



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2022



CITY OF KAUFMAN, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2022

Issued By:

City Manager
Mike Holder

Director of Finance
Mary Wennerstrom

CITY OF KAUFMAN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2022

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INTRODUCTORY SECTION



March 24, 2023

Citizens of Kaufman, Honorable Mayor Jeff Jordan
Members of the City Council
City of Kaufman, Texas:

The Annual Comprehensive Financial Report (Annual Report) for fiscal year ended September 30, 2022 is hereby submitted as required by § 7.19 of the Kaufman City Charter. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors. The purpose of this report is to provide the City Council, management, staff, the public, bondholders and other interested parties information that reflects the City's financial condition and activities of the City government.

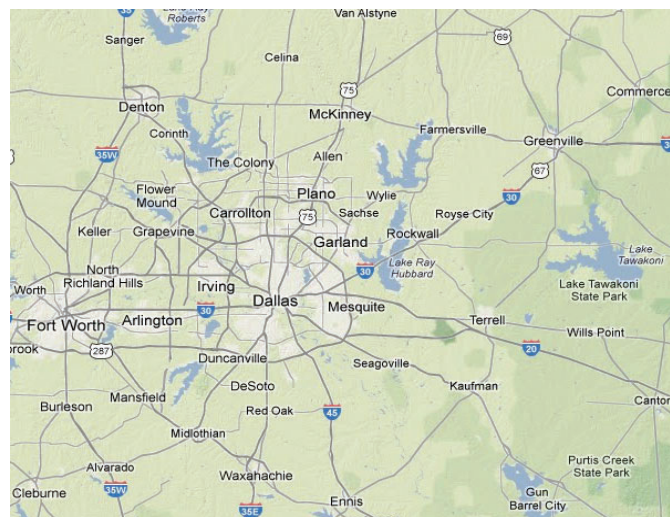
Full responsibility for both the accuracy and reliability of the data contained herein, and the completeness and fairness of the presentation, including all disclosures, rests with City management. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner that presents fairly the financial position and activity of the City of Kaufman. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Beginning with the fiscal year 2003 report, the City complied with Governmental Accounting Standards Board ("GASB") Statement No. 34. In addition to the basic financial statements and supplementary information, you will also find Management's Discussion and Analysis ("MD&A"). The MD&A section of the Annual Report presents only objective information, or currently known facts, known by the City's financial managers as of the date of the auditor's report. The objective is to provide a much broader and detailed analysis of the City's financial condition and operating results. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Kaufman City Charter requires an annual audit by independent certified public accountants. The accounting firm of YWRD, P.C., Waxahachie, Texas, was selected by the City Council to complete the required audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2022, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE GOVERNMENT

Location The City of Kaufman, established in 1853, is located just southeast of the Dallas/Fort Worth Metroplex, in Kaufman County, in the North-Central region of the State of Texas. The Dallas/Fort Worth Metroplex ranks as the top growth area in the State of Texas and one of the top growth areas in the United States. Kaufman currently has a land area of 9 ½ square miles and a population of 8,432 (per City Population). The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council. There is no new City Council action planned for additional annexations, but there are areas that could be considered for annexation in the future.



Governmental Structure The City of Kaufman, a Home Rule City, has operated under the Council-Manager form of government since 1987. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six council members. The City Council is responsible for passing ordinances, adopting the budget, hiring the City Manager, and appointing the City Secretary, City Judge, and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three Council members elected every two years. The Mayor is also elected to two-year terms, while all Council members are elected at-large, on a plurality basis.

Services Provided The City of Kaufman provides a full range of municipal services including police and fire protection; water, sewer, and solid waste services; recreational and cultural activities; land planning and zoning/community development; building/code enforcement; and the construction and maintenance of streets and infrastructure. The City also is financially accountable for a legally separate economic development corporation, which is reported separately within the City's financial statements. Additional information on this legally separate entity can be found in **Note 1** in the notes to the financial statements.

Mission Statement Our goal is to enhance the quality of life of our citizens by providing a safe, clean environment through efficient delivery of public services.

Budgetary Controls The City maintains acceptable budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, debt service fund, enterprise funds, and the special revenue funds are included in the annual appropriated budget. Project-length budgets are adopted for capital project funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

As demonstrated by the statements and schedules included in the financial section of this report, the City of Kaufman continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

The opening of Walmart in 2014 created substantial improvement in the City's tax base, and has continuously spurred ongoing new development within that area. From fiscal year 2014 to fiscal year 2022, property values increased by \$263.6 million (certified fiscal year 2014, \$267,485,910 to certified fiscal year 2022, \$531,072,081). As new businesses and residential development continue to open and gain permits surrounding the strip centers near the Walmart development, the State Highway 34 Bypass, and the newly developed Kingsfort Parkway extension, property values have continued to improve and are expected to continue improving into the future.

