

ANNUAL FINANCIAL REPORT

of the

CITY OF KILGORE, TEXAS

For the Year Ended
September 30, 2022

Issued by:

Finance Department

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

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CITY OF KILGORE, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Kilgore Economic Development Corporation or the Roy H. Laird Memorial Hospital Foundation, which represent 99 percent of the City's discretely presented component units' assets, revenues, and net position as of September 30, 2022, and the respective changes in financial position for the year then ended. These statements were audited by other auditors whose reports have 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 reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note I, F to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and other postemployment benefits liabilities 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 February 22, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 22, 2023

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

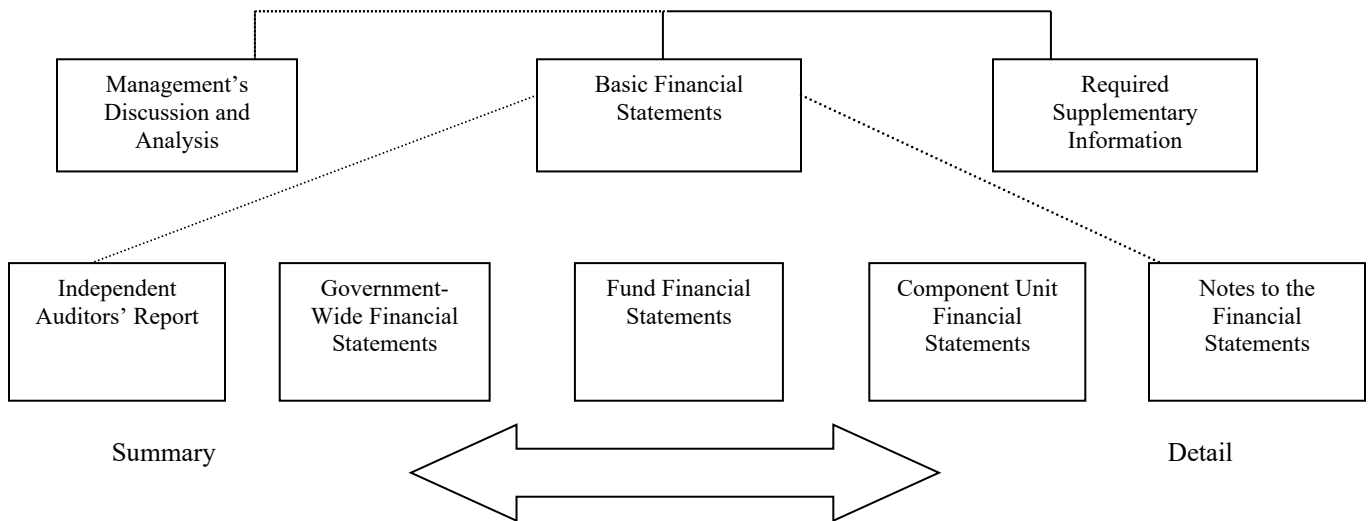
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CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

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, 2022. 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
For the Year Ended September 30, 2022

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
For the Year Ended September 30, 2022

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 fund. 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 postemployment benefits (OPEB) 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 and total OPEB liability and related ratios and schedule of contributions for the Texas Municipal Retirement System, and schedule of changes in net OPEB (asset) and related ratios for the City's retiree healthcare benefits. RSI can be found after the notes to the basic financial statements.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

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 \$98,308,705 as of September 30, 2022 in the primary government. The largest portion of the City's net position (approximately 71 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 29,142,402	\$ 25,467,596	\$ 19,854,803	\$ 25,762,530	\$ 48,997,205	\$ 51,230,126
Capital assets, net	32,073,864	33,968,489	54,378,507	46,431,590	86,452,371	80,400,079
Total Assets	<u>61,216,266</u>	<u>59,436,085</u>	<u>74,233,310</u>	<u>72,194,120</u>	<u>135,449,576</u>	<u>131,630,205</u>
Deferred outflows - charge on refunding	82,132	96,212	-	-	82,132	96,212
Deferred outflows - pensions	1,341,425	841,690	259,751	168,083	1,601,176	1,009,773
Deferred outflows - OPEB	239,566	133,209	46,525	28,313	286,091	161,522
Total Deferred Outflows of Resources	<u>1,663,123</u>	<u>1,071,111</u>	<u>306,276</u>	<u>196,396</u>	<u>1,969,399</u>	<u>1,267,507</u>
Long-term liabilities	4,808,031	6,862,060	23,311,063	24,553,752	28,119,094	31,415,812
Other liabilities	3,198,918	3,089,161	2,789,799	1,086,135	5,988,717	4,175,296
Total Liabilities	<u>8,006,949</u>	<u>9,951,221</u>	<u>26,100,862</u>	<u>25,639,887</u>	<u>34,107,811</u>	<u>35,591,108</u>
Deferred inflows - leases	441,978	461,944	270,937	358,808	712,915	820,752
Deferred inflows - pensions	2,696,132	1,274,637	1,275,421	542,206	3,971,553	1,816,843
Deferred inflows - OPEB	277,384	341,917	40,607	51,188	317,991	393,105
Total Deferred Inflows of Resources	<u>3,415,494</u>	<u>2,078,498</u>	<u>1,586,965</u>	<u>952,202</u>	<u>5,002,459</u>	<u>3,030,700</u>
Net Position:						
Net investment in capital assets	29,920,810	31,502,341	40,274,725	36,961,260	70,195,535	68,463,601
Restricted	1,132,673	1,174,265	-	-	1,132,673	1,174,265
Unrestricted	20,403,463	15,800,871	6,577,034	8,837,167	26,980,497	24,638,038
Total Net Position	<u>\$ 51,456,946</u>	<u>\$ 48,477,477</u>	<u>\$ 46,851,759</u>	<u>\$ 45,798,427</u>	<u>\$ 98,308,705</u>	<u>\$ 94,275,904</u>

A portion of the primary government's net position, \$1,132,673, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$26,980,497, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$4,032,801 during the current fiscal year which is primarily due to an increase in total assets and deferred outflows. Total assets consists of an increase in capital assets of \$6,052,292 from capital additions and a decrease in current and other assets of \$2,232,921 which was primarily due to spending of unspent bond proceeds from capital projects. Deferred outflows increased primarily from an increase in actuarial differences between expected and actual experience of the City's pension plan. There was a decrease in total liabilities of \$1,483,297 from a decrease in long-term liabilities net of an increase in other liabilities. Long-term liabilities mainly

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

decreased due to a decrease in the net pension liability. The increase in other liabilities is primarily the result of an increase in unearned revenue for business-type activities from advance contributions for renovations within the hospital fund. The City's deferred inflows increased by \$1,971,759 which was mainly due to an increase in the difference between projected and actual investment earnings for the City's pension plan.

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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 3,345,328	\$ 3,211,449	\$ 8,340,522	\$ 7,359,392	\$ 11,685,850	\$ 10,570,841
Operating grants	1,657,727	725,552	2,297	11,485	1,660,024	737,037
Capital grants and contributions	62,000	112,410	832,563	-	894,563	112,410
General revenues:						
Property taxes	6,879,962	6,868,748	-	-	6,879,962	6,868,748
Sales taxes	5,955,329	4,944,448	-	-	5,955,329	4,944,448
Fees and other taxes	1,207,686	1,188,479	-	-	1,207,686	1,188,479
Lease revenue	21,556	-	93,319	-	114,875	-
Other revenues	219,905	380,830	29,133	96,651	249,038	477,481
Gain on sale of assets	359,805	-	-	-	359,805	-
Total Revenues	<u>19,709,298</u>	<u>17,431,916</u>	<u>9,297,834</u>	<u>7,467,528</u>	<u>29,007,132</u>	<u>24,899,444</u>
Expenses						
General government	1,383,010	1,403,231	-	-	1,383,010	1,403,231
Public safety	8,147,694	7,698,663	-	-	8,147,694	7,698,663
Public works	2,160,301	2,770,080	-	-	2,160,301	2,770,080
Development services	500,748	516,620	-	-	500,748	516,620
Sanitation	1,910,669	1,827,282	-	-	1,910,669	1,827,282
Culture and recreation	2,090,423	1,963,424	-	-	2,090,423	1,963,424
Public welfare	309,978	220,025	-	-	309,978	220,025
Interest and fiscal agent fees on long-term debt	71,006	80,457	-	-	71,006	80,457
Water and sewer	-	-	6,745,127	5,922,065	6,745,127	5,922,065
Hospital	-	-	1,160,922	1,056,741	1,160,922	1,056,741
Golf course	-	-	494,453	474,164	494,453	474,164
Total Expenses	<u>16,573,829</u>	<u>16,479,782</u>	<u>8,400,502</u>	<u>7,452,970</u>	<u>24,974,331</u>	<u>23,932,752</u>
Increase in Net Position before Transfers	3,135,469	952,134	897,332	14,558	4,032,801	966,692
Transfers	(156,000)	(656,000)	156,000	656,000	-	-
Change in Net Position	2,979,469	296,134	1,053,332	670,558	4,032,801	966,692
Beginning net position	48,477,477	48,181,343	45,798,427	45,127,869	94,275,904	93,309,212
Ending Net Position	<u>\$ 51,456,946</u>	<u>\$ 48,477,477</u>	<u>\$ 46,851,759</u>	<u>\$ 45,798,427</u>	<u>\$ 98,308,705</u>	<u>\$ 94,275,904</u>

For the year ended September 30, 2022, revenues from governmental activities totaled \$19,709,298. The increase from prior year revenues was approximately \$2,277,382 and was mainly due to more revenues from operating grants from the Coronavirus Local Relief Fiscal Recovery Fund and an increase in sales taxes from more economic activity within the City. There was also a gain on sale of assets as a result of the sale of City property.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

For the year ended September 30, 2022, expenses for governmental activities totaled \$16,573,829. This represents a slight increase of \$94,047 from last year. This increase is mainly from the City's public safety function due primarily from an increase in payroll-related expenses and expenses for police department supplies.

Total business-type revenues increased \$1,830,306, which was mainly due to more charges for services for water and sewer services and capital contributions for hospital renovations. Expenses for business-type activities increased by \$947,532. Overall business-type activities expenses in fiscal year 2022 increased primarily due to expenses related to repair and maintenance.

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 \$19,743,114. Of the total governmental fund balance, \$1,458,744 is nonspendable, \$1,132,673 is restricted for various purposes, \$4,525,160 is committed for development and capital projects, and \$1,201,678 is assigned for the City cemetery. The remaining balance of \$11,424,859 is unassigned.

There was a net increase in the combined fund balance of \$3,030,187 from the prior year. This increase in fund balance is primarily due to an increase in sales tax revenues and an increase in proceeds from sale of assets within the general 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 \$11,854,571, while total fund balance reached \$15,489,417. 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 75 percent and 98 percent of total general fund expenditures.

The capital projects fund had a total fund balance of \$3,575,858 which is committed for future capital projects. During the fiscal year, the capital projects fund spent approximately \$558,643 on capital improvements with transfers from the general and nonmajor funds of \$932,602.

Proprietary Funds – The City's water and sewer fund had a total ending net position of \$41,408,760, which was an increase of \$774,878. This increase can be attributed to more operating revenue from water and sewer sales than operational expenses in the current year.

The City's hospital fund had a net position increase of \$132,360. This increase includes an operating loss of \$42,616, interest expense of \$144,298, and capital contributions for hospital renovations of \$832,563.

The City's golf course fund had a net position of \$1,119,491, which was an increase of \$72,106 from the prior year. This can be primarily attributed to a transfer in of \$156,000.

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's original general fund budget included a projected decrease in fund balance of \$352,516. The City amended the general fund budget to decrease fund balance by \$837,765 primarily due to amendments to the original budgeted transfers out. Budgeted transfers out was amended by \$296,102 for transfers to the capital projects fund.

Actual general fund revenues exceeded the amended budget by \$1,336,303 for the fiscal year 2022. This increase is primarily due to more sales tax revenues than anticipated.

Total actual expenditures were less than budgeted amounts by \$1,226,745 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 2022, the City's governmental and business-type activities had invested \$86,452,371 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 \$6,383,046.
- Construction in progress for hospital building reconstruction of \$4,062,544.

