Ending Fund Balance	<u>\$ 12,725,279</u>	<u>\$ 11,260,939</u>	<u>\$ 12,865,758</u>	<u>\$ 1,604,819</u>

Notes to Required Supplementary Information (RSI):

1. Annual budgets are adopted and amended on a generally accepted accounting principles (GAAP) basis.

CITY OF KILGORE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2021

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 1,088,874	\$ 1,199,295	\$ 1,262,881	\$ 1,241,522
Interest (on the total pension liability)	3,458,531	3,502,728	3,538,354	3,666,858
Difference between expected and actual experience	(1,383,324)	(128,775)	(311,765)	(1,056,584)
Change of assumptions	-	394,324	-	-
Benefit payments, including refunds of employee contributions	(2,440,704)	(2,735,118)	(2,501,409)	(2,648,677)
Net Change in Total Pension Liability	723,377	2,232,454	1,988,061	1,203,119
Beginning total pension liability	50,083,500	50,806,877	53,039,331	55,027,392
Ending Total Pension Liability	<u>\$ 50,806,877</u>	<u>\$ 53,039,331</u>	<u>\$ 55,027,392</u>	<u>\$ 56,230,511</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,221,385	\$ 1,219,160	\$ 1,121,849	\$ 1,152,978
Contributions - employee	525,562	512,864	522,777	512,723
Net investment income	2,529,283	67,908	3,043,747	6,538,429
Benefit payments, including refunds of employee contributions	(2,440,704)	(2,735,118)	(2,501,409)	(2,648,677)
Administrative expense	(26,409)	(41,364)	(34,380)	(33,899)
Other	(2,171)	(2,043)	(1,853)	(1,718)
Net Change in Plan Fiduciary Net Position	1,806,946	(978,593)	2,150,731	5,519,836
Beginning plan fiduciary net position	44,216,640	46,023,586	45,044,993	47,195,724
Ending Plan Fiduciary Net Position	<u>\$ 46,023,586</u>	<u>\$ 45,044,993</u>	<u>\$ 47,195,724</u>	<u>\$ 52,715,560</u>
Net Pension Liability**	<u>\$ 4,783,291</u>	<u>\$ 7,994,338</u>	<u>\$ 7,831,668</u>	<u>\$ 3,514,951</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.59%	84.93%	85.77%	93.75%
Covered Payroll	\$ 7,070,216	\$ 7,330,652	\$ 7,468,248	\$ 7,324,612
Net Pension Liability as a Percentage of Covered Payroll	67.65%	109.05%	104.87%	47.99%

*Only seven years of information is currently available. The City will build this schedule over the next three-year period.

**The City combined the plans as noted in notes IV. C and IV. D for Kilgore pension fund (KPF) and hospital pension fund (HPF).

Measurement Year*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$	1,296,010	\$ 1,353,111	\$ 1,464,811
	3,744,641	3,835,273	3,999,441
	(905,857)	(8,810)	247,656
	-	326,269	-
	<u>(2,804,699)</u>	<u>(2,836,584)</u>	<u>(3,422,571)</u>
	1,330,095	2,669,259	2,289,337
	56,230,511	57,560,606	60,229,865
\$	<u><u>57,560,606</u></u>	<u><u>60,229,865</u></u>	<u><u>62,519,202</u></u>

\$	1,196,332	\$ 1,167,754	\$ 1,230,413
	538,083	566,319	607,735
	(1,578,123)	7,731,206	4,293,992
	(2,804,699)	(2,836,584)	(3,422,571)
	(30,518)	(43,708)	(27,810)
	(1,595)	(1,313)	(1,085)
	<u>(2,680,520)</u>	<u>6,583,674</u>	<u>2,680,674</u>
	52,715,560	50,035,040	56,618,714
\$	<u><u>50,035,040</u></u>	<u><u>56,618,714</u></u>	<u><u>59,299,388</u></u>

\$	<u><u>7,525,566</u></u>	<u><u>3,611,151</u></u>	<u><u>3,219,814</u></u>
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	86.93%	94.00%	94.85%
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\$	7,686,894	\$ 7,982,957	\$ 8,682,931
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	97.90%	45.24%	37.08%
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CITY OF KILGORE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2021

	Fiscal Year*			
	2015	2016	2017	2018
Actuarially determined contribution**	\$ 1,250,879	\$ 1,196,297	\$ 1,160,509	\$ 1,219,997
Contributions in relation to the actuarially determined contribution**	(1,250,879)	(1,196,297)	(1,160,509)	(1,219,997)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,321,268	\$ 7,733,149	\$ 7,324,398	\$ 7,468,246
Contributions as a percentage of covered payroll	17.09%	15.47%	15.84%	16.34%

*Only seven years of information is currently available. The City will build this schedule over the next three-year period.