Sales tax collections also substantially improved after the opening of Walmart in 2014, with a 15% increase from fiscal year 2014 through fiscal year 2015, and an average year to year increase of 6.5% from fiscal years 2016 through 2019. Despite previously forecasted impacts of COVID-19, sales tax collections fared extremely well beyond expectations in fiscal years 2020 and 2021, with an average increase of 12%, due to more people staying home and shopping local versus commuting to the Dallas/Fort Worth Metroplex. In fiscal year 2022, sales tax increased an additional 12.9% over 2021. Area market indicators continue to point toward positive growth in sales tax for the City of Kaufman beyond fiscal year 2022 due to the ongoing increase in development surrounding the Kingsfort Parkway extension, Walmart, and the State Highway 34 By-pass.

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

Fiscal Year	Tax Rate
2017-2018	0.899368
2018-2019	0.898651
2019-2021	0.848650
2020-2021	0.821676
2021-2022	0.799976

The City continued to monitor revenue and expenditures during the year and make adjustments as necessary. In fiscal year 2022, the City identified the need to develop, recognize, and retain quality staff as a financial and operational stewardship priority, and the need to provide superior fire, police, and emergency services as a priority to be safe and secure, within the City's strategy map. Therefore, the City funded a new structured, modified step pay plan with imbedded retention payments occurring at the 5 and 10 year increments across the organization. With the new step pay plan, the City was also able to adjust entry-level Maintenance Technicians in Public Works to a starting salary of \$31,200 (\$15.00/hour), with the intent to "true up" the lowest paid employees as much as the restrictive budget would allow. In addition, the city added a full-time Fire Captain and an Accountant / Utility Billing Supervisor. The City also funded additional park maintenance funds to affect the significant improvements within our park system. Capital Equipment purchased with operating funds in 2022 included a City website redesign, Council Chambers cameras, Civic Center holiday decorations, and continued rehab to the South elevated water tower. In fiscal year 2022, the City also continued to fund chapter 380 agreement commitments, including KLLM, funded the Texas Municipal Retirement System Consumer Price Index participation at 50% Repeating, funded a 5-year lease of two vehicles, funded \$110,000 Street Maintenance/Rehab (primarily dedicated to curb and sidewalk repair and street sign replacement), and funded \$405,000 from the Street Maintenance Fund (from the sales tax reallocation of 1/4 cent Sales Tax to street rehabilitation). Fiscal year 2022, wholesale utility water rates remained flat, however retail utility rates were increased. As a result of improved infrastructure, specifically the implementation of AMI (automatic metering infrastructure) and wastewater treatment plant improvements, the City increased the water volumetric rate 3% from \$7.75 to \$7.98, and increased sewer rates 5%, raising the volumetric sewer rate from \$5.78 to \$5.95 and increasing the sewer fixed rate by \$1.38. Fiscal Year 2022, the City also continued to fund the Storm Drainage Fund dedicated exclusively to storm drainage improvements, increasing the rate \$0.50 per ERU (equivalent residential unit), from \$4 per ERU to \$4.50 per ERU. These resources continue to address the most pressing needs on a prioritized and approved basis, based on the Storm Drainage Master Study conducted in 2016.

For several years, the street improvement program included an average allotment of \$200,000 for street repair and overlays, until 2016 when the City began issuing General Obligation Bonds designated specifically for Street Bond Projects which included repairs to Houston, Fourth, Austin, Fair, Ninth, Main, & Circle Streets. Phase 1 of the Street Bond Project (Houston, Fourth, Austin, & Fair Streets) was completed in June 2020, and Phase 2 of the Street Bond Project (Ninth, Main, & Circle Streets) was completed in fiscal year 2021. No additional Street Bond Projects were initiated in fiscal year 2022. However, \$110,000, was included in the operating budget for street maintenance repairs.

In May of 2019, the citizens of Kaufman voted and approved a sales tax reallocation of 1/4 cent Sales Tax revenue to a street rehabilitation/street maintenance fund. The street maintenance fund was established beginning with the first sales tax revenue payment being deposited in December of 2019. The 2020 Street Maintenance Program began in July of 2020, allocating \$356,000 for street rehabilitation in the Windsor Park neighborhood, which was completed in November of 2020. In addition, \$408,690 was allocated for fiscal year 2021, which included rehabilitation to the following streets: Hickory, Alton, Monroe, South Jackson, Blain, Coleman, Tabor Parkway at Kingsfort, and Buckingham. Reauthorization of the street maintenance sales tax allocation will be required in 2023.

Community Development Issues During fiscal year 2022, a total of 524 building permits were issued with a combined construction value of \$50,032,595. New Structures included 63 new building permits with a combined square footage of 277,876 of building area valued at \$40,816,504. Included within that number was 13 commercial permits for 63,088 square feet of new building area valued at \$14,456,000 and 47 new single family permits for a total of 116,010 square feet valued at \$17,157,680, and 3 multifamily permits for a total of 98,778 square feet valued at \$9,202,824. Remodel/Repair Structures included 60 remodeling building permits with a combined square footage of 246,095 of building area valued at \$3,968,591. Included within that number was 22 commercial permits for 137,148 square feet of new building area valued at \$3,942,721 and 38 remodel single family permits for a total of 108,947 square feet valued at \$25,870. Demolition permits included 2 commercial demolition permit and 6 residential demolition permits valued at \$34,000. Also included were 393 various permits issued for electrical, fences, foundations/approaches, mechanical, plumbing, signs, storage and garages, and swimming pools for a total of 156,439 square feet valued at \$5,213,500.