More detailed information about the City's capital assets is presented in note III.D. 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 \$23,185,000 as well as unamortized premiums of \$764,166, notes payable of \$646,363, and capital finance agreements of \$104,367.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic factors and considerations in preparing the City's 2023 fiscal year budget were:

General Fund

The general fund budgeted expenditures for fiscal year 2023 are \$22,277,373. The City estimates general fund revenues for fiscal year 2023 to be \$22,277,373 with \$5,881,547 coming from sales tax and \$7,217,578 coming from property tax. An additional \$3,143,567 of revenues will come from a draw down on general fund reserves. Of that drawdown, \$2,080,000 of the reserves represent COVID relief funds that will be used for a new public safety radio system and reconstruction of Commerce Street.

Ad Valorem Tax (Property Tax) is budgeted at \$7,217,578. This number reflects an unchanged tax rate of \$0.599 per \$100 of value. It will raise more taxes for operations and maintenance (O&M) than the fiscal year 2022 because of increased taxable values on the tax roll. The proposed tax rate is comprised of two components, the Interest and Sinking (I&S) rate which provides funds necessary to service the City's tax supported debt payments,

CITY OF KILGORE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

and the O&M portion which supports ongoing operations in the general fund. The proposed I&S rate is \$0.028216 and the Proposed O&M rate is \$0.570784 per \$100 of value.

The projected core sales tax revenues of \$5.3 million reflect the substantial increase due to the oil and gas market recovery from the pandemic, with that market making up roughly 70% of sales tax remitted to the City. Additionally, the budget allocated an additional \$581,547 of sales tax to be spent on contingent uses that will only be approved if the revenues are actually received.

Utility Fund

The City expects water, sewer, and other utility fund revenues in fiscal year 2023 to be \$7,620,320 and a use of fund balance in the amount of \$347,685. Operational cost for the utility fund is budgeted at \$5,690,018 along with capital project cost/transfers of \$1,250,000 and debt service of \$967,987.

The fiscal year 2023 budget will see a number of water utility construction projects completed and the design phase will begin on a new round of projects. Fiscal year 2023 marks the eighth year of a ten year plan to adjust rates necessary to address rehabilitation and expansion needs. As such, the fiscal year 2023 budget includes a 2.5% rate increase across the board for water rates.

The fiscal year 2023 budget continues the implementation of a 10 year program to rehabilitate the wastewater system in order to reduce the impact of rain events on the plant. The wastewater budget includes funds for continued operation as well as funds for debt service on debt sold in prior years. Similar to the water utility, wastewater rates will be increase 2.5%.

Golf Fund

The fiscal year 2023 Budget for the Meadowbrook Golf and Event Center continues the focus on controlling costs and increasing revenues in a variety of areas. The general fund contribution will be held at \$166,000 for the year, while staff will continue their focus on business development.

Hospital Fund

Demolition of the Roy H. Laird Memorial Hospital was completed in the fall of 2022. Construction of the new \$23,300,000 multi-purpose medical and educational facility will continue throughout fiscal year 2023 and into fiscal year 2024.

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and cash equivalents	\$ 10,100,593	\$ 5,638,559	\$ 15,739,152	\$ 2,796,202
Investments	11,700,180	12,643,766	24,343,946	19,190,762
Receivables, net	3,674,710	1,044,932	4,719,642	30,446
Due from primary government	-	-	-	627,211
Internal balances	783,015	(783,015)	-	-
Inventories and prepaid expenses	19,623	65,024	84,647	-
Restricted assets:				
Cash and cash equivalents	698,438	33,525	731,963	-
Investments	531,959	-	531,959	-
Notes receivable	567,522	-	567,522	-
Lease receivables	446,014	273,039	719,053	1,379,426
Net OPEB asset - health	620,348	98,168	718,516	-
Net pension asset	-	840,805	840,805	-
Right-to-use assets (net of amortization)	-	-	-	206,803
Capital assets (net of accumulated depreciation)	32,073,864	54,378,507	86,452,371	10,759,333
Property held for resale	-	-	-	6,139,212
Total Assets	61,216,266	74,233,310	135,449,576	41,129,395
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	1,341,425	259,751	1,601,176	-
Deferred outflows - OPEB:				
Health benefits	121,919	19,991	141,910	-
Supplemental death benefits	117,647	26,534	144,181	-
Deferred charge on refunding	82,132	-	82,132	-
Total Deferred Outflows of Resources	1,663,123	306,276	1,969,399	-
<u>Liabilities</u>				
Accounts payable	552,874	1,308,742	1,861,616	69,821
Accrued expenses	159,214	30,650	189,864	-
Accrued interest payable	10,350	66,882	77,232	167,522
Due to component units	627,211	-	627,211	-
Unearned revenue	1,784,282	1,350,000	3,134,282	-
Customer deposits	64,987	33,525	98,512	-
Noncurrent liabilities:				
Due within one year	1,085,927	1,014,051	2,099,978	438,221
Due in more than one year	3,722,104	22,297,012	26,019,116	6,577,531
Total Liabilities	8,006,949	26,100,862	34,107,811	7,253,095
<u>Deferred Inflows of Resources</u>				
Deferred inflows - leases	441,978	270,937	712,915	1,261,671
Deferred inflows - pensions	2,696,132	1,275,421	3,971,553	-
Deferred inflows - OPEB:				
Health benefits	239,408	33,989	273,397	-
Supplemental death benefits	37,976	6,618	44,594	-
Total Deferred Inflows of Resources	3,415,494	1,586,965	5,002,459	1,261,671
<u>Net Position</u>				
Net investment in capital assets	29,920,810	40,274,725	70,195,535	10,408,220
Restricted for:				
Debt service	180,864	-	180,864	548,181
Grant restrictions	76,896	-	76,896	-
Municipal court	155,685	-	155,685	-
Public safety	428,833	-	428,833	-
Tourism and convention	265,273	-	265,273	-
Other purposes	25,122	-	25,122	-
Unrestricted	20,403,463	6,577,034	26,980,497	21,658,228
Total Net Position	\$ 51,456,946	\$ 46,851,759	\$ 98,308,705	\$ 32,614,629

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,383,010	\$ 82,719	\$ 15,358	\$ -
Public safety	8,147,694	569,515	1,635,369	-
Public works	2,160,301	-	-	62,000
Developmental services	500,748	121,536	-	-
Sanitation	1,910,669	2,491,407	-	-
Culture and recreation	2,090,423	80,151	7,000	-
Public welfare	309,978	-	-	-
Interest and fiscal agent fees	71,006	-	-	-
Total Governmental Activities	16,573,829	3,345,328	1,657,727	62,000
Business-Type Activities				
Water and sewer	6,745,127	7,601,984	2,161	-
Hospital	1,160,922	324,374	136	832,563
Golf course	494,453	414,164	-	-
Total Business-Type Activities	8,400,502	8,340,522	2,297	832,563
Total Primary Government	\$ 24,974,331	\$ 11,685,850	\$ 1,660,024	\$ 894,563
Component Units				
KEDC	\$ 3,039,366	\$ -	\$ -	\$ -
KRA	16,132	-	-	-
KCDC	14,873	-	-	-
Hospital Foundation	83,599	-	-	-
Total Component Units	\$ 3,153,970	\$ -	\$ -	\$ -

General Revenues:

- Taxes:
 - Property taxes
 - Sales and hotel/motel taxes
 - Franchise fees
- Lease revenues
- Investment income
- Miscellaneous
- Gain on sale of assets
- 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
\$ (1,284,933)	\$ -	\$ (1,284,933)	\$ -
(5,942,810)	-	(5,942,810)	-
(2,098,301)	-	(2,098,301)	-
(379,212)	-	(379,212)	-
580,738	-	580,738	-
(2,003,272)	-	(2,003,272)	-
(309,978)	-	(309,978)	-
(71,006)	-	(71,006)	-
<u>(11,508,774)</u>	<u>-</u>	<u>(11,508,774)</u>	<u>-</u>
-	859,018	859,018	-
-	(3,849)	(3,849)	-
-	<u>(80,289)</u>	<u>(80,289)</u>	<u>-</u>
-	<u>774,880</u>	<u>774,880</u>	<u>-</u>
<u>(11,508,774)</u>	<u>774,880</u>	<u>(10,733,894)</u>	<u>-</u>
-	-	-	(3,039,366)
-	-	-	(16,132)
-	-	-	(14,873)
-	-	-	<u>(83,599)</u>
-	-	-	<u>(3,153,970)</u>
6,879,962	-	6,879,962	29,190
5,955,329	-	5,955,329	2,977,425
1,207,686	-	1,207,686	-
21,556	93,319	114,875	499,076
100,775	29,133	129,908	1,732,650
119,130	-	119,130	2,063
359,805	-	359,805	-
(156,000)	156,000	-	-
<u>14,488,243</u>	<u>278,452</u>	<u>14,766,695</u>	<u>5,240,404</u>
2,979,469	1,053,332	4,032,801	2,086,434
<u>48,477,477</u>	<u>45,798,427</u>	<u>94,275,904</u>	<u>30,528,195</u>
<u>\$ 51,456,946</u>	<u>\$ 46,851,759</u>	<u>\$ 98,308,705</u>	<u>\$ 32,614,629</u>

CITY OF KILGORE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2022

	General	Capital Projects	Nonmajor Governmental	Total Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 6,520,788	\$ 1,543,897	\$ 633,451	\$ 8,698,136
Investments	8,417,807	2,091,374	506,837	11,016,018
Receivables, net	3,579,772	6,796	84,871	3,671,439
Interest on long-term receivables	-	-	167,522	167,522
Advance receivable	1,439,121	-	-	1,439,121
Inventory	19,623	-	-	19,623
Leases receivable	446,014	-	-	446,014
Total Assets	\$ 20,423,125	\$ 3,642,067	\$ 1,392,681	\$ 25,457,873
<u>Liabilities</u>				
Accounts payable	\$ 454,058	\$ 66,209	\$ 25,340	\$ 545,607
Accrued expenditures	157,600	-	556	158,156
Customer deposits	64,987	-	-	64,987
Due to other governments	627,211	-	-	627,211
Unearned revenue	1,713,584	-	70,698	1,784,282
Advance payable	-	-	429,712	429,712
Total Liabilities	3,017,440	66,209	526,306	3,609,955
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property taxes	325,985	-	21,014	346,999
Fines	131,150	-	-	131,150
Special assessments	1,017,155	-	-	1,017,155
Interest on long-term receivables	-	-	167,522	167,522
Leases receivable	441,978	-	-	441,978
Total Deferred Inflows of Resources	1,916,268	-	188,536	2,104,804
<u>Fund Balances</u>				
Nonspendable:				
Inventory	19,623	-	-	19,623
Advance receivables	1,439,121	-	-	1,439,121
Restricted:				
Debt service	-	-	180,864	180,864
Grant restrictions	-	-	76,896	76,896
Municipal court	-	-	155,685	155,685
Public safety	-	-	428,833	428,833
Tourism and convention	-	-	265,273	265,273
Other purposes	25,122	-	-	25,122
Committed:				
Capital projects	-	3,575,858	-	3,575,858
Residential development	949,302	-	-	949,302
Assigned:				
Cemeteries	1,201,678	-	-	1,201,678
Unassigned	11,854,571	-	(429,712)	11,424,859
Total Fund Balances	15,489,417	3,575,858	677,839	19,743,114
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,423,125	\$ 3,642,067	\$ 1,392,681	\$ 25,457,873

See Notes to Financial Statements.

CITY OF KILGORE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances for governmental funds \$ 19,743,114

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	57,997,950	
Accumulated depreciation	<u>(27,829,015)</u>	
		30,168,935

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. 1,662,826

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	3,085,568	
Capital assets, net of accumulated depreciation	<u>1,904,929</u>	
		4,990,497

Some liabilities and assets, including debt payable, the net pension and total other post employment benefit (OPEB) liability/(asset), accrued interest, and compensated absences along with the deferred outflows and deferred inflows that are associated with these liabilities and assets are not reported in the governmental funds.