**The benefit schedules for TMRS disclosed in the Required Supplementary Information combines the plans as noted in notes IV. C and IV. D for Kilgore pension fund (KPF) and hospital pension fund (HPF).

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary Increases	HPF: 3.50% to 11.50% including inflation, HPF: Not applicable
Remaining Amortization Period	KPF: 25 Years, HPF: 7 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Amortization Method	Level Percentage of Payroll, Closed
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to 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 for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

2. Other Information:

There were no benefit changes during the year.

Fiscal Year*		
2019	2020	2021
\$ 1,186,664	\$ 1,206,271	\$ 1,193,200
<u>(1,186,664)</u>	<u>(1,206,271)</u>	<u>(1,193,200)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,866,598	\$ 8,291,004	\$ 8,088,988
15.08%	14.55%	14.75%

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CITY OF KILGORE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2021

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 17,579	\$ 21,523	\$ 19,957	\$ 29,522
Interest (on the total pension liability)	29,264	28,991	30,781	27,353
Difference between expected and actual experience	-	(31,583)	(14,575)	(40,629)
Change of assumptions	62,003	(54,184)	134,804	139,488
Benefit payments**	(8,988)	(9,305)	(10,991)	(10,554)
Net Change in Total OPEB Liability	99,858	(44,558)	159,976	145,180
Beginning total OPEB liability	769,889	869,747	825,189	985,165
Ending Total OPEB Liability	<u>\$ 869,747</u>	<u>\$ 825,189</u>	<u>\$ 985,165</u>	<u>\$ 1,130,345</u>
Covered Payroll	\$ 7,324,612	\$ 7,686,894	\$ 7,982,957	\$ 8,682,931
Total OPEB Liability as a Percentage of Covered Payroll	11.87%	10.74%	12.34%	13.02%

*Only four years of information is currently available. The City will build this schedule over the next six-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB No. 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a four year set-forward for males and a three year set-forward for females. In addition, a 3.5% and 3.0% 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.

3. Other Information:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

There were no benefit changes during the year.

The benefit schedules for TMRS disclosed in the Required Supplementary Information combines the plans as noted in notes IV. C and IV. E for Kilgore supplemental death benefits fund (KSDBF) and hospital supplemental death benefits fund (HSDBF).

CITY OF KILGORE, TEXAS
SCHEDULE OF CHANGES IN NET OPEB ASSET AND RELATED RATIOS
RETIREE HEALTH PROGRAM
For the Year Ended September 30, 2021

	Measurement Year*		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 14,250	\$ 5,264	\$ 4,216
Interest (on the total pension liability)	46,972	49,480	27,199
Changes of benefit terms	-	(261,390)	(69,105)
Difference between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Benefit payments net of refunds of employer contributions	-	(32,324)	(35,907)
Net Change in Total OPEB Liability	<u>61,222</u>	<u>(238,970)</u>	<u>(73,597)</u>
Beginning total OPEB liability	612,044	673,266	434,296
Ending Total OPEB Liability	<u><u>\$ 673,266</u></u>	<u><u>\$ 434,296</u></u>	<u><u>\$ 360,699</u></u>
Plan Fiduciary Net Position			
Net Investment Income	\$ 75,894	\$ 42,390	\$ 45,727
Administrative Expenses	(636)	(1,065)	(1,061)
Other	-	(49,238)	-
Benefit Payments	(60,261)	(32,324)	(35,907)
Net Change in Plan Fiduciary Net Position	<u>14,997</u>	<u>(40,237)</u>	<u>8,759</u>
Beginning Plan Fiduciary Net Position	1,061,635	1,076,632	1,036,395
Ending Plan Fiduciary Net Position	<u><u>\$ 1,076,632</u></u>	<u><u>\$ 1,036,395</u></u>	<u><u>\$ 1,045,154</u></u>
Net OPEB (Asset) - Ending (a) - (b)	<u><u>\$ (403,366)</u></u>	<u><u>\$ (602,099)</u></u>	<u><u>\$ (684,455)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	159.91%	238.64%	289.76%
Covered Payroll	\$ 7,324,612	\$ 1,205,311	\$ 1,093,370
Total OPEB Liability as a Percentage of Covered Payroll	-5.51%	-49.95%	-62.60%