In 2021 the City issued a Public Property Finance Act Contract with Government Capital Corporation in the amount of \$2,631,000 for the purpose of procuring an Advanced Metering Infrastructure project and related equipment. The project was bid in fiscal year 2021 and is expected to be completed in the Spring of 2023.

Construction of Tabor Parkway Phase II (formerly known as CR151/Old Kemp Highway) pavement improvement/expansion project began in fiscal year 2020 and was completed in the Fall of 2022.

In 2020, the City issued a Certificate of Obligation in the amount of \$4,785,000 for constructing, reconstructing, and improving streets, roads, alleys, bridges and sidewalks including related utility relocation, stormwater, drainage, signalization, landscaping, lighting and signage, and acquiring, constructing, installing and equipping improvements to the City's stormwater and drainage system. Hillcrest, Priscilla, and Melody Circle storm drainage projects were bid out in fiscal year 2021 and construction is expected to be completed in the Spring of 2023.

Restoration of the South Water Tower began in 2021 and was completed in the Fall of 2022.

Several small utility-related capital improvement projects are currently under construction, or have just been completed, including a major sewer line extension increasing the capacity of the storm water basin at the wastewater treatment plant. The City of Kaufman's utility systems have been deteriorating for many years and an aggressive, comprehensive program is in place to make necessary improvements to the utility systems. The City entered into an agreement with the Texas Water Development Board for \$2.71 million in improvements to the Wastewater Treatment Plant, and the City agreed to set aside an additional \$498,500. The total contract amount for the improvements was \$2,977,203. The project began August 15, 2020 and is expected to be completed in June 2023.

Compensation Plan/Personnel Overall staff budget during fiscal year 2022 was 74 full-time personnel and 5 part-time personnel. Total fiscal year 2022 budgeted payroll with benefits was \$5,765,484. A generous benefit package is provided to employees including vacation, holiday, sick pay and 100% employer paid health insurance plan for employees. The total dollar amount funded by the City per employee/per month for health insurance plans is \$640. In fiscal year 2021, an employer-paid flexible spending account (FSA) was established for full-time employees with a max contribution of \$2,700. The City also provides for retirement in the Texas Municipal Retirement System (TMRS) to their employees, with a contribution rate of 7% (effective October 2007), two to one match, five year vesting, updated service credits and a 20-year retirement plan.

Cash Management Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and TexPool investment pool. The average yield on investments, except for the pension trust fund, at September 30, 2022 was 7.8% on pooled bank accounts (90.46% of portfolio), .37% on certificates of deposit (7.2% of portfolio) and 2.16% on investment pool (2.34% of portfolio).

The City's investment policy complies with the Public Funds Investment Act. The policy, updated in 2022, is designed to ensure the safety of its principal in the overall portfolio as the foremost objective. Accordingly, deposits are either insured by federal depository insurance or collateralized. The investment policy is reviewed and updated annually, as applicable. The City Council considered proposals for banking services in January 2021. Staff reviewed the proposals and determined the best cost of banking services for the City. As recommended, American National Bank of Texas was awarded the City's depository contract for five years, with a 90 day extension. It is anticipated the city will consider proposals for banking services again in April 2026.

Risk Management The City currently maintains third party insurance coverage to minimize all financial risks. Risk management programs are in place to minimize risk in the areas of workers' compensation, general liability, public officials and employees' liability, police officer liability and property and fleet/equipment liability and damage.

Pension Benefits The City provides pension benefits to all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System, an agent multiple-employment public employee retirement system. The pension plan is administered and accounted for by TMRS rather than by the City.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kaufman for its annual comprehensive financial report for the fiscal year ended September 30, 2020. The City is currently waiting on a response from GFOA on its submission for award for the year ending September 30, 2021. The City government has achieved this prestigious award for twenty-two consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

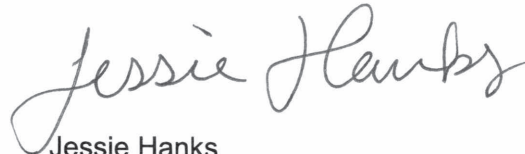
The preparation of the annual comprehensive financial report was made possible by the dedicated services of the entire staff of YWRD, P.C. and the Finance Department of the City of Kaufman.