Bonds payable, net of unamortized premium	(2,235,186)	
Deferred outflows - charge on refunding	82,132	
Claims liability	(71,581)	
Accrued interest payable	(10,350)	
Compensated absences	(862,141)	
Net pension liability	(972,083)	
Deferred outflows - pensions	1,341,425	
Deferred inflows - pensions	(2,696,132)	
Net OPEB (asset) - health benefits	620,348	
Deferred outflows - OPEB for health benefits	121,919	
Deferred inflows - OPEB for health benefits	(239,408)	
Total OPEB liability - supplemental death benefits	(667,040)	
Deferred outflows - OPEB for supplemental death benefits	117,647	
Deferred inflows - OPEB for supplemental death benefits	<u>(37,976)</u>	
		<u>(5,508,426)</u>

Net Position of Governmental Activities \$ 51,456,946

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, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Funds</u>
<u>Revenues</u>				
Taxes:				
Property	\$ 6,497,548	\$ -	\$ 389,554	\$ 6,887,102
Sales	5,955,329	-	-	5,955,329
Other taxes and fees	721,997	-	485,689	1,207,686
Charges for services:				
Garbage collection	2,499,771	-	-	2,499,771
Police court fines and fees	341,741	-	13,201	354,942
Permits	113,172	-	-	113,172
Cemetary	102,525	-	-	102,525
Swimming pool	76,041	-	-	76,041
Library	4,110	-	-	4,110
County support	72,884	-	-	72,884
Drug seizure revenue	-	-	128,795	128,795
Grants	1,650,677	62,000	-	1,712,677
Net gain (loss) on investments	54,498	(49)	4,418	58,867
Lease revenue	21,556	-	-	21,556
Miscellaneous	96,107	16,172	6,901	119,180
Total Revenues	18,207,956	78,123	1,028,558	19,314,637
<u>Expenditures</u>				
Current:				
General government:				
Administration	305,902	89,596	-	395,498
Finance	398,979	1,000	-	399,979
Cemetary	187,822	-	-	187,822
City council	74,343	-	-	74,343
Building maintenance	190,116	-	-	190,116
Human resources	120,555	-	-	120,555
Property and liability insurance	173,522	-	-	173,522
Public safety:				
Police	5,215,051	-	162,034	5,377,085
Fire	3,263,832	22,800	-	3,286,632
Rescue unit	93,302	-	-	93,302
Municipal court	170,274	-	34	170,308
Public works:				
Streets	974,247	226,137	-	1,200,384

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
For the Year Ended September 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Funds</u>
<u>Expenditures (continued)</u>				
Developmental services:				
Inspection	\$ 191,408	\$ -	\$ -	\$ 191,408
Equipment services	151,668	-	-	151,668
Planning and zoning	203,067	-	-	203,067
Sanitation:				
Garbage collection	1,910,669	-	-	1,910,669
Culture and recreation:				
Parks	1,221,436	219,110	2	1,440,548
Library	460,840	-	-	460,840
Swimming pool	232,038	-	-	232,038
Grants	-	-	204,942	204,942
Public welfare:				
Code enforcement	324,500	-	-	324,500
Debt service:				
Principal	-	-	310,000	310,000
Interest and fiscal agent fees	-	-	74,100	74,100
Total Expenditures	15,863,571	558,643	751,112	17,173,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,344,385	(480,520)	277,446	2,141,311
<u>Other Financing Sources (Uses)</u>				
Transfers in	45,000	932,602	-	977,602
Transfers (out)	(810,602)	-	(323,000)	(1,133,602)
Proceeds from sale of land	1,044,876	-	-	1,044,876
Total Other Financing Sources (Uses)	279,274	932,602	(323,000)	888,876
Net Change in Fund Balances	2,623,659	452,082	(45,554)	3,030,187
Beginning fund balances	12,865,758	3,123,776	723,393	16,712,927
Ending Fund Balances	\$ 15,489,417	\$ 3,575,858	\$ 677,839	\$ 19,743,114

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, 2022

Net change in fund balances – total governmental funds \$ 3,030,187

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	(190,578)
Depreciation	(1,753,828)

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	310,000
Amortization of premium on bonds	17,174
Amortization of deferred charges	(14,080)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	(7,052)
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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	(36,500)
Change in net pension liability and related deferred outflows and inflows	900,201
Change in net OPEB (asset) from health benefits and related deferred outflows and inflows	49,262
Change in total OPEB liability from supplemental death benefits and related deferred outflows and inflows	(52,476)
Change in liabilities related to insurance claims	(5,279)

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.

732,438

Change in Net Position of Governmental Activities	\$ <u>2,979,469</u>
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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, 2022

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,925,636	\$ 556,912	\$ 156,011	\$ 5,638,559
Investments	6,438,765	6,032,621	172,380	12,643,766
Accounts receivable, net	926,072	101,141	17,719	1,044,932
Due from other funds	14,078	-	-	14,078
Inventories	56,700	-	5,309	62,009
Prepaid expenses	-	-	3,015	3,015
Restricted cash and equity in pooled cash and investments	33,525	-	-	33,525
Total Current Assets	12,394,776	6,690,674	354,434	19,439,884
Noncurrent assets:				
Lease receivable	-	273,039	-	273,039
Net OPEB asset - health	98,168	-	-	98,168
Net pension asset	-	840,805	-	840,805
Capital assets (net)	45,342,482	8,007,653	1,028,372	54,378,507
Total Noncurrent Assets	45,440,650	9,121,497	1,028,372	55,590,519
Total Assets	57,835,426	15,812,171	1,382,806	75,030,403
Deferred Outflows of Resources				
Deferred outflows - pensions	187,749	42,167	29,835	259,751
Deferred outflows related to OPEB:				
Health benefits	19,991	-	-	19,991
Supplemental death benefits	17,713	6,267	2,554	26,534
Total Deferred Outflows of Resources	225,453	48,434	32,389	306,276

**Internal
Service**

\$ 2,100,895
1,216,121
3,271
-
-
-
-

3,320,287

-
-
-
1,904,929

1,904,929

5,225,216

-
-
-

-

CITY OF KILGORE, TEXAS
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2022

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Liabilities				
Current liabilities:				
Accounts payable	\$ 514,728	\$ 786,644	\$ 7,370	\$ 1,308,742
Accrued expenses	25,054	1,670	3,926	30,650
Accrued interest payable	44,724	21,799	359	66,882
Advances payable	1,009,409	-	-	1,009,409
Due to other funds	-	14,078	-	14,078
Unearned revenue	-	1,350,000	-	1,350,000
Restricted liabilities from deposits	33,525	-	-	33,525
Compensated absences - current	50,538	5,781	15,133	71,452
Capital finance agreement - current	-	-	31,419	31,419
Bonds and notes payable - current	691,180	220,000	-	911,180
Total Current Liabilities	2,369,158	2,399,972	58,207	4,827,337
Noncurrent liabilities:				
Compensated absences	5,615	643	1,681	7,939
Capital finance agreement	-	-	72,948	72,948
Bonds and notes payable, net of premiums	13,618,926	7,830,237	-	21,449,163
Net pension liability	145,126	-	103,232	248,358
Total OPEB liability:				
Supplemental death benefits	103,719	403,890	10,995	518,604
Total Noncurrent Liabilities	13,873,386	8,234,770	188,856	22,297,012
Total Liabilities	16,242,544	10,634,742	247,063	27,124,349
Deferred Inflows of Resources				
Deferred inflows - leases	-	270,937	-	270,937
Deferred inflows - pensions	369,835	857,812	47,774	1,275,421
Deferred inflows related to OPEB:				
Health benefits	33,989	-	-	33,989
Supplemental death benefits	5,751	-	867	6,618
Total Deferred Inflows of Resources	409,575	1,128,749	48,641	1,586,965
Net Position				
Net investment in capital assets	33,484,957	5,865,763	924,005	40,274,725
Unrestricted	7,923,803	(1,768,649)	195,486	6,350,640
Total Net Position	\$ 41,408,760	\$ 4,097,114	\$ 1,119,491	\$ 46,625,365
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				226,394
Total Net Position per Governmental-Wide Financial Statements.				\$ 46,851,759

See Notes to Financial Statements.

**Internal
Service**

\$ 7,267
1,058
-
-
-
-
-
-
-
8,325

-
-
-
-
-
-
-
8,325

-
-
-
-
-
-

1,904,929
3,311,962
\$ 5,216,891

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

For the Year Ended September 30, 2022

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
Operating Revenues				
Charges for services	\$ 7,453,924	\$ -	\$ 413,598	\$ 7,867,522
Lease revenue	-	93,319	-	93,319
Other operating revenue	148,060	324,374	566	473,000
Total Operating Revenues	7,601,984	417,693	414,164	8,433,841
Operating Expenses				
Operating expenses	4,794,153	233,604	402,461	5,430,218
Depreciation	1,624,167	226,705	91,328	1,942,200
Total Operating Expenses	6,418,320	460,309	493,789	7,372,418
Operating Income (Loss)	1,183,664	(42,616)	(79,625)	1,061,423
Nonoperating Revenues (Expenses)				
Net gain (loss) on investments	(14,537)	43,048	622	29,133
Interest expense and fiscal agent fees	(396,410)	(144,298)	(4,891)	(545,599)
Intergovernmental revenues	2,161	136	-	2,297
Loss on disposal of capital assets	-	(556,473)	-	(556,473)
Gain on sale of capital assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	(408,786)	(657,587)	(4,269)	(1,070,642)
Income (Loss) Before Contributions and Transfers	774,878	(700,203)	(83,894)	(9,219)
Contribution for construction	-	832,563	-	832,563
Transfers in	-	-	156,000	156,000
Change in Net Position	774,878	132,360	72,106	979,344
Beginning net position	40,633,882	3,964,754	1,047,385	
Ending Net Position	\$ 41,408,760	\$ 4,097,114	\$ 1,119,491	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				73,988
Change in Net Position per Government-Wide Financial Statements				\$ 1,053,332

See Notes to Financial Statements.

**Internal
Service**

\$ 3,386,363
-
-
3,386,363

2,243,688
477,445
2,721,133

665,230

41,908
-
-
-
99,288

141,196

806,426
-
-
-

806,426

4,410,465
\$ 5,216,891

CITY OF KILGORE, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

	Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Hospital	Golf Course	
<u>Cash Flows from Operating Activities</u>				
Cash received from charges of services	\$ 7,579,441	\$ 2,577,720	\$ 417,773	\$ 10,574,934
Cash payments for goods and services	(3,889,313)	(233,604)	(187,253)	(4,310,170)
Cash payments to employees	(1,438,170)	(335,925)	(229,543)	(2,003,638)
Net Cash Provided by Operating Activities	2,251,958	2,008,191	977	4,261,126
<u>Cash Flows from Noncapital and Related Financing Activities</u>				
Transfers in	-	-	156,000	156,000
Advance payments to other funds	(61,040)	-	-	(61,040)
Operating grants	2,161	136	-	2,297
Net Cash Provided (Used) for Noncapital and Related Financing Activities	(58,879)	136	156,000	97,257
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(6,383,046)	(4,062,544)	-	(10,445,590)
Proceeds from sale of capital assets	-	-	-	-
Contributions for capital construction	-	832,563	-	832,563
Principal paid on capital debt	(664,090)	(230,000)	(30,136)	(924,226)
Interest and fiscal agent fees paid	(420,727)	(156,658)	(4,995)	(582,380)
Net Cash (Used) by Capital and Related Financing Activities	(7,467,863)	(3,616,639)	(35,131)	(11,119,633)
<u>Cash Flows from Investing Activities</u>				
Cash from sale of investments and interest on investments received	3,073,223	2,020,782	622	5,094,627
Purchase of investments	-	-	(45,086)	(45,086)
Net Cash Provided (Used) by Investing Activities	3,073,223	2,020,782	(44,464)	5,049,541
Net Increase (Decrease) in Cash and Cash Equivalents	(2,201,561)	412,470	77,382	(1,711,709)
Beginning cash and cash equivalents	7,160,722	144,442	78,629	7,383,793
Ending Cash and Cash Equivalents	\$ 4,959,161	\$ 556,912	\$ 156,011	\$ 5,672,084

See Notes to Financial Statements.

**Internal
Service**

\$ 3,355,393
(640,326)
(1,599,589)

1,115,478

-

-

-

-

(527,226)
99,288

-

-

-

(427,938)

70,693
(233,926)

(163,233)

524,307

1,576,588

\$ 2,100,895

CITY OF KILGORE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2022

	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)	\$ 1,183,664	\$ (42,616)	\$ (79,625)	\$ 1,061,423
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,624,167	226,705	91,328	1,942,200
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Inventory	(13,908)	-	3,565	(10,343)
Prepays	-	-	(826)	(826)
Accounts receivable	(25,383)	(42,524)	3,609	(64,298)
Lease receivable	-	85,769	-	85,769
Net OPEB asset	19,804	-	-	19,804
Net pension asset	-	(719,468)	-	(719,468)
Deferred outflows - pensions	(72,796)	(9,726)	(9,146)	(91,668)
Deferred outflows - OPEB	(17,724)	(773)	285	(18,212)
Increase (Decrease) in Current Liabilities:				
Accounts payable	(405,608)	757,640	(6,113)	345,919
Accrued expenses	5,451	(453)	122	5,120
Compensated absences	12,299	(1,851)	4,432	14,880
Net pension liability	(265,402)	-	(33,347)	(298,749)
Total OPEB liability	7,768	(6,772)	976	1,972
Refundable deposits	2,840	-	-	2,840
Unearned revenue	-	1,350,000	-	1,350,000
Deferred inflows - leases	-	(87,871)	-	(87,871)
Deferred inflows - pensions	207,067	500,131	26,017	733,215
Deferred inflows - OPEB	(10,281)	-	(300)	(10,581)
Net Cash Provided by Operating Activities	\$ 2,251,958	\$ 2,008,191	\$ 977	\$ 4,261,126

See Notes to Financial Statements.