*Only five years of information is currently available. The City will build this schedule over the next five-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated as of September 30 and become effective in January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Individual Entry Age Normal Cost Method
Inflation	2.50% per annum
Discount rate	5.50%
	Initial rates of 7.00% declining to ultimate rates of 4.15% after 15 years.
Healthcare cost trend rate mortality	2019 Municipal Retirees of Texas mortality tables
Investment reate of return	7.50%

3. Changes in Benefits:

There were no changes during the year.

Measurement Year*	
2020	2021
\$ 3,778	\$ 3,742
22,758	13,900
(91,299)	-
-	(8,557)
(5,376)	99,385
<u>(24,936)</u>	<u>(29,553)</u>
(95,075)	78,917
360,699	265,624
<u>\$ 265,624</u>	<u>\$ 344,541</u>

\$ 76,260	\$ 139,008
(1,092)	(1,203)
-	-
<u>(24,936)</u>	<u>(29,553)</u>
50,232	108,252
1,045,154	1,095,386
<u>\$ 1,095,386</u>	<u>\$ 1,203,638</u>
<u>\$ (829,762)</u>	<u>\$ (859,097)</u>

412.38%	349.35%
\$ 1,001,602	\$ 785,993
-82.84%	-109.30%

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COMBINING STATEMENTS

CITY OF KILGORE, TEXAS
DESCRIPTIONS FOR NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Special Revenue Funds** are used to account for and report the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Hotel Occupancy Taxes Fund

This fund is used to account for the accumulation of resources from the hotel/motel tax levied by the City. These funds are spent to promote the progress and development of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Tax Act (Article 1269, Vernon's Texas Civil Statutes).

Grant Fund

This fund is used to account for revenues from grants provided to the City by other entities. Expenditures are restricted to the purposes of the grantor.

911 Emergency Fund

This fund is used to account for funds collected from 911 fees that are restricted for the use of the City's 911 dispatch system. All expenditures are restricted for costs to service the City's 911 dispatch system.

Tax Increment Reinvestment Zone Fund

This fund is used to finance public improvements in a designated zone utilizing the property tax increment, or growth in value, subsequent to the creation of the zone.

Local Police and Federal Drug Seizure Fund

This fund is used to account for revenues from seizures received from the U.S. Department of Justice-Office of Justice Programs, forfeitures of seized funds or assets, and local agency contributions. The funds are restricted to use for crime prevention.

Chapter 59 Drug Seizures Fund

This fund is used to account for revenues from asset forfeitures under Chapter 59 of the Code of Criminal Procedures. The funds are restricted for specified law enforcement costs.

Court Technology Fund

This fund is the accumulation of the portion of the municipal court fines received that are specified to be technology fees. The funds are restricted for court technology costs.

Court Security Fund

This fund is the accumulation of the portion of the municipal court fines received that are specified to be court security fees. The funds are restricted for court security costs.

Main Street Hotel, Main Street Theater, and Kilgore Art Festival Restoration Fund

These funds are used to account for the accumulation of resources from the hotel/motel tax levied by the City to be used to encourage pedestrian traffic in the downtown areas and citizen donations used to restore downtown theaters and to help fund yearly art festivals. The funds from hotel/motel tax levied are spent to promote the progress and development of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Tax Act (Article 1269, Vernon's Texas Civil Statutes). The citizen donations are restricted based on the donation purposes.

CITY OF KILGORE, TEXAS
DESCRIPTIONS FOR NONMAJOR GOVERNMENTAL FUNDS, Continued

Local Truancy/Prevention Diversion Fund

This fund is the accumulation of fees on fines assessed by the municipal court to be used on necessary expenditures related to the position of the juvenile case manager.