In closing, the members of the City Council are to be commended for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Mike Holder
City Manager



Jessie Hanks
City Secretary



Mary Wennerstrom
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kaufman
Texas**

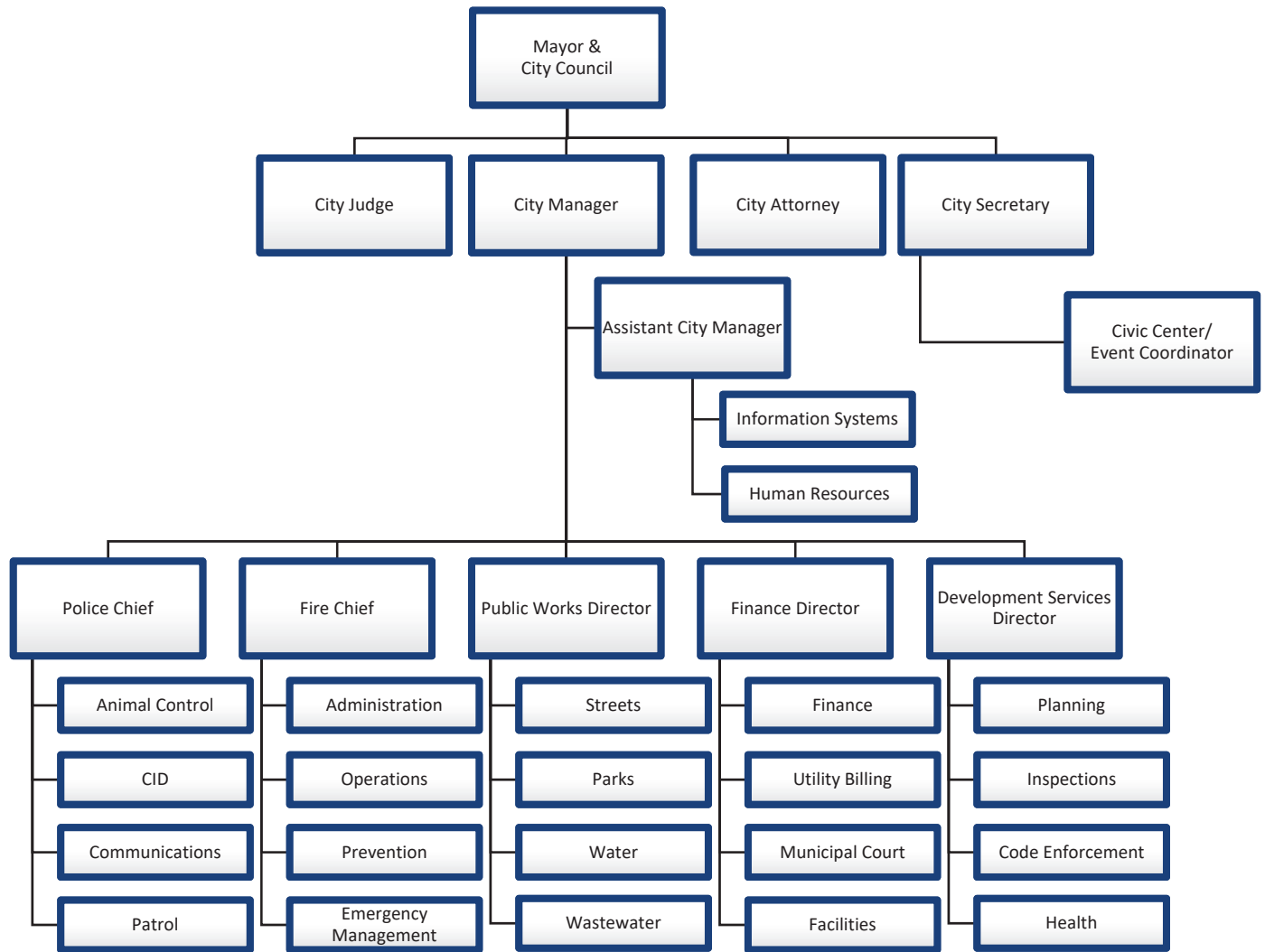
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrell

Executive Director/CEO

CITY OF KAUFMAN ORGANIZATIONAL CHART



CITY OF KAUFMAN, TEXAS
LIST OF ELECTED CITY OFFICIALS AND ADMINISTRATORS
September 30, 2022

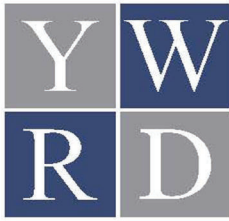
ELECTED CITY OFFICIALS

Mayor	Jeff Jordan
Mayor Pro Tem	Patty Patterson
Council Member	Carole Aga
Council Member	Charles Gillenwater
Council Member	Lisa Parker
Council Member	Matt Phillips
Council Member	Quattro Borders

ADMINISTRATION

City Manager	Mike Holder
City Secretary	Jessie Hanks
Director of Finance	Mary Wennerstrom

FINANCIAL SECTION



YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of
City of Kaufman, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Kaufman Texas' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kaufman, Texas, 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 discussed in Note S to the financial statements, in 2022 the City adopted new accounting guidance, GASBS, No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 of Kaufman, Texas' 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 of Kaufman, Texas' 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 of Kaufman, Texas' 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, net pension liability information, and total OPEB liability information on pages 17-26 and 83-86 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 of Kaufman, Texas' basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part 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 and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and City Council
City of Kaufman, Texas
Page Four

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the City of Kaufman, Texas' 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 of Kaufman, Texas' 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 of Kaufman, Texas' internal control over financial reporting and compliance.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, Texas
March 24, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Kaufman, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-8 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,516,620 (*net position*).
- The City's total net position increased by \$6,686,120.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$11,980,290, an increase of \$6,634,266 in comparison with the prior year. Approximately 22.75% of this amount (\$2,725,928) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,229,578, or approximately 42.0% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred 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.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public services and operations, and parks and recreation. The business-type activities of the City include utility and drainage operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the component unit are available from the City's Finance Director upon request.