**Internal
Service**

\$ 665,230

477,445

-

-

5,029

-

-

-

-

-

(32,321)

95

-

-

-

-

-

-

-

-

\$ 1,115,478

CITY OF KILGORE, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2022

	Discretely Presented Component Units			
	Economic Development Corporation	Redevelopment Authority	Community Development Corporation	Hospital Foundation
Assets				
Current assets:				
Cash and cash equivalents	\$ 974,444	\$ 227,075	\$ 34,504	\$ 1,560,179
Investments	9,766,304	-	98,720	9,325,738
Accounts receivable, net	633,562	24,095	-	-
Leases receivable	1,379,426	-	-	-
Total Current Assets	12,753,736	251,170	133,224	10,885,917
Noncurrent assets:				
Right-to-use assets (net)	206,803	-	-	-
Capital assets (net)	10,759,333	-	-	-
Property held for resale	6,053,564	-	85,648	-
Total Capital Assets	17,019,700	-	85,648	-
Total Assets	29,773,436	251,170	218,872	10,885,917
Liabilities				
Current liabilities:				
Accounts payable	69,821	-	-	-
Accrued interest payable	-	167,522	-	-
Leases payable - current	48,221	-	-	-
Bonds payable - current	390,000	-	-	-
Total Current Liabilities	508,042	167,522	-	-
Noncurrent liabilities:				
Leases payable	162,854	-	-	-
Bonds and notes payable, net of premiums	6,014,677	400,000	-	-
Total Noncurrent Liabilities	6,177,531	400,000	-	-
Total Liabilities	6,685,573	567,522	-	-
Deferred Inflows of Resources				
Deferred inflows - leases	1,261,671	-	-	-
Total Deferred Inflows of Resources	1,261,671	-	-	-
Net Position				
Net investment in capital assets	10,408,220	-	-	-
Restricted for debt service	548,181	-	-	-
Unrestricted	10,869,791	(316,352)	218,872	10,885,917
Total Net Position	\$ 21,826,192	\$ (316,352)	\$ 218,872	\$ 10,885,917

See Notes to Financial Statements.

**Total
Discretely
Presented
Component
Units**

\$ 2,796,202
19,190,762
657,657
1,379,426

24,024,047

206,803
10,759,333
6,139,212

17,105,348

41,129,395

69,821
167,522
48,221
390,000

675,564

162,854

6,414,677

6,577,531

7,253,095

1,261,671

1,261,671

10,408,220
548,181
21,658,228

\$ 32,614,629

CITY OF KILGORE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2022

	Discretely Presented Component Units			
	Economic Development Corporation	Redevelopment Authority	Community Development Corporation	Hospital Foundation
Operating Revenues				
Property taxes	\$ -	\$ 29,190	\$ -	\$ -
Sales taxes	2,977,425	-	-	-
Lease revenue	499,076	-	-	-
Other operating revenue	2,063	-	-	-
Total Operating Revenues	<u>3,478,564</u>	<u>29,190</u>	<u>-</u>	<u>-</u>
Operating Expenses				
Operating expenses	2,215,268	16,132	14,873	83,599
Depreciation and amortization	568,368	-	-	-
Total Operating Expenses	<u>2,783,636</u>	<u>16,132</u>	<u>14,873</u>	<u>83,599</u>
Operating Income (Loss)	<u>694,928</u>	<u>13,058</u>	<u>(14,873)</u>	<u>(83,599)</u>
Nonoperating Revenues (Expenses)				
Investment earnings	133,420	2,498	1,046	1,595,686
Interest expense and fiscal agent fees	(255,730)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(122,310)</u>	<u>2,498</u>	<u>1,046</u>	<u>1,595,686</u>
Change in Net Position	572,618	15,556	(13,827)	1,512,087
Beginning net position	21,253,574	(331,908)	232,699	9,373,830
Ending Net Position	<u>\$ 21,826,192</u>	<u>\$ (316,352)</u>	<u>\$ 218,872</u>	<u>\$ 10,885,917</u>

See Notes to Financial Statements.

**Total
Discretely
Presented
Component
Units**

\$ 29,190
2,977,425
499,076
2,063
3,507,754

2,329,872
568,368
2,898,240

609,514

1,732,650
(255,730)

1,476,920

2,086,434
30,528,195
\$ 32,614,629

CITY OF KILGORE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2022

	<u>OPEB Trust</u>
<u>Assets</u>	
Current assets:	
Investments at fair value:	
Collateral investment trust	\$ 1,031,245
Total Assets	<u>1,031,245</u>
<u>Liabilities</u>	
Accounts payable	28,146
Total Liabilities	<u>28,146</u>
<u>Net Position</u>	
Held in trust for OPEB benefits	1,003,099
Total Net Position	<u><u>\$ 1,003,099</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, 2022

		<u>OPEB Trust</u>
<u>Additions</u>		
Net decrease in fair value of investments	\$	<u>(171,173)</u>
Total Additions		<u>(171,173)</u>
 <u>Deductions</u>		
Administrative expenses		1,219
Trust draw downs for benefit payments		<u>28,147</u>
Total Deductions		<u>29,366</u>
Change in Net Position		(200,539)
 Beginning net position		 <u>1,203,638</u>
Ending net position	\$	<u><u>1,003,099</u></u>

See Notes to Financial Statements.

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CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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, 2022

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; and 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 KCDC.

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 year end is December 31. As a result, the financial statements of the Foundation presented herein are for the year ended December 31, 2021. Separate issued financial statements for the Foundation may be obtained by contacting the City of Kilgore City Manager, Josh Selleck, at (903) 988-4110.

Blended Component Unit

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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 and sewer 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. 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 *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 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 benefits, capital equipment purchases, and information technology funds.

The *fiduciary fund* is used to account for the other postemployment benefits (OPEB) trust fund. The OPEB 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.

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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 presented 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 nonspendable 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.

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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The cash and investment balances of the restricted assets at September 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities
Customer deposits	\$ 64,987	\$ 33,525
Debt service/bond reserves	180,864	-
Special revenue purposes	959,424	-
Other purposes	25,122	-
Total	\$ 1,230,397	\$ 33,525

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 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/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.
- Deferred inflows related to leases receivable are amortized over the life of the lease agreement.

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, interest on long-term receivables, and leases receivable. These amounts are deferred and recognized as inflows of resources in the period that the amounts become 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.

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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

The City's enterprise funds report a long-term liability from capital finance agreements. Assets acquired under the terms of a capital finance agreement are capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. The year of acquisition, the capital finance agreement transactions are recorded as an increase in long-term liability and as a capital addition in the financial statements of the enterprise funds. The capital finance agreement payments represent the principal paid to reduce the long-term liability and the interest expense on the long-term liability from the capital finance agreements.

8. Leases

Lessee

A lease liability and an intangible, right-to-use lease asset (the "lease asset") is recognized in the government-wide financial statements if the City is a lessee for a noncancellable lease of an underlying right to use assets.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

At fiscal year end 2022, the City had no material leases to report in the primary government financial statements. The KEDC discretely presented component unit reports a lease as a lessee which is described in Note III. E. The KEDC's lease policies as a lessee are disclosed in their separately issued financial reports.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Lessor

A lease receivable and a deferred inflow of resources are recognized in the government-wide and governmental fund financial statements if the City is a lessor for a noncancellable lease in which the City gives another entity the right to use their underlying assets for contractual receipts during a noncancellable period.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

The City's general and hospital funds reported leases as lessors described in Note III. C, which also describes the lease as a lessor for the KEDC discretely presented component unit. The KEDC's lease policies as a lessor are disclosed in their separately issued financial reports.

9. 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.

10. 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

11. 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 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.

12. 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.

13. 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.

14. 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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, 2022, the actuarially determined contribution amount was zero and no contributions were made to the KRHP for fiscal year 2022.

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 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 2022: grants, Chapter 59 seizure, Main Street Hotel taxes, and Main Street Downtown. The legal 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 year end. Encumbrances outstanding at year end 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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

statement 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, 2022. 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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had the following investments:

Investments	Value
Primary Government:	
TexPool	\$ 2,562,445
TexStar	9,412,030
Certificates of deposit	250,000
Municipal bonds	12,651,430
Total Primary Government	24,875,905
Discretely Presented Component Units:	
TexPool	6,811,699
TexStar	3,053,325
Fixed income	2,850,774
Equities	6,127,088
Alternative assets	347,876
Total Discretely Presented Component Units	19,190,762
Fiduciary Fund:	
Collateral investment trust	1,031,245
Total Investments	\$ 45,097,912

Weighted average maturity of the portfolio of investments type for the primary government, KEDC, KRA, and KCDC 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 KCDC are as follows:

Investment Type (Excluding Foundation and Investments Held in Trust)	Value	Weighted Average Maturity (Years)
TexPool	\$ 9,374,144	0.07
TexStar	12,465,355	0.09
Certificates of deposits	250,000	1.50
Municipal bonds	12,651,430	1.34
Total	\$ 34,740,929	

Portfolio weighted average maturity 0.55

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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, 2022, 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.

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, 2022, 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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 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, 2022

As of September 30, 2022, the City had the following recurring fair value measurements:

	September 30, 2022	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Municipal Bonds	\$ 12,651,430	\$ -	\$ 12,651,430
Fixed Income	2,850,774	2,850,774	-
Equities	6,127,088	6,127,088	-
Alternative Assets	347,876	347,876	-
Collateral Investment Trust	1,031,245	-	1,031,245
Total	\$ 23,008,413	\$ 9,325,738	\$ 13,682,675

Fixed income, equities, and alternative assets 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 year end. Municipal bonds 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

Amounts recorded as receivable as of September 30, 2022 for the City's primary government's individual major and aggregate nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

Governmental-Type Activities

	General	Capital Projects	Nonmajor Governmental	Internal Service	Total
Property tax	\$ 461,206	\$ -	\$ 38,489	\$ -	\$ 499,695
Sales tax	1,590,712	-	-	-	1,590,712
Other taxes	2,268	-	52,488	-	54,756
Municipal court	339,829	-	-	-	339,829
Accounts	1,671,488	6,796	11,369	3,271	1,692,924
Less allowance	(485,731)	-	(17,475)	-	(503,206)
	\$ 3,579,772	\$ 6,796	\$ 84,871	\$ 3,271	\$ 3,674,710

Business-Type Activities

	Water and Sewer	Hospital	Golf Course	Total
Accounts	\$ 2,032,684	\$ 226,141	\$ 36,837	\$ 2,295,662
Less allowance	(1,106,612)	(125,000)	(19,118)	(1,250,730)
	\$ 926,072	\$ 101,141	\$ 17,719	\$ 1,044,932

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The amounts recorded as receivable on the Statement of Activities for the discretely presented component units as of September 30, 2022 included receivables owed from the City and other governmental entities.