DEBT SERVICE FUND

The **Debt Service Fund** is used to account for resources accumulated from restricted property taxes and transfers made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF KILGORE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
September 30, 2021

	Special Revenue Funds			
	Hotel Occupancy Taxes	Grants	911 Emergency	Tax Increment Reinvestment Zone
Assets				
Current assets:				
Cash and cash equivalents	\$ 123,344	\$ 28,667	\$ 49,060	\$ -
Investments	207,707	48,274	89,599	-
Receivables, net	79,082	-	8,604	-
Interest on long-term receivables	-	-	-	151,390
Total Assets	\$ 410,133	\$ 76,941	\$ 147,263	\$ 151,390
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,298	\$ -	\$ 1,137	\$ -
Accrued expenditures	-	-	562	-
Unearned revenue	-	-	-	-
Advance payable	-	-	-	429,712
Total Liabilities	27,298	-	1,699	429,712
Deferred inflows of resources:				
Unavailable revenue:				
Property taxes	-	-	-	-
Interest on long-term receivables	-	-	-	151,390
Total Deferred Inflows of Resources	-	-	-	151,390
Fund balances:				
Restricted:				
Debt service	-	-	-	-
Grant restrictions	-	76,941	-	-
Municipal court	-	-	-	-
Public safety	-	-	145,564	-
Tourism and convention	382,835	-	-	-
Unassigned	-	-	-	(429,712)
Total Fund Balances	382,835	76,941	145,564	(429,712)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 410,133	\$ 76,941	\$ 147,263	\$ 151,390

See Notes to Financial Statements.

Special Revenue Funds

Local Police and Federal Drug Seizures	Chapter 59 Drug Seizures	Court Technology	Court Security	Main Street Hotel	Main Street Theater Restoration
\$ 141,698	\$ 4,564	\$ 9,580	\$ 43,437	\$ 2,053	\$ 5,637
119,561	7,685	16,133	73,147	3,456	9,492
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 261,259</u>	<u>\$ 12,249</u>	<u>\$ 25,713</u>	<u>\$ 116,584</u>	<u>\$ 5,509</u>	<u>\$ 15,129</u>
\$ 786	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
70,698	-	-	-	-	-
-	-	-	-	-	-
<u>71,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	25,713	116,584	-	-
189,775	12,249	-	-	-	-
-	-	-	-	5,509	15,129
-	-	-	-	-	-
<u>189,775</u>	<u>12,249</u>	<u>25,713</u>	<u>116,584</u>	<u>5,509</u>	<u>15,129</u>
<u>\$ 261,259</u>	<u>\$ 12,249</u>	<u>\$ 25,713</u>	<u>\$ 116,584</u>	<u>\$ 5,509</u>	<u>\$ 15,129</u>

CITY OF KILGORE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2021

	Special Revenue Funds			Debt Service
	Kilgore Art Festival	Local Truancy/ Prevention Diversion	Total Special Revenue	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,259	\$ 2,714	\$ 412,013	\$ 170,657
Investments	2,119	5,849	583,022	488
Receivables, net	-	-	87,686	23,530
Interest on long-term receivables	-	-	151,390	-
Total Assets	\$ 3,378	\$ 8,563	\$ 1,234,111	\$ 194,675
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 29,221	\$ 370
Accrued expenditures	-	-	562	-
Unearned revenue	-	-	70,698	-
Advance payable	-	-	429,712	-
Total Liabilities	-	-	530,193	370
Deferred inflows of resources:				
Unavailable revenue:				
Property taxes	-	-	-	23,440
Interest on long-term receivables	-	-	151,390	-
Total Deferred Inflows of Resources	-	-	151,390	23,440
Fund balances:				
Restricted:				
Debt service	-	-	-	170,865
Grant restrictions	-	-	76,941	-
Municipal court	-	-	142,297	-
Public safety	-	8,563	356,151	-
Tourism and convention	3,378	-	406,851	-
Unassigned	-	-	(429,712)	-
Total Fund Balances	3,378	8,563	552,528	170,865
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,378	\$ 8,563	\$ 1,234,111	\$ 194,675

See Notes to Financial Statements.