The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 fiscal year. Such information may be useful in assessing a government'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*.

The City maintains twelve 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, Debt Service Fund, and Capital Improvements, which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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.

The basic governmental fund financial statements can be found on pages 30-33 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its utility and drainage operations.

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 Utility fund and Drainage fund which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-81 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios. Required supplementary information can be found on pages 83-86 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 89-104 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$40,516,620, at the close of the most recent fiscal year.

CITY OF KAUFMAN, TEXAS'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 21,121,239	\$ 15,792,619	\$ 6,100,644	\$ 9,134,339	\$ 27,221,883	\$ 24,926,958
Capital assets	41,268,353	40,857,157	23,142,384	18,217,064	64,410,737	59,074,221
Total assets	62,389,592	56,649,776	29,243,028	27,351,403	91,632,620	84,001,179
Total deferred outflows of resources	390,090	413,545	181,642	217,802	571,732	631,347
Long term liabilities	34,077,797	32,513,078	14,812,470	15,847,552	48,890,267	48,360,630
Other liabilities	855,417	1,190,200	797,189	675,177	1,652,606	1,865,377
Total liabilities	34,933,214	33,703,278	15,609,659	16,522,729	50,542,873	50,226,007
Total deferred inflows of resources	857,000	413,937	287,859	162,082	1,144,859	576,019
Net position:						
Net investment in capital assets	24,115,446	22,744,176	11,535,234	9,940,276	35,650,680	32,684,452
Restricted	2,711,802	1,998,788	564,638	459,322	3,276,440	2,458,110
Unrestricted (deficit)	162,220	(1,796,858)	1,427,280	484,796	1,589,500	(1,312,062)
Total net position	\$ 26,989,468	\$ 22,946,106	\$ 13,527,152	\$ 10,884,394	\$ 40,516,620	\$ 33,830,500

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (88.0%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's total net investment in capital assets increased as additions from capital outlays and work-in-progress exceeded depreciation and retirements.

An additional portion of the City's net position (8.09%) represents resources that are subject to external restrictions on how they may be used.

The City's overall net position increased \$6,686,120 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF KAUFMAN, TEXAS'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,093,175	\$ 997,360	\$ 5,723,537	\$ 4,465,578	\$ 6,816,712	\$ 5,462,938
Operating grants and contributions	1,214,647	1,040,503	-	-	1,214,647	1,040,503
Capital grants and contributions	1,949,660	1,978,313	1,985,946	105,641	3,935,606	2,083,954
General revenues:						
Property taxes	4,339,370	3,949,549	-	-	4,339,370	3,949,549
Sales taxes	3,919,349	3,404,619	-	-	3,919,349	3,404,619
Franchise taxes	520,843	450,306	-	-	520,843	450,306
Hotel occupancy taxes	63,691	54,641	-	-	63,691	54,641
Alcoholic beverage taxes	15,435	11,074	-	-	15,435	11,074
Investment earnings	7,367	5,119	6,942	8,783	14,309	13,902
Gain on sale of capital assets	850,697	1,148,754	7,550	-	858,247	1,148,754
Miscellaneous	366,493	277,807	-	-	366,493	277,807
Total revenues	14,340,727	13,318,045	7,723,975	4,580,002	22,064,702	17,898,047
Expenses:						
General government	2,211,572	1,920,745	-	-	2,211,572	1,920,745
Public safety	3,142,270	2,962,254	-	-	3,142,270	2,962,254
Public works	2,171,894	2,152,773	-	-	2,171,894	2,152,773
Public services and operations	758,695	786,677	-	-	758,695	786,677
Parks and recreation	1,015,594	971,142	-	-	1,015,594	971,142
Interest on long-term debt	982,487	883,309	-	-	982,487	883,309
Utility	-	-	4,962,431	4,860,578	4,962,431	4,860,578
Drainage	-	-	133,639	96,975	133,639	96,975
Total expenses	10,282,512	9,676,900	5,096,070	4,957,553	15,378,582	14,634,453
Increase in net position before transfers	4,058,215	3,641,145	2,627,905	(377,551)	6,686,120	3,263,594
Transfers	(14,853)	1,433,991	14,853	(1,433,991)	-	-
Change in net position	4,043,362	5,075,136	2,642,758	(1,811,542)	6,686,120	3,263,594
Net position - beginning, as restated	22,946,106	17,870,970	10,884,394	12,695,936	33,830,500	30,566,906
Net position - ending	\$ 26,989,468	\$ 22,946,106	\$ 13,527,152	\$ 10,884,394	\$ 40,516,620	\$ 33,830,500