C. Leases Receivable

The City entered into lease agreements (the “Agreements”) as a lessor for the use of their infrastructure located throughout the City with the lessee using the City’s infrastructure to install signal equipment and transmission wiring for communication. The Agreements range from 4 to 33 years after extension options in which it is reasonably certain that these options will be exercised. An initial lease receivable and deferred inflow of resources from leases recorded in the amount of \$461,944 in the general fund at the beginning of the fiscal year. As of September 30, 2022, the value of receivables is \$466,014. The interest rate on the leases receivable is based on the City’s incremental borrowing rates which vary by the length of the Agreements. The lease revenue for the fiscal year 2022 was \$21,408 which consists of the interest payments on the leases receivable of \$1,590 and the amortization of the deferred inflow of resources from leases of \$19,966. As of September 30, 2022, the balance of the deferred inflow of resources was \$441,978. The principal and interest requirements to the maturity for the leases receivable related to the Agreements reported in the general fund are as follows:

Fiscal Year Ending Sept. 30	General Fund		
	Principal	Interest	Total
2023	\$ 16,079	\$ 1,442	\$ 17,521
2024	16,229	1,292	17,521
2025	17,640	1,140	18,780
2026	8,672	982	9,654
2027	8,694	961	9,655
2028-2032	48,148	4,469	52,617
2033-2037	56,678	3,831	60,509
2038-2042	66,505	3,080	69,585
2043-2047	77,822	2,202	80,024
2048-2052	90,853	1,175	92,028
2053-2054	38,694	144	38,838
Total	\$ 446,014	\$ 20,718	\$ 466,732

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The City’s hospital fund reports a lease with Christus Good Shepherd Medical Center for use of the hospital’s building. The remaining lease term at the beginning of the fiscal year was for 49 months and the City will receive monthly payments of \$7,601 for the lease term. An initial lease receivable and deferred inflow of resources from the lease are recorded in the amount of \$358,808 in the hospital fund at the beginning of the fiscal year. The interest rate on the lease receivable is based on the City’s incremental borrowing rates for the length of the lease of approximately 1.88%. The lease revenue for the fiscal year 2022 was \$93,319 which consists of the interest payments on the lease receivable of \$5,448 and the amortization of the deferred inflow of resources from the lease of \$87,871. As of September 30, 2022, the balance of the deferred inflow of resources was \$270,937. The principal and interest requirements to the maturity for the lease receivable related to the lease of the hospital fund’s building is as follows:

Fiscal Year Ending Sept. 30	Hospital Fund		
	Principal	Interest	Total
2023	\$ 86,825	\$ 4,392	\$ 91,217
2024	88,473	2,744	91,217
2025	90,152	1,065	91,217
2026	7,589	12	7,601
Total	\$ 273,039	\$ 8,213	\$ 281,252

The KEDC discretely presented component unit leases its land and office space to various entities. The remaining terms and payments on these leases vary. Payments are either fixed or variable over the lease term, which ranges from 2 – 5 years. As of September 30, 2022, the value of the leases receivable is \$1,379,426. The lease revenue of \$499,076 includes the interest paid on the leases receivable and the amortization of the deferred inflow of resources from leases. As of September 30, 2022, the balance of the deferred inflow of resources was \$1,261,671. The principal and interest requirements to the maturity for the leases receivable reported in the KEDC discretely presented component unit are as follows:

Fiscal Year Ending Sept. 30	KEDC Discretely Presented Component Unit		
	Principal	Interest	Total
2023	\$ 207,384	\$ 49,816	\$ 257,200
2024	269,435	41,029	310,464
2025	328,690	28,910	357,600
2026	344,871	15,779	360,650
2027	229,046	2,861	231,907
Total	\$ 1,379,426	\$ 138,395	\$ 1,517,821

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

D. Capital Assets

1. Primary Government

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,520,235	\$ -	\$ (784,359)	\$ 1,735,876
Equipment (historical treasure)	40,000	-	-	40,000
Construction in progress	1,268,933	459,895	(259,996)	1,468,832
Total Capital Assets Not Being Depreciated	<u>3,829,168</u>	<u>459,895</u>	<u>(1,044,355)</u>	<u>3,244,708</u>
Capital assets being depreciated:				
Buildings and systems	43,750,762	307,995	-	44,058,757
Equipment, machinery, and vehicles	16,979,577	613,113	(170,739)	17,421,951
Total Capital Assets Being Depreciated	<u>60,730,339</u>	<u>921,108</u>	<u>(170,739)</u>	<u>61,480,708</u>
Less accumulated depreciation for:				
Buildings and systems	(17,521,996)	(1,393,957)	-	(18,915,953)
Equipment, machinery, and vehicles	(13,069,022)	(837,316)	170,739	(13,735,599)
Total Accumulated Depreciation	<u>(30,591,018)</u>	<u>(2,231,273)</u>	<u>170,739</u>	<u>(32,651,552)</u>
Total Capital Assets, Net Governmental Activities	<u>30,139,321</u>	<u>(1,310,165)</u>	<u>-</u>	<u>28,829,156</u>
Capital Assets, Net	<u>\$ 33,968,489</u>	<u>\$ (850,270)</u>	<u>\$ (1,044,355)</u>	<u>32,073,864</u>
			Less associated debt	(2,235,186)
			Plus deferred charge on refunding	82,132
			Net Investment in Capital Assets	<u>\$ 29,920,810</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 150,513
Public safety	302,313
Public works	1,000,387
Development services	11,835
Culture and recreation	288,780
Capital assets held by the City's internal service funds are charged to various functions based on their usage of the assets	<u>477,445</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,231,273</u>

The City has active governmental activities construction projects as of September 30, 2022. The projects include the following:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Texan Theatre	\$ 704,200	\$ 364,222	\$ 339,978
Wells Street	195,000	106,545	88,455
Downtown Storm Drain	850,524	265,730	584,794
Danville Cemetary Irrigation System	459,151	-	459,151
Main Street Improvements	1,685,208	387,557	1,297,651
Total	<u>\$ 3,894,083</u>	<u>\$ 1,124,054</u>	<u>\$ 2,770,029</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 481,263	\$ -	\$ -	\$ 481,263
Construction in progress	7,105,243	10,445,590	(2,565,422)	14,985,411
Total Capital Assets Not Being Depreciated	<u>7,586,506</u>	<u>10,445,590</u>	<u>(2,565,422)</u>	<u>15,466,674</u>
Capital assets being depreciated:				
Buildings and systems	73,536,616	2,565,422	(7,245,252)	68,856,786
Machinery, equipment, and vehicles	12,057,318	-	(6,927,731)	5,129,587
Total Capital Assets Being Depreciated	<u>85,593,934</u>	<u>2,565,422</u>	<u>(14,172,983)</u>	<u>73,986,373</u>
Less accumulated depreciation for:				
Buildings and systems	(36,799,921)	(1,703,001)	6,688,779	(31,814,143)
Machinery, equipment, and vehicles	(9,948,929)	(239,199)	6,927,731	(3,260,397)
Total Accumulated Depreciation	<u>(46,748,850)</u>	<u>(1,942,200)</u>	<u>13,616,510</u>	<u>(35,074,540)</u>
Total Capital Assets, Net Business-Type Activities Capital Assets, Net	<u>\$ 46,431,590</u>	<u>\$ 11,068,812</u>	<u>\$ (3,121,895)</u>	<u>54,378,507</u>
				Less associated debt (22,464,710)
				Unspent bond proceeds 8,360,928
				<u>Net Investment in Capital Assets \$ 40,274,725</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,624,167
Hospital	226,705
Golf course	91,328
Total Business-Type Activities Depreciation Expense	<u>\$ 1,942,200</u>

The City has active business-type activities construction projects that are in progress and have a portion completed that is reported as buildings and systems as of September 30, 2022. 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	\$ 955,864	\$ 197,241
Rabbit Creek Lift Station Phase 2	2,740,000	1,077,902	1,662,098
High Service Pump Station	3,412,165	2,427,562	984,603
Laird Hospital Project	23,315,000	4,535,592	18,779,408
Industrial Drive Utility Relocation	4,189,679	3,702,276	487,403
Highway 42 Utility Relocation	150,000	21,375	128,625
Advance Meter Infrastructure Upgrade	849,638	741,627	108,011
Surface Water Treatment Plan Improvements	830,000	826,495	3,505
Well Number 6R Construction	200,000	11,730	188,270
Final Clarifier Rehabilitation	75,000	68,830	6,170
Digester Rehabilitation Engineering	191,000	7,280	183,720
Hale Street Improvements	100,000	20,000	80,000
2276 Water Line Extension	500,000	12,000	488,000
Total	<u>\$ 37,705,587</u>	<u>\$ 14,408,533</u>	<u>\$ 23,297,054</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

2. KEDC Discretely Presented Component Unit

The following is a summary of changes in capital assets for the KEDC for the year ended September 30, 2022:

	<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
Property held for resale/transfer	<u>6,315,991</u>	<u>54,573</u>	<u>(317,000)</u>	<u>6,053,564</u>
Total Capital Assets Not Being Depreciated	<u>6,477,063</u>	<u>54,573</u>	<u>(317,000)</u>	<u>6,214,636</u>
Capital assets, being depreciated:				
Buildings and systems	15,113,720	9,511	-	15,123,231
Furniture, fixtures, and equipment	261,198	7,078	-	268,276
Right-to-use assets	-	255,834	-	255,834
Total Capital Assets Being Depreciated	<u>15,374,918</u>	<u>272,423</u>	<u>-</u>	<u>15,647,341</u>
Total Capital Assets	<u>21,851,981</u>	<u>326,996</u>	<u>(317,000)</u>	<u>21,861,977</u>
Less accumulated depreciation for:				
Buildings and systems	(4,035,411)	(514,468)	-	(4,549,879)
Furniture, fixtures, and equipment	(238,498)	(4,869)	-	(243,367)
Right-to-use assets	-	(49,031)	-	(49,031)
Total Accumulated Depreciation	<u>(4,273,909)</u>	<u>(568,368)</u>	<u>-</u>	<u>(4,842,277)</u>
Total Capital Assets Being Depreciated, Net	<u>11,101,009</u>	<u>(295,945)</u>	<u>-</u>	<u>10,805,064</u>
Discretely Presented Component Unit Capital Assets, Net	<u>\$ 17,578,072</u>	<u>\$ (241,372)</u>	<u>\$ (317,000)</u>	<u>17,019,700</u>
			Less associated debt	<u>(6,615,752)</u>
			Net Investment in Capital Assets	<u>\$ 10,403,948</u>

Depreciation and amortization of right-to-use assets was charged to the discretely presented component unit as follows:

Economic Development	<u>\$ 568,368</u>
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CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

E. 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, 2022. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 2,445,000	\$ -	\$ (310,000)	\$ 2,135,000	\$ 310,000
Premium on debt issuances	117,360	-	(17,174)	100,186	-
Total	<u>2,562,360</u>	<u>-</u>	<u>(327,174)</u>	<u>2,235,186</u> *	<u>310,000</u>
Other liabilities:					
Net pension liability	2,794,044	-	(1,821,961)	972,083	-
Total OPEB liability	613,713	53,327	-	667,040	-
Compensated absences	825,641	779,577	(743,077)	862,141	775,927
Claims payable	66,302	155,085	(149,806)	71,581	-
Total	<u>4,299,700</u>	<u>987,989</u>	<u>(2,714,844)</u>	<u>2,572,845</u>	<u>775,927</u>
Total Governmental Activities	<u>\$ 6,862,060</u>	<u>\$ 987,989</u>	<u>\$ (3,042,018)</u>	<u>\$ 4,808,031</u>	<u>\$ 1,085,927</u>

Long-term debt due in more than one year \$ 3,722,104

***Debt associated with capital assets** \$ 2,235,186

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Certificates of obligation	\$ 21,875,000	\$ -	\$ (825,000)	\$ 21,050,000	\$ 840,000
Note payable	715,453	-	(69,090)	646,363	71,180
Premium on debt issuances	700,546	-	(36,566)	663,980	-
Total	<u>23,290,999</u>	<u>-</u>	<u>(930,656)</u>	<u>22,360,343</u> **	<u>911,180</u>
Other liabilities:					
Capital finance agreements	134,503	-	(30,136)	104,367	** 31,419
Net pension liability	547,107	-	(298,749)	248,358	-
Total OPEB liability	516,632	1,972	-	518,604	-
Compensated absences	64,511	72,940	(58,060)	79,391	71,452
Total	<u>1,262,753</u>	<u>74,912</u>	<u>(386,945)</u>	<u>950,720</u>	<u>102,871</u>
Total Business-Type Activities	<u>\$ 24,553,752</u>	<u>\$ 74,912</u>	<u>\$ (1,317,601)</u>	<u>\$ 23,311,063</u>	<u>\$ 1,014,051</u>

Long-term debt due in more than one year \$ 22,297,012

****Debt associated with capital assets** \$ 22,464,710

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Discretely Presented Component Unit					
Revenue bonds	\$ 6,765,000	\$ -	\$ (390,000)	\$ 6,375,000	*** 390,000
Note payable	400,000	-	-	400,000	-
Leases payable	-	255,834	(44,759)	211,075	*** 48,221
Less deferred amounts:					
For premiums	34,656	-	(4,979)	29,677	*** -
Total Discretely Presented Component Units	<u>\$ 7,199,656</u>	<u>\$ 255,834</u>	<u>\$ (439,738)</u>	<u>\$ 7,015,752</u>	<u>\$ 438,221</u>

Long-term debt payable in more than one year \$ 6,577,531

Debt associated with capital assets \$ 6,615,752 ***

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 OPEB liability are fully liquidated by the general fund.