**Total
Nonmajor
Governmental
Funds**

\$ 582,670
583,510
111,216
151,390

\$ 1,428,786

\$ 29,591
562
70,698
429,712

530,563

23,440
151,390

174,830

170,865
76,941
142,297
356,151
406,851

(429,712)

723,393

\$ 1,428,786

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

	Special Revenue Funds			
	Hotel Occupancy Taxes	Grants	911 Emergency	Tax Increment Reinvestment Zone
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other taxes and fees	389,519	-	97,066	-
Charges for services:				
Police court fines and fees	-	-	-	-
Drug seizure revenue	-	-	-	-
Grants	-	-	-	-
Interest on investments	921	210	117	-
Miscellaneous	5,910	-	-	-
Total Revenues	<u>396,350</u>	<u>210</u>	<u>97,183</u>	<u>-</u>
Expenditures				
Current:				
Public safety:				
Police	-	30	77,357	-
Municipal court	-	-	-	-
Culture and recreation:				
Parks	-	-	-	-
Grants	170,222	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal agent fees	-	-	-	-
Total Expenditures	<u>170,222</u>	<u>30</u>	<u>77,357</u>	<u>-</u>
Net Change in Fund Balances	226,128	180	19,826	-
Beginning fund balances	156,707	76,761	125,738	(429,712)
Ending Fund Balances	<u>\$ 382,835</u>	<u>\$ 76,941</u>	<u>\$ 145,564</u>	<u>\$ (429,712)</u>

See Notes to Financial Statements.

Special Revenue Funds

Local Police and Federal Drug Seizures	Chapter 59 Drug Seizures	Court Technology	Court Security	Main Street Hotel	Main Street Theater Restoration
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	5,775	6,420	-	-
132,412	-	-	-	-	-
-	11,100	-	-	-	-
60	28	67	315	15	42
-	-	-	-	-	460
<u>132,472</u>	<u>11,128</u>	<u>5,842</u>	<u>6,735</u>	<u>15</u>	<u>502</u>
50,445	9,748	338	-	-	-
-	-	-	41	-	-
-	-	-	-	2	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>50,445</u>	<u>9,748</u>	<u>338</u>	<u>41</u>	<u>2</u>	<u>-</u>
82,027	1,380	5,504	6,694	13	502
107,748	10,869	20,209	109,890	5,496	14,627
<u>\$ 189,775</u>	<u>\$ 12,249</u>	<u>\$ 25,713</u>	<u>\$ 116,584</u>	<u>\$ 5,509</u>	<u>\$ 15,129</u>

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2021

	<u>Special Revenue Funds</u>			
	<u>Kilgore Art Festival</u>	<u>Local Truancy/ Prevention Diversion</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 380,036
Other taxes and fees	-	-	486,585	-
Charges for services:				
Police court fines and fees	-	-	12,195	-
Drug seizure revenue	-	-	132,412	-
Grants	-	-	11,100	-
Interest on investments	9	-	1,784	2,226
Miscellaneous	-	5,616	11,986	-
Total Revenues	<u>9</u>	<u>5,616</u>	<u>656,062</u>	<u>382,262</u>
Expenditures				
Current:				
Public safety:				
Police	-	-	137,918	-
Municipal court	-	-	41	-
Culture and recreation:				
Parks	-	-	2	-
Grants	-	-	170,222	-
Debt service:				
Principal	-	-	-	315,000
Interest and fiscal agent fees	-	-	-	83,550
Total Expenditures	<u>-</u>	<u>-</u>	<u>308,183</u>	<u>398,550</u>
Net Change in Fund Balances	9	5,616	347,879	(16,288)
Beginning fund balances	3,369	2,947	204,649	187,153
Ending Fund Balances	<u>\$ 3,378</u>	<u>\$ 8,563</u>	<u>\$ 552,528</u>	<u>\$ 170,865</u>

See Notes to Financial Statements.

**Total
Nonmajor
Governmental
Funds**

\$ 380,036
486,585

12,195
132,412
11,100
4,010
11,986

1,038,324

137,918
41

2
170,222

315,000
83,550

706,733

331,591

391,802

\$ 723,393

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CITY OF KILGORE, TEXAS

DESCRIPTIONS FOR INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost reimbursement basis.

Employee Benefit Fund

This fund is used to account for the City's hospitalization plan for employee medical premiums. All activities related to such plan are accounted for in this fund, including, but not limited to, administration, claims reimbursement and collections from insurance claims.

Capital Equipment Purchase Fund

This fund is used to account for the cost of equipment and vehicle purchases used by the City departments. All activities to provide such services are accounted for in this fund, including, but not limited to, purchases, sales of equipment and vehicles, and collections from insurance claims. Services charged are billed to departments on a monthly basis to cover all expenses of the fund.

Information Technology Fund

This fund is used to account for the cost for information technology (IT) services provided to City departments. The IT service costs are allocated among City departments benefiting from the services.