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$4,043,362 from the prior fiscal year for an ending balance of \$26,989,468. Revenues increased \$1,022,682 with charges for services, grants and contributions, property tax, and sales tax contributing to the majority of this change. Property taxes revenues benefitted from an increase in taxable values and an increase in the property tax rate. Sales tax benefitted from increased economic activity within the City and grants and contributions saw increases due to the receipt of American Rescue Plan Act funds and developer contributions. Expenses increased \$605,612 with increases in personnel expenses and developer reimbursements being primarily responsible for the change.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net increase in net position to an ending balance of \$13,527,152. The total increase in net position for business-type activities (water, sewer, and drainage operations) was \$2,642,758 or 24.28% of prior fiscal year. This increase was driven by increased capital contributions received in the current year and increased charges for services due to increased rates and water consumption by customer. Total expenses before transfers increased by 2.79%.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate 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 a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2022, the City's governmental funds reported combined fund balances of \$11,980,290, an increase of \$6,634,266 in comparison with the prior year. Approximately 22.8% of this amount (\$2,725,928) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$81,000), 2) restricted for particular purposes (\$7,292,608), or 3) assigned for particular purposes (\$1,880,754).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,229,578, while total fund balance increased to \$5,280,604. 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 general fund expenditures. Unassigned fund balance represents approximately 42.0 percent of total general fund expenditures, while total fund balance represents approximately 68.7 percent of that same amount.

The fund balance of the City's general fund increased by \$1,005,191 during the current fiscal year. Property tax increased approximately 9% as a result of an increase in taxable values and an increase in the property tax rate. Sales tax increased approximately 15% from increased economic activity within the City. Total expenditures decreased 19% from 2021 with the general government and public services and operations departments decreasing 30% and 21%, respectively. This decrease was primarily driven by a decrease in capital expenditures.

The debt service fund, a major fund, had an increase in fund balance during the current year of \$155,795 to bring the year end fund balance to \$660,635. This increase is the result of increased property tax revenues and bond proceeds in the current fiscal year.

The capital improvements fund, a major fund, had a \$4,502,845 increase in fund balance during the current fiscal year which increased total fund balance to \$4,505,758. This increase is primarily the result of bond proceeds received during the year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year was \$2,692,731. The total increase in net position was \$1,520,969. Operating revenues increased in 2022 by \$1,215,863 (29.28%). Operating expenses increased by 1.77% while capital contributions increased \$932,576.

Unrestricted net position (deficit) of the Drainage fund at the end of the year was \$(1,265,451). The total increase in net position was \$1,121,789. Operating revenues increased in 2022 by \$42,096 (13.45%). Operating expenses increased by 37.81% while capital contributions increased \$947,729.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City decreased total estimated revenues and transfers in by \$562,610. Sales tax and sale of capital assets increased by \$553,260 and \$842,530, respectively. Licenses and permits decreased by \$603,820 and intergovernmental decreased by \$669,905. Total expenditures and transfers out were decreased by \$835,084 with decreases to transfers out comprising \$865,154 of this decrease.

Final budget compared to actual results. General budgeted revenues of \$8,719,720 exceeded actual revenues of \$8,681,254 by \$38,466.

Actual general fund expenditures of \$7,533,651 exceeded budgeted expenditures of \$7,457,505. This \$76,146 excess was funded by greater than anticipated transfers in. Following are the main components that experienced an increase or decrease of actual expenditures compared to actual expenditures:

- General government budgeted expenditures exceeded actual by \$23,926 primarily due to unspent budgetary reserves.
- Public safety actual expenditures exceeded budget by \$84,468 primarily due to capital lease purchases.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$64,410,737 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 9.03%.

City of Kaufman, Texas's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,690,718	\$ 2,690,718	\$ 564,603	\$ 549,375	\$ 3,255,321	\$ 3,240,093
Construction in progress	430,100	2,275,671	5,494,374	1,570,822	5,924,474	3,846,493
Buildings	11,860,701	12,109,099	1,547,552	1,459,846	13,408,253	13,568,945
Improvements	-	-	15,205,882	14,245,159	15,205,882	14,245,159
Machinery and equipment	745,564	771,909	244,641	320,606	990,205	1,092,515
Infrastructure	24,446,839	21,757,992	-	-	24,446,839	21,757,992
Leased machinery and equipment	1,094,431	1,251,768	59,387	71,256	1,153,818	1,323,024
Leased building	-	-	25,945	-	25,945	-
Total	\$ 41,268,353	\$ 40,857,157	\$ 23,142,384	\$ 18,217,064	\$ 64,410,737	\$ 59,074,221

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

- Construction in progress additions of approximately \$5,336,000 consisting of street improvements, water and sewer improvements, and drainage improvements.
- Approximately \$3,258,000 of construction in progress was completed during the year.
- Improvements of approximately \$1,882,000 for water and sewer lines and drainage improvements.
- Machinery and equipment additions of approximately \$190,785 and disposals of \$180,127.
- Leased machinery and equipment additions of approximately \$90,918.