The certificates of obligation, note payable, and the capital finance agreement 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	<u>\$ 2,135,000</u>

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	\$ 3,230,000
Series 2019	1.70 - 2.90	2039	5,060,000
Series 2021	1.00 - 3.00	2041	4,860,000
Series 2021A	1.25 - 3.00	2051	3,680,000
Series 2021B	0.35 - 2.50	2041	<u>4,220,000</u>
Total Certificates of Obligation			<u>21,050,000</u>

Notes Payable:

Appropriated notes payable proceeds to upgrade water meters with 20 semi-annual payments of \$40,957, including interest.	1.71	2031	<u>646,363</u>
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Capital Finance Agreements:

John Deere Mower payable in 48 monthly installments of \$2,189.44, including interest.	4.20	2024	38,130
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	<u>66,237</u>
Total Capital Finance Agreement			<u>104,367</u>

Total Business-Type Activities Debt	<u>\$ 21,800,730</u>
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CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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	\$ 1,180,000
Series 2015	2.00 - 4.00	2035	1,265,000
Series 2019	2.00 - 4.00	2039	3,930,000
Total Certificates of Obligation			<u>6,375,000</u>
Note Payable:			
Primary Government Note Payable	3.00	No Timeline	<u>400,000</u>
Leases Payable:			
Right-to-use assets	Varies	2027	<u>211,075</u>
Total Component Unit Debt			<u>\$ 6,986,075</u>

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

Fiscal Year Ending Sept. 30	Governmental Activities		Business-Type Activities		Total Primary Government
	Principal	Interest	Principal	Interest	
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	365,000	22,500	935,000	422,641	1,745,141
2028-2032	385,000	11,550	5,030,000	1,727,357	7,153,907
2033-2037	-	-	5,400,000	1,076,213	6,476,213
2038-2042	-	-	3,330,000	524,488	3,854,488
2043-2047	-	-	1,515,000	258,375	1,773,375
2048-2051	-	-	1,360,000	61,988	1,421,988
Total	<u>\$ 2,135,000</u>	<u>\$ 230,550</u>	<u>\$ 21,050,000</u>	<u>\$ 6,003,735</u>	<u>\$ 29,419,285</u>

Fiscal Year Ending Sept. 30	Discretely Presented Component Unit		
	Principal	Interest	Total
2023	\$ 390,000	\$ 243,038	\$ 633,038
2024	430,000	229,580	659,580
2025	430,000	215,742	645,742
2026	440,000	201,205	641,205
2027	460,000	185,072	645,072
2028-2032	1,960,000	672,164	2,632,164
2033-2037	1,660,000	318,894	1,978,894
2038-2039	605,000	37,881	642,881
Total	<u>\$ 6,375,000</u>	<u>\$ 2,103,576</u>	<u>\$ 8,478,576</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

The City intends to retire the majority of its certificates of obligation, plus interest, from 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 for installment and upgrades to the City’s water meters. Payment for the note payable, plus interest, will be paid from the proprietary fund revenues. The annual requirements to amortize the long-term liability for the note payable related to the water meter installment and upgrades are as follows:

Fiscal Year Ending Sept. 30	Business - Type Activities		
	Principal	Interest	Total
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	76,197	5,718	81,915
2028-2031	278,029	8,671	286,700
Total	\$ 646,363	\$ 49,908	\$ 696,271

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, 2022 was \$167,522.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Capital Finance Agreements

Other financing agreements include capital finance agreements for the purchase of ownership of golf carts and other equipment for the golf course fund with the total principal and interest payments as follows:

Fiscal Year Ending Sept. 30	Business - Type Activities		
	Principal	Interest	Total
2023	\$ 31,419	\$ 3,712	\$ 35,131
2024	19,507	2,490	21,997
2025	53,441	2,058	55,499
Total	\$ 104,367	\$ 8,260	\$ 112,627

KEDC Leases Payable

The KEDC discretely presented component unit entered into several lease agreements as a lessee for the use of copiers and office space. An initial leases payable and right-to-use assets are recorded for \$255,834 for fiscal year 2022. The right-to-use assets includes copiers for \$9,484 and office space of \$246,350. The interest rates and terms of the lease agreements vary. KEDC will continue to make principal and interest payments on leases through fiscal year 2027. As of September 30, 2022, the lease payable was \$211,075 and the right-to-use assets, net of amortization was \$206,803. The annual principal and interest payments on the leases payable at year end were as follows:

Fiscal Year Ending Sept. 30	KEDC Discretely Presented Component Unit		
	Principal	Interest	Total
2023	\$ 48,221	\$ 2,387	\$ 50,608
2024	49,894	1,766	51,660
2025	50,525	1,135	51,660
2026	50,085	498	50,583
2027	12,350	26	12,376
Total	\$ 211,075	\$ 5,812	\$ 216,887

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, 2022

F. 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>
Nonmajor Fund	General Fund	\$ 45,000
General Fund	Capital Projects Fund	654,602
Nonmajor Fund	Capital Projects Fund	278,000
General Fund	Golf Course Fund	156,000
	Total Transfers	<u>\$ 1,133,602</u>

Nonmajor funds transferred money to the general fund for reimbursement of tourism costs from hotel and motel tax funds. Significant transfers to the capital projects fund are related to funding capital projects during the year. The general fund also transferred funds to the golf course fund 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>\$ 1,009,409</u>	<u>\$ 1,439,121</u>

The advances from the general fund to the nonmajor 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 are related to advances for the purpose of a sanitary sewer evaluation which will be repaid within the next 20 years at a 3.5% interest rate.

G. Fund Equity

As of September 30, 2022, \$849,791 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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

September 30, 2022, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

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 \$71,581 as of September 30, 2022. 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, 2022 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:

	2022	2021
Reconciliation of Changes in the Aggregate Liabilities for Claims and Judgments:		
Unpaid claims, beginning of year	\$ 66,302	\$ 111,257
Plus: incurred claims	155,085	90,846
Less: claim payments	(149,806)	(135,801)
Claims Payable, End of Year	\$ 71,581	\$ 66,302

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.

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 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 \$70,614 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 2022. The TMRS-administered

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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	
	2022	2021
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	
	2022	2021
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms for KPF:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to, but not yet receiving, benefits	113
Active employees	137
Total	396

At the December 31, 2021 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	21
Active employees	-
Total	85

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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 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, 2022

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the KPF were 13.84% and 13.75% in calendar years 2021 and 2022, 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 2021 and 2022 were \$4,633 and \$5,885, respectively.

The City's contributions to TMRS for KPF and HPF for the fiscal year ended September 30, 2022 were \$1,220,056 and \$66,858 which were equal to the required contributions.

Net Pension Liability/(Asset)

The Net Pension Liability (NPL) for KPF and Net Pension (Asset) NP(A) for HPF are measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL and NP(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 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 are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for 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 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 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 post-retirement mortality assumption for the 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.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 public equity	35.00%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other public and private mark	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge funds	5.00%	5.35%
Private equity	10.00%	10.00%
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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. 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	\$ 1,338,516	\$ -	\$ 1,338,516
Interest	3,313,879	-	3,313,879
Difference between expected and actual experience	905,162	-	905,162
Contributions - employer	-	1,093,569	(1,093,569)
Contributions - employee	-	553,106	(553,106)
Net investment income	-	6,059,469	(6,059,469)
Benefit payments, including refunds of employee contributions	(2,897,718)	(2,897,718)	-
Administrative expense	-	(28,068)	28,068
Other changes	-	191	(191)
Net Changes	2,659,839	4,780,549	(2,120,710)
Balance at December 31, 2020	49,874,101	46,532,950	3,341,151
Balance at December 31, 2021	\$ 52,533,940	\$ 51,313,499	\$ 1,220,441

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Changes in the NP(A) for HPF

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(A)	(B)	(A) - (B)
Changes for the year:			
Interest	\$ 826,098	\$ -	\$ 826,098
Difference between expected and actual experience	150,736	-	150,736
Contributions - employer	-	43,255	(43,255)
Net investment income	-	1,660,694	(1,660,694)
Benefit payments, including refunds of employee contributions	(813,229)	(813,229)	-
Administrative expense	-	(7,701)	7,701
Other changes	-	54	(54)
Net Changes	163,605	883,073	(719,468)
Balance at December 31, 2020	12,645,101	12,766,438	(121,337)
Balance at December 31, 2021	\$ 12,808,706	\$ 13,649,511	\$ (840,805)

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

The following presents the NPL of the KPF and NP(A) of the HPF, calculated using the discount rate of 6.75%, as well as what the NPL or NP(A) 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)	\$ 8,485,060	\$ 1,220,441	\$ (4,702,671)
HPF Net Pension Liability / (Asset)	\$ 417,521	\$ (840,805)	\$ (1,913,263)

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, 2022, the KPF recognized a net pension expense of \$79,803 and the HPF recognized pension income of \$176,081.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

At September 30, 2022, 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	\$ 682,061	\$ -
Changes in actuarial assumptions	35,529	-
Difference between projected and actual investment earnings	-	3,113,741
Contributions subsequent to the measurement date	841,419	-
Total	\$ 1,559,009	\$ 3,113,741
	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	-	857,812
Contributions subsequent to the measurement date	42,167	-
Total	\$ 42,167	\$ 857,812
	KPF and HPF Combined	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 682,061	\$ -
Changes in actuarial assumptions	35,529	-
Difference between projected and actual investment earnings	-	3,971,553
Contributions subsequent to the measurement date	883,586	-
Total	\$ 1,601,176	\$ 3,971,553

A total of \$883,586 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 \$379,636 (NPL from the KPF of \$1,220,441, net of the NP(A) from the HPF of \$840,805) for the fiscal year ending September 30, 2023.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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
2023	\$ (202,909)
2024	(1,041,817)
2025	(567,726)
2026	(583,699)
Total	\$ (2,396,151)

HPF	
Fiscal Year Ended September	Pension Expense
2023	\$ (138,729)
2024	(378,781)
2025	(180,511)
2026	(159,791)
Total	\$ (857,812)

Combined KPF and HPF	
Fiscal Year Ended September	Pension Expense
2023	\$ (341,638)
2024	(1,420,598)
2025	(748,237)
2026	(743,490)
Total	\$ (3,253,963)

E. Other Postemployment Benefits

1. TMRS – Supplemental Death Benefits

Plan Description

The City participates in an 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, 2022

accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for 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 SDBF’s funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

The following notes include the City’s plans for both the KSDBF and HSDBF since both 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, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	100
Inactive employees entitled to, but not yet receiving, benefits	29
Active employees	137
Total	266

Participation in the HSDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to, but not yet receiving, benefits	17
Active employees	-
Total	76

Total OPEB Liability

The City’s total OPEB liability for the KSDBF and HSDBF of \$781,754 and \$403,890, respectively, was measured as of December 31, 2021 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, 2022

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation for KSDBF, 0.00% for HSDBF
Discount rate	1.84%*
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, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

Changes in the Total OPEB Liability

	KSDBF Total OPEB Liability
Changes for the year:	
Service cost	\$ 30,816
Interest	14,552
Differences between expected and actual experience	8,137
Changes of assumptions	23,579
Benefit payments*	(15,013)
	Net Changes
	62,071
Balance at December 31, 2020	719,683
	Balance at December 31, 2021
	\$ 781,754

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

		HSDBF Total OPEB Liability
Changes for the year:		
Interest	\$	8,090
Differences between expected and actual experience		(13,451)
Changes of assumptions		10,926
Benefit payments*		(12,337)
	Net Changes	(6,772)
Balance at December 31, 2020		410,662
	Balance at December 31, 2021	\$ 403,890

		Combined KSDBF and HSDBF Total OPEB Liability
Changes for the year:		
Service cost	\$	30,816
Interest		22,642
Differences between expected and actual experience		(5,314)
Changes of assumptions		34,505
Benefit payments*		(27,350)
	Net Changes	55,299
Balance at December 31, 2020		1,130,345
	Balance at December 31, 2021	\$ 1,185,644

*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 (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
KSDBF's Total OPEB Liability	\$ 954,875	\$ 781,754	\$ 649,614
	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
HSDBF's Total OPEB Liability	\$ 483,361	\$ 403,890	\$ 342,179

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

For the year ended September 30, 2022, the KSDBF recognized OPEB expense of \$76,024 and the HSDBF recognized OPEB expense of \$5,565. 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	\$ 120,413	\$ 9,910
Changes in actuarial assumptions	6,486	34,684
Contributions subsequent to the measurement date	17,282	-
Total	\$ 144,181	\$ 44,594

The City reported deferred outflows related to contributions subsequent to the measurement date. \$17,282 (\$11,015 for KSDBF and \$6,267 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, 2023.