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2021

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,124,690	\$ 310,916	\$ 140,982	\$ 1,576,588
Investments	250,000	523,570	237,410	1,010,980
Accounts receivable, net	-	8,300	-	8,300
Total Current Assets	<u>1,374,690</u>	<u>842,786</u>	<u>378,392</u>	<u>2,595,868</u>
Noncurrent assets:				
Capital assets (net)	-	1,768,625	86,523	1,855,148
Total Capital Assets	<u>-</u>	<u>1,768,625</u>	<u>86,523</u>	<u>1,855,148</u>
Total Assets	<u>1,374,690</u>	<u>2,611,411</u>	<u>464,915</u>	<u>4,451,016</u>
Liabilities				
Current liabilities:				
Accounts payable	-	35,999	3,589	39,588
Accrued expenses	963	-	-	963
Total Liabilities	<u>963</u>	<u>35,999</u>	<u>3,589</u>	<u>40,551</u>
Net Position				
Net investment in capital assets	-	1,768,625	86,523	1,855,148
Unrestricted	1,373,727	806,787	374,803	2,555,317
Total Net Position	<u>\$ 1,373,727</u>	<u>\$ 2,575,412</u>	<u>\$ 461,326</u>	<u>\$ 4,410,465</u>

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2021

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
<u>Operating Revenues</u>				
Charges for services	\$ 1,638,311	\$ 639,137	\$ 680,379	\$ 2,957,827
Total Operating Revenues	<u>1,638,311</u>	<u>639,137</u>	<u>680,379</u>	<u>2,957,827</u>
<u>Operating Expenses</u>				
Operating expenses	1,602,255	-	569,103	2,171,358
Depreciation	-	429,985	37,669	467,654
Total Operating Expenses	<u>1,602,255</u>	<u>429,985</u>	<u>606,772</u>	<u>2,639,012</u>
Operating Income	<u>36,056</u>	<u>209,152</u>	<u>73,607</u>	<u>318,815</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment earnings	68,181	1,787	659	70,627
Gain on sale of capital assets	-	43,064	-	43,064
Total Nonoperating Revenues	<u>68,181</u>	<u>44,851</u>	<u>659</u>	<u>113,691</u>
Change in Net Position	104,237	254,003	74,266	432,506
Beginning net position	1,269,490	2,321,409	387,060	3,977,959
Ending Net Position	<u>\$ 1,373,727</u>	<u>\$ 2,575,412</u>	<u>\$ 461,326</u>	<u>\$ 4,410,465</u>

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
<u>Cash Flows from Operating Activities</u>				
Cash received from charges for services	\$ 1,638,311	\$ 678,325	\$ 681,222	\$ 2,997,858
Cash payments for goods and services	-	-	(578,059)	(578,059)
Cash payments to employees	(1,602,382)	-	-	(1,602,382)
Net Cash Provided by Operating Activities	35,929	678,325	103,163	817,417
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	-	(126,270)	(14,687)	(140,957)
Proceeds from sale of capital assets	-	43,064	-	43,064
Net Cash (Used) by Capital and Related Financing Activities	-	(83,206)	(14,687)	(97,893)
<u>Cash Flows from Investing Activities</u>				
Interest received	68,181	1,787	659	70,627
Purchase of investments	-	(340,963)	(15,084)	(356,047)
Net Cash Provided (Used) by Investing Activities	68,181	(339,176)	(14,425)	70,627
Net Increases in Cash and Cash Equivalents	104,110	255,943	74,051	434,104
Beginning cash and cash equivalents	1,020,580	54,973	66,931	1,142,484
Ending Cash and Cash Equivalents	\$ 1,124,690	\$ 310,916	\$ 140,982	\$ 1,576,588

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 2 of 2)
For the Year Ended September 30, 2021

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 36,056	\$ 209,152	\$ 73,607	\$ 318,815
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	429,985	37,669	467,654
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	-	5,449	843	6,292
Increase (Decrease) in Current Liabilities:				
Accounts payable	-	33,739	(8,956)	24,783
Accrued expenses	(127)	-	-	(127)
Net Cash Provided by Operating Activities	<u>\$ 35,929</u>	<u>\$ 678,325</u>	<u>\$ 103,163</u>	<u>\$ 817,417</u>

See Notes to Financial Statements.

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