Additional information on the City's capital assets can be found in Note 3.G on pages 52-53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$47,327,603.

City of Kaufman, Texas's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Certificates of obligation	\$ 8,760,000	\$ 5,110,000	\$ 11,100,000	\$ 11,560,000	\$ 19,860,000	\$ 16,670,000
General obligations						
bonds	11,115,000	10,375,000	470,000	645,000	11,585,000	11,020,000
Pass through bonds	6,330,000	6,670,000	-	-	6,330,000	6,670,000
Notes payable	5,953,975	6,555,855	2,527,484	2,631,000	8,481,459	9,186,855
Tax anticipation note	-	1,195,000	-	-	-	1,195,000
Development						
agreements payable	-	-	75,000	90,000	75,000	90,000
Leases	912,270	1,036,004	83,874	70,166	996,144	1,106,170
Total	\$ 33,071,245	\$ 30,941,859	\$ 14,256,358	\$ 14,996,166	\$ 47,327,603	\$ 45,938,025

The City's total debt increased by \$1,389,578 (3.0 percent) during the current fiscal year. The reason for the increase is primarily the result of new debt issues exceeding scheduled debt payments.

The City's General Obligation and Combination Tax and Revenue Certificates of Obligation ratings are listed below.

	Moody's	Standard's & Poor's
General Obligation Bonds	AA	A+
Certificates of Obligation	AA	A+

Additional information on the City's long term-debt can be found in Note 3.M on pages 60-67 of this report.

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2023 budget, the General Fund revenues are budgeted to increase by \$643,675 or 6.7% from the fiscal year 2022 budget. General property taxes, currently the second largest revenue source for the General Fund, make up about \$3,052,700 or 29.7% of anticipated general fund revenues. Property values show an increase of \$104,532,739 or 19.7% over the prior year primarily as a result of the overall improvement in the local economy, home values, and an increase in the number of new homes and businesses, including Georgetown at Kingsfort Development, Kingsfort business corridor expansion, Burger King, Starbucks, Panda Express, Schlotzsky's and Verizon Wireless. This increase is part of a trend the City has experienced over the last five years, strengthening what the City identifies as a turn-around in appraised values locally. The City Council adopted the tax rate of \$0.7679760 per \$100 assessed valuation which is a decrease to the prior year's rate. The debt service portion of the tax rate decreased by \$0.0188298, from \$0.3068036 to \$0.2879742 per \$100 of net assessed valuation. The maintenance and operations portion of the tax rate decreased by \$0.0131706, from \$0.4931724 to \$0.4800018 per \$100 assessed valuation.

Sales tax, currently the largest revenue source for the General Fund, is budgeted at \$3,395,000 or 33.1% of anticipated General Fund revenue. Wal-Mart, along with continued construction and opening of several new retail outlets along the Kingsfort business corridor continues to positively impact sales tax revenue.

Other major revenue sources include \$3,562,220 from water sales, \$1,988,030 from sewer services, and \$599,125 from franchise agreements. In fiscal year 2023, several capital improvement projects were needed to maintain healthy, safe water and wastewater services, including Advanced Metering Infrastructure (AMI), a Northeast Utility Infrastructure Project, and several waste water treatment plant improvements, as well as, the City incurred a 13.2% increase in the wholesale water rate, which substantiated the need to increase retail utility rates. Water utility rates were increased 8%, increasing the volumetric rate \$0.64 from \$7.98 to \$8.62, increasing the base/fixed rate \$1.44, while keeping the senior rate flat. Sewer rates were increased by 6%, increasing the volumetric rate \$0.36 from \$5.95 to \$6.31, increasing the base/fixed rate \$1.08, while keeping the senior rate flat. Wholesale water customers rates were increased 6%. Storm Drainage fees were also increased \$0.50 to a rate \$5.00 per ERU per month.

The fiscal year 2023 budget adopted by the City Council includes an increase of \$644,305 or 6.7% in the expenditures in the General Fund operating budget and an increase of \$596,327 or 10.9% in the business-type fund operating budget when compared to previous year's budget. The 2023 budget includes a structured, modified step pay plan with imbedded retention payments occurring at 5 and 10 year increments, including a 3% cost of living increase, effective October 1, 2022. In addition, the city added six new full-time positions, including two administrative clerks, three maintenance technicians, and one patrol officer. Fiscal year 2023, also continued to fund chapter 380 agreement commitments, including KLLM and South Pointe Development, funded the Texas Municipal Retirement System Consumer Price Index participation at 50% Repeating, funded a 5-year lease of seven vehicles, two police vehicles, and five public works vehicles. The city also funded additional park maintenance funds to affect significant improvements within our park system, \$105,000 in Street Maintenance/Rehab (primarily dedicated to curb and sidewalk repair and sign replacement), \$565,830 from the Street Maintenance Fund (from the sales tax reallocation of 1/4 penny Sales Tax to street rehabilitation), as well as, continued storm drainage improvements, a North water tower rehabilitation, and Shannon, Sports Complex, and City Lakes Park improvements.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 209 S. Washington, Kaufman, Texas 75142.