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
2023	\$ 27,829
2024	27,046
2025	20,343
2026	7,087
	\$ 82,305

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, 2022, the monthly subsidy was equal to \$504.

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

Participation in the KRHP as of September 30, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	11
Total	15

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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, 2022, the actuarially determined contribution amount was zero and no contributions were made.

Net OPEB (Asset)

The City's net OPEB (asset) of \$718,516 was measured as of September 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The net OPEB (asset) in the September 30, 2022 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, 2022
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 13 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, 2022

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	\$ 2,649	\$ -	\$ 2,649
Interest	18,249	-	18,249
Difference between expected and actual experience	(52,710)	-	(52,710)
Net investment income	-	(171,173)	171,173
Administration	-	(1,220)	1,220
Benefit payments	(28,146)	(28,146)	-
Net Changes	<u>(59,958)</u>	<u>(200,539)</u>	<u>140,581</u>
Beginning balance	344,541	1,203,638	(859,097)
Ending Balance	<u>\$ 284,583</u>	<u>\$ 1,003,099</u>	<u>\$ (718,516)</u>

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)	<u>\$ (697,825)</u>	<u>\$ (718,516)</u>	<u>\$ (737,777)</u>

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)	<u>\$ (741,875)</u>	<u>\$ (718,516)</u>	<u>\$ (692,305)</u>

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

For the year ended September 30, 2022, 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	\$ -	\$ 269,854
Changes in actuarial assumptions	-	3,543
Difference between expected and actual investment earnings	141,910	-
Total	\$ 141,910	\$ 273,397

The measurement date of the net OPEB (asset) is equal to the last day of the City’s fiscal year; therefore, there are no deferred outflows 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
2023	\$ (21,112)
2024	(25,202)
2025	(23,365)
2026	(7,443)
2027	(29,958)
Thereafter	(24,407)
	\$ (131,487)

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, 2022, the balance of the deferred compensation plan assets was \$1,090,016. However, since the City does not administer this plan, the plan is not included in the City’s financial statements.

CITY OF KILGORE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

G. 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, 2022, the City abated property taxes totaling \$509,134 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%	\$ 99,204
Orgill, Inc	Construction and improvement to real property; personal property investment; job creation	60%	\$ 395,205
Wagner Tuning	Construction and improvement to real property; personal property investment; job creation	50%	\$ 14,725

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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, 2022

	<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	\$ 6,446,356	\$ 6,446,356	\$ 6,497,548	\$ 51,192
Sales	4,800,000	4,800,000	5,955,329	1,155,329
Other taxes and fees	687,000	687,000	721,997	34,997
Charges for services:				
Garbage collection	2,465,000	2,465,000	2,499,771	34,771
Police court fines and fees	500,000	500,000	341,741	(158,259)
Permits	78,450	78,450	113,172	34,722
Cemetery	80,000	80,000	102,525	22,525
Swimming pool	38,500	38,500	76,041	37,541
Library	6,000	6,000	4,110	(1,890)
County support	61,000	61,000	72,884	11,884
Grants	326,655	326,655	1,650,677	1,324,022
Interest on investments	310,000	310,000	54,498	(255,502)
Lease revenue	21,556	21,556	21,556	-
Miscellaneous	1,051,136	1,051,136	96,107	(955,029)
Total Revenues	<u>16,871,653</u>	<u>16,871,653</u>	<u>18,207,956</u>	<u>1,336,303</u>
<u>Expenditures</u>				
Current:				
General government:				
Administration	593,725	593,725	305,902	287,823
Finance	463,333	463,333	398,979	64,354
Cemetery	191,583	191,583	187,822	3,761
City council	119,996	119,996	74,343	45,653
Contingency	200,000	200,000	-	200,000
Building maintenance	208,423	208,423	190,116	18,307
Human resources	128,808	128,808	120,555	8,253
Property and liability insurance	196,250	196,250	173,522	22,728
Public safety:				
Police	5,178,181	5,245,705	5,215,051	30,654
Fire	3,343,997	3,343,997	3,263,832	80,165
Rescue unit	112,476	112,476	93,302	19,174
Municipal court	184,439	184,439	170,274	14,165
Public works:				
Streets	1,365,496	1,365,496	974,247	391,249

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, 2022

	<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	\$ 194,691	\$ 194,691	\$ 191,408	\$ 3,283
Equipment services	264,244	264,244	151,668	112,576
Planning and zoning	210,144	210,144	203,067	7,077
Sanitation:				
Garbage collection	1,983,600	1,983,600	1,910,669	72,931
Culture and recreation:				
Parks	1,065,377	1,045,377	1,221,436	(176,059)
Library	446,826	466,826	460,840	5,986
Swimming pool	168,593	235,216	232,038	3,178
Public welfare:				
Code enforcement	280,987	335,987	324,500	11,487
Total Expenditures	<u>16,901,169</u>	<u>17,090,316</u>	<u>15,863,571</u>	<u>1,226,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,516)</u>	<u>(218,663)</u>	<u>2,344,385</u>	<u>2,563,048</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	195,000	195,000	45,000	(150,000)
Transfers (out)	(518,000)	(814,102)	(810,602)	3,500
Proceeds from sale of land	-	1,009,171	1,044,876	35,705
Total Other Financing Sources (Uses)	<u>(323,000)</u>	<u>(619,102)</u>	<u>279,274</u>	<u>(110,795)</u>
Net Change in Fund Balance	<u>(352,516)</u>	<u>(837,765)</u>	<u>2,623,659</u>	<u>2,452,253</u>
Beginning fund balance			<u>12,865,758</u>	
Ending Fund Balance			<u>\$ 15,489,417</u>	

Notes to Required Supplementary Information:

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, 2022

	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 eight years of information is currently available. The City will build this schedule over the next two-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*				
	2018	2019	2020	2021
\$	1,296,010	\$ 1,353,111	\$ 1,464,811	\$ 1,338,516
	3,744,641	3,835,273	3,999,441	4,139,977
	(905,857)	(8,810)	247,656	1,055,898
	-	326,269	-	-
	<u>(2,804,699)</u>	<u>(2,836,584)</u>	<u>(3,422,571)</u>	<u>(3,710,947)</u>
	1,330,095	2,669,259	2,289,337	2,823,444
	56,230,511	57,560,606	60,229,865	62,519,202
\$	<u><u>57,560,606</u></u>	<u><u>60,229,865</u></u>	<u><u>62,519,202</u></u>	<u><u>65,342,646</u></u>
\$	1,196,332	\$ 1,167,754	\$ 1,230,413	\$ 1,136,824
	538,083	566,319	607,735	553,106
	(1,578,123)	7,731,206	4,293,992	7,720,163
	(2,804,699)	(2,836,584)	(3,422,571)	(3,710,947)
	(30,518)	(43,708)	(27,810)	(35,769)
	(1,595)	(1,313)	(1,085)	245
	<u>(2,680,520)</u>	<u>6,583,674</u>	<u>2,680,674</u>	<u>5,663,622</u>
	52,715,560	50,035,040	56,618,714	59,299,388
\$	<u><u>50,035,040</u></u>	<u><u>56,618,714</u></u>	<u><u>59,299,388</u></u>	<u><u>64,963,010</u></u>
\$	<u><u>7,525,566</u></u>	<u><u>3,611,151</u></u>	<u><u>3,219,814</u></u>	<u><u>379,636</u></u>
	86.93%	94.00%	94.85%	99.42%
\$	7,686,894	\$ 7,982,957	\$ 8,682,931	\$ 7,901,509
	97.90%	45.24%	37.08%	4.80%

CITY OF KILGORE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2022

	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 eight years of information is currently available. The City will build this schedule over the next two-year period.

**The benefit schedules for TMRS disclosed in the Required Supplementary Information combine 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: 24 Years, HPF: 6 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 December 31, 2014 - December 31, 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	2022
\$ 1,186,664	\$ 1,206,271	\$ 1,193,200	\$ 1,220,056
<u>(1,186,664)</u>	<u>(1,206,271)</u>	<u>(1,193,200)</u>	<u>(1,220,056)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,866,598	\$ 8,291,004	\$ 8,088,988	\$ 8,187,258
15.08%	14.55%	14.75%	14.90%

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, 2022

	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 five years of information is currently available. The City will build this schedule over the next five-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	1.84%
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, 2021.

There were no benefit changes during the year.

The benefit schedules for TMRS disclosed in the Required Supplementary Information combine 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).

Measurement

Year*

2021

\$	30,816
	22,642
	(5,314)
	34,505
	(27,350)
	<u>55,299</u>
	1,130,345
\$	<u>1,185,644</u>
\$	7,901,509

15.01%

CITY OF KILGORE, TEXAS
SCHEDULE OF CHANGES IN NET OPEB ASSET AND RELATED RATIOS
RETIREE HEALTH PROGRAM
For the Year Ended September 30, 2022

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 14,250	\$ 5,264	\$ 4,216	\$ 3,778
Interest (on the total pension liability)	46,972	49,480	27,199	22,758
Changes of benefit terms	-	(261,390)	(69,105)	(91,299)
Difference between expected and actual experience	-	-	-	-
Change of assumptions	-	-	-	(5,376)
Benefit payments net of refunds of employer contributions	-	(32,324)	(35,907)	(24,936)
Net Change in Total OPEB Liability	61,222	(238,970)	(73,597)	(95,075)
Beginning total OPEB liability	612,044	673,266	434,296	360,699
Ending Total OPEB Liability	<u>\$ 673,266</u>	<u>\$ 434,296</u>	<u>\$ 360,699</u>	<u>\$ 265,624</u>
Plan Fiduciary Net Position				
Net investment income	\$ 75,894	\$ 42,390	\$ 45,727	\$ 76,260
Administrative expenses	(636)	(1,065)	(1,061)	(1,092)
Other	-	(49,238)	-	-
Benefit payments	(60,261)	(32,324)	(35,907)	(24,936)
Net Change in Plan Fiduciary Net Position	14,997	(40,237)	8,759	50,232
Beginning Plan Fiduciary Net Position	1,061,635	1,076,632	1,036,395	1,045,154
Ending Plan Fiduciary Net Position	<u>\$ 1,076,632</u>	<u>\$ 1,036,395</u>	<u>\$ 1,045,154</u>	<u>\$ 1,095,386</u>
Net OPEB (Asset) - Ending	<u>\$ (403,366)</u>	<u>\$ (602,099)</u>	<u>\$ (684,455)</u>	<u>\$ (829,762)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	159.91%	238.64%	289.76%	412.38%
Covered Payroll	\$ 7,324,612	\$ 1,205,311	\$ 1,093,370	\$ 1,001,602
Total OPEB Liability as a Percentage of Covered Payroll	-5.51%	-49.95%	-62.60%	-82.84%

*Only six years of information is currently available. The City will build this schedule over the next four-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 13 years.
Healthcare cost trend rate mortality	2019 Municipal Retirees of Texas mortality tables
Investment rate of return	7.50%

3. Changes in Benefits:

There were no changes during the year.

Measurement Year*	
2021	2022
\$ 3,742	\$ 2,649
13,900	18,249
-	-
(8,557)	(52,710)
99,385	-
<u>(29,553)</u>	<u>(28,146)</u>
78,917	(59,958)
265,624	344,541
<u>\$ 344,541</u>	<u>\$ 284,583</u>

\$ 139,008	\$ (171,173)
(1,203)	(1,220)
-	-
<u>(29,553)</u>	<u>(28,146)</u>
108,252	(200,539)
1,095,386	1,203,638
<u>\$ 1,203,638</u>	<u>\$ 1,003,099</u>
<u>\$ (859,097)</u>	<u>\$ (718,516)</u>

349.35%	352.48%
\$ 785,993	\$ 824,334
-109.30%	-87.16%

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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).

Grants 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 Funds

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, 2022

	Special Revenue Funds			
	Hotel Occupancy Taxes	Grants	911 Emergency	Tax Increment Reinvestment Zone
Assets				
Cash and cash equivalents	\$ 91,735	\$ 33,258	\$ 61,512	\$ -
Investments	119,750	43,491	87,528	-
Receivables, net	52,895	147	9,866	-
Interest on long-term receivables	-	-	-	167,522
Total Assets	\$ 264,380	\$ 76,896	\$ 158,906	\$ 167,522
Liabilities				
Accounts payable	\$ 23,115	\$ -	\$ 539	\$ -
Accrued expenditures	-	-	556	-
Unearned revenue	-	-	-	-
Advance payable	-	-	-	429,712
Total Liabilities	23,115	-	1,095	429,712
Deferred inflows of resources				
Unavailable revenue:				
Property taxes	-	-	-	-
Interest on long-term receivables	-	-	-	167,522
Total Deferred Inflows of Resources	-	-	-	167,522
Fund balances				
Restricted:				
Debt service	-	-	-	-
Grant restrictions	-	76,896	-	-
Municipal court	-	-	-	-
Public safety	-	-	157,811	-
Tourism and convention	241,265	-	-	-
Unassigned	-	-	-	(429,712)
Total Fund Balances	241,265	76,896	157,811	(429,712)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 264,380	\$ 76,896	\$ 158,906	\$ 167,522

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
\$ 179,689	\$ 2,172	\$ 13,736	\$ 53,474	\$ 2,381	\$ 6,541
142,523	2,548	18,236	69,941	3,114	8,555
483	10	61	237	11	29
-	-	-	-	-	-
<u>\$ 322,695</u>	<u>\$ 4,730</u>	<u>\$ 32,033</u>	<u>\$ 123,652</u>	<u>\$ 5,506</u>	<u>\$ 15,125</u>
\$ 1,167	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
70,698	-	-	-	-	-
-	-	-	-	-	-
<u>71,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
250,830	4,730	32,033	123,652	-	-
-	-	-	-	-	-
-	-	-	-	5,506	15,125
-	-	-	-	-	-
<u>250,830</u>	<u>4,730</u>	<u>32,033</u>	<u>123,652</u>	<u>5,506</u>	<u>15,125</u>
<u>\$ 322,695</u>	<u>\$ 4,730</u>	<u>\$ 32,033</u>	<u>\$ 123,652</u>	<u>\$ 5,506</u>	<u>\$ 15,125</u>

CITY OF KILGORE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2022

	Special Revenue Funds			Debt Service
	Kilgore Art Festival	Local Truancy/ Prevention Diversion	Total Special Revenue	
Assets				
Cash and cash equivalents	\$ 1,461	\$ 6,682	\$ 452,641	\$ 180,810
Investments	1,910	8,750	506,346	491
Receivables, net	6	30	63,775	21,096
Interest on long-term receivables	-	-	167,522	-
Total Assets	\$ 3,377	\$ 15,462	\$ 1,190,284	\$ 202,397
Liabilities				
Accounts payable	\$ -	\$ -	\$ 24,821	\$ 519
Accrued expenditures	-	-	556	-
Unearned revenue	-	-	70,698	-
Advance payable	-	-	429,712	-
Total Liabilities	-	-	525,787	519
Deferred inflows of resources				
Unavailable revenue:				
Property taxes	-	-	-	21,014
Interest on long-term receivables	-	-	167,522	-
Total Deferred Inflows of Resources	-	-	167,522	21,014
Fund balances				
Restricted:				
Debt service	-	-	-	180,864
Grant restrictions	-	-	76,896	-
Municipal court	-	-	155,685	-
Public safety	-	15,462	428,833	-
Tourism and convention	3,377	-	265,273	-
Unassigned	-	-	(429,712)	-
Total Fund Balances	3,377	15,462	496,975	180,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,377	\$ 15,462	\$ 1,190,284	\$ 202,397

See Notes to Financial Statements.

**Total
Nonmajor
Governmental
Funds**

\$ 633,451
506,837
84,871
167,522
\$ 1,392,681

\$ 25,340
556
70,698
429,712
526,306

21,014
167,522
188,536

180,864
76,896
155,685
428,833
265,273
(429,712)
677,839

\$ 1,392,681

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, 2022

	Special Revenue Funds			
	Hotel Occupancy Taxes	Grants	911 Emergency	Tax Increment Reinvestment Zone
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other taxes and fees	386,416	-	99,273	-
Charges for services:				
Police court fines and fees	-	-	-	-
Drug seizure revenue	-	-	-	-
Net gain (loss) on investments	(44)	(15)	19	-
Miscellaneous	-	-	-	-
Total Revenues	<u>386,372</u>	<u>(15)</u>	<u>99,292</u>	<u>-</u>
Expenditures				
Current:				
Public safety:				
Police	-	30	87,045	-
Municipal court	-	-	-	-
Culture and recreation:				
Parks	-	-	-	-
Grants	204,942	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal agent fees	-	-	-	-
Total Expenditures	<u>204,942</u>	<u>30</u>	<u>87,045</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>181,430</u>	<u>(45)</u>	<u>12,247</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers (out)	(323,000)	-	-	-
Total Other Financing (Uses)	<u>(323,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(141,570)	(45)	12,247	-
Beginning fund balances	382,835	76,941	145,564	(429,712)
Ending Fund Balances	<u>\$ 241,265</u>	<u>\$ 76,896</u>	<u>\$ 157,811</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	6,077	7,124	-	-
128,795	-	-	-	-	-
(48)	(265)	256	(22)	(1)	(4)
-	-	-	-	-	-
<u>128,747</u>	<u>(265)</u>	<u>6,333</u>	<u>7,102</u>	<u>(1)</u>	<u>(4)</u>
67,692	7,254	13	-	-	-
-	-	-	34	-	-
-	-	-	-	2	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>67,692</u>	<u>7,254</u>	<u>13</u>	<u>34</u>	<u>2</u>	<u>-</u>
61,055	(7,519)	6,320	7,068	(3)	(4)
-	-	-	-	-	-
-	-	-	-	-	-
61,055	(7,519)	6,320	7,068	(3)	(4)
189,775	12,249	25,713	116,584	5,509	15,129
<u>\$ 250,830</u>	<u>\$ 4,730</u>	<u>\$ 32,033</u>	<u>\$ 123,652</u>	<u>\$ 5,506</u>	<u>\$ 15,125</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, 2022

	Special Revenue Funds			
	Kilgore Art Festival	Local Truancy/ Prevention Diversion	Total Special Revenue	
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 389,554
Other taxes and fees	-	-	485,689	-
Charges for services:				
Police court fines and fees	-	-	13,201	-
Drug seizure revenue	-	-	128,795	-
Net gain (loss) on investments	(1)	(2)	(127)	4,545
Miscellaneous	-	6,901	6,901	-
Total Revenues	<u>(1)</u>	<u>6,899</u>	<u>634,459</u>	<u>394,099</u>
Expenditures				
Current:				
Public safety:				
Police	-	-	162,034	-
Municipal court	-	-	34	-
Culture and recreation:				
Parks	-	-	2	-
Grants	-	-	204,942	-
Debt service:				
Principal	-	-	-	310,000
Interest and fiscal agent fees	-	-	-	74,100
Total Expenditures	<u>-</u>	<u>-</u>	<u>367,012</u>	<u>384,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>6,899</u>	<u>267,447</u>	<u>9,999</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(323,000)	-
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(323,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(1)</u>	<u>6,899</u>	<u>(55,553)</u>	<u>9,999</u>
Beginning fund balances	3,378	8,563	552,528	170,865
Ending Fund Balances	<u>\$ 3,377</u>	<u>\$ 15,462</u>	<u>\$ 496,975</u>	<u>\$ 180,864</u>

See Notes to Financial Statements.

**Total
Nonmajor
Governmental
Funds**

\$ 389,554
485,689

13,201
128,795
4,418
6,901

1,028,558

162,034
34

2
204,942

310,000
74,100

751,112

277,446

(323,000)

(323,000)

(45,554)

723,393

\$ 677,839

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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 Purchases 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, 2022

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,362,234	\$ 578,480	\$ 160,181	\$ 2,100,895
Investments	250,000	757,265	208,856	1,216,121
Accounts receivable, net	-	2,562	709	3,271
Total Current Assets	<u>1,612,234</u>	<u>1,338,307</u>	<u>369,746</u>	<u>3,320,287</u>
Noncurrent assets:				
Capital assets (net)	-	1,774,487	130,442	1,904,929
Total Capital Assets	<u>-</u>	<u>1,774,487</u>	<u>130,442</u>	<u>1,904,929</u>
Total Assets	<u>1,612,234</u>	<u>3,112,794</u>	<u>500,188</u>	<u>5,225,216</u>
Liabilities				
Current liabilities:				
Accounts payable	-	-	7,267	7,267
Accrued expenses	1,058	-	-	1,058
Total Liabilities	<u>1,058</u>	<u>-</u>	<u>7,267</u>	<u>8,325</u>
Net Position				
Net investment in capital assets	-	1,774,487	130,442	1,904,929
Unrestricted	1,611,176	1,338,307	362,479	3,311,962
Total Net Position	<u>\$ 1,611,176</u>	<u>\$ 3,112,794</u>	<u>\$ 492,921</u>	<u>\$ 5,216,891</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, 2022

	Internal Service Funds			Total Funds
	Employee Benefit	Capital Equipment Purchases	Information Technology	
<u>Operating Revenues</u>				
Charges for services	\$ 1,794,911	\$ 875,660	\$ 715,792	\$ 3,386,363
Total Operating Revenues	<u>1,794,911</u>	<u>875,660</u>	<u>715,792</u>	<u>3,386,363</u>
<u>Operating Expenses</u>				
Operating expenses	1,599,684	-	644,004	2,243,688
Depreciation	-	437,335	40,110	477,445
Total Operating Expenses	<u>1,599,684</u>	<u>437,335</u>	<u>684,114</u>	<u>2,721,133</u>
Operating Income	<u>195,227</u>	<u>438,325</u>	<u>31,678</u>	<u>665,230</u>
<u>Nonoperating Revenues (Expenses)</u>				
Net gain (loss) on investments	42,222	(231)	(83)	41,908
Gain on sale of capital assets	-	99,288	-	99,288
Total Nonoperating Revenues (Expenses)	<u>42,222</u>	<u>99,057</u>	<u>(83)</u>	<u>141,196</u>
Change in Net Position	237,449	537,382	31,595	806,426
Beginning net position	1,373,727	2,575,412	461,326	4,410,465
Ending Net Position	<u>\$ 1,611,176</u>	<u>\$ 3,112,794</u>	<u>\$ 492,921</u>	<u>\$ 5,216,891</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, 2022

	Internal Service Funds			Total Funds
	Employee Benefit	Capital Equipment Purchases	Information Technology	
<u>Cash Flows from Operating Activities</u>				
Cash received from charges for services	\$ 1,794,911	\$ 845,399	\$ 715,083	\$ 3,355,393
Cash payments for goods and services	-	-	(640,326)	(640,326)
Cash payments to employees	(1,599,589)	-	-	(1,599,589)
Net Cash Provided by Operating Activities	195,322	845,399	74,757	1,115,478
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	-	(443,197)	(84,029)	(527,226)
Proceeds from sale of capital assets	-	99,288	-	99,288
Net Cash (Used) by Capital and Related Financing Activities	-	(343,909)	(84,029)	(427,938)
<u>Cash Flows from Investing Activities</u>				
Cash from sale of investments and interest on investments received	42,222	-	28,471	70,693
Purchase of investments	-	(233,926)	-	(233,926)
Net Cash Provided (Used) by Investing Activities	42,222	(233,926)	28,471	-
Net Increases in Cash and Cash Equivalents	237,544	267,564	19,199	524,307
Beginning cash and cash equivalents	1,124,690	310,916	140,982	1,576,588
Ending Cash and Cash Equivalents	\$ 1,362,234	\$ 578,480	\$ 160,181	\$ 2,100,895

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, 2022

	Internal Service Funds			
	Employee Benefit	Capital Equipment Purchases	Information Technology	Total Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income	\$ 195,227	\$ 438,325	\$ 31,678	\$ 665,230
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	437,335	40,110	477,445
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	-	5,738	(709)	5,029
Increase (Decrease) in Current Liabilities:				
Accounts payable	-	(35,999)	3,678	(32,321)
Accrued expenses	95	-	-	95
Net Cash Provided by Operating Activities	<u>\$ 195,322</u>	<u>\$ 845,399</u>	<u>\$ 74,757</u>	<u>\$ 1,115,478</u>

See Notes to Financial Statements.

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