BASIC FINANCIAL STATEMENTS

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			Component Unit
	Governmental	Business-type		Kaufman
	Activities	Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 11,712,254	\$ 2,696,507	\$ 14,408,761	\$ 1,169,413
Receivables (net of allowance for uncollectibles)	1,026,849	720,034	1,746,883	90,000
Intergovernmental receivables	7,501,136	-	7,501,136	-
Due from component unit	800,000	-	800,000	-
Due from primary government	-	-	-	98,052
Inventories	-	144,705	144,705	-
Prepaid items	81,000	8,778	89,778	3,533
Restricted cash and cash equivalents	-	2,530,620	2,530,620	-
Capital assets:				
Non-depreciable	3,120,818	6,058,977	9,179,795	558,435
Depreciable (net of accumulated depreciation)	38,147,535	17,083,407	55,230,942	4,287
Total Assets	<u>62,389,592</u>	<u>29,243,028</u>	<u>91,632,620</u>	<u>1,923,720</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	60,121	60,121	-
Deferred outflows of resources related to pension	349,417	107,515	456,932	-
Deferred outflows of resources related to OPEB	40,673	14,006	54,679	-
Total Deferred Outflows of Resources	<u>390,090</u>	<u>181,642</u>	<u>571,732</u>	<u>-</u>
LIABILITIES				
Accounts payable	378,547	56,475	435,022	39,749
Accrued payroll payable	31,116	25,472	56,588	-
Accrued interest payable	132,602	43,593	176,195	-
Customer deposits payable	8,850	120,066	128,916	-
Due to component unit	98,052	-	98,052	-
Unearned revenue	206,250	-	206,250	-
Liabilities payable from restricted assets	-	551,583	551,583	-
Noncurrent liabilities:				
Due within one year	1,611,980	835,481	2,447,461	100,000
Due in more than one year	32,465,817	13,976,989	46,442,806	700,000
Total Liabilities	<u>34,933,214</u>	<u>15,609,659</u>	<u>50,542,873</u>	<u>839,749</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	836,504	280,591	1,117,095	-
Deferred inflows of resources related to OPEB	20,496	7,268	27,764	-
Total Deferred Inflows of Resources	<u>857,000</u>	<u>287,859</u>	<u>1,144,859</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	24,115,446	11,535,234	35,650,680	562,722
Restricted for:				
General government	59,693	-	59,693	-
Infrastructure improvements	-	375,343	375,343	-
Public safety	143,321	-	143,321	-
Public works	1,806,226	-	1,806,226	-
Parks and recreation	41,927	-	41,927	-
Debt service	660,635	189,295	849,930	-
Economic development	-	-	-	521,249
Unrestricted	162,220	1,427,280	1,589,500	-
Total Net Position	<u>\$ 26,989,468</u>	<u>\$ 13,527,152</u>	<u>\$ 40,516,620</u>	<u>\$ 1,083,971</u>

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2022

Net (Expense) Revenue and Changes in Net Position							Component Unit
Function/Programs:	Program Revenues				Primary Government		Kaufman Economic Development Corporation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,211,572	\$ 463,010	\$ 1,167,848	\$ -	\$ (580,714)	\$ -	\$ (580,714)
Public safety	3,142,270	112,276	40,316	-	(2,989,678)	-	(2,989,678)
Public works	2,171,894	468,320	-	1,899,660	196,086	-	196,086
Public services and operations	758,695	-	-	-	(758,695)	-	(758,695)
Parks and recreation	1,015,594	49,569	6,483	50,000	(909,542)	-	(909,542)
Interest on long-term debt	982,487	-	-	-	(982,487)	-	(982,487)
Total governmental activities	10,282,512	1,093,175	1,214,647	1,949,660	(6,025,030)	-	(6,025,030)
Business-type activities:							
Utility	4,962,431	5,368,524	-	1,038,217	-	1,444,310	1,444,310
Drainage	133,639	355,013	-	947,729	-	1,169,103	1,169,103
Total business-type activities	5,096,070	5,723,537	-	1,985,946	-	2,613,413	2,613,413
Total primary government	\$ 15,378,582	\$ 6,816,712	\$ 1,214,647	\$ 3,935,606	(6,025,030)	2,613,413	(3,411,617)
Component unit:							
Kaufman Economic Development Corporation	\$ 290,970	\$ -	\$ -	\$ -			(290,970)
Total component unit	\$ 290,970	\$ -	\$ -	\$ -			(290,970)
General revenues:							
Property taxes					4,339,370	-	4,339,370
Sales taxes					3,919,349	-	3,919,349
Franchise taxes					520,843	-	520,843
Hotel occupancy taxes					63,691	-	63,691
Alcoholic beverage taxes					15,435	-	15,435
Investment earnings					7,367	6,942	14,309
Gain on sale of capital asset					850,697	7,550	858,247
Miscellaneous					366,493	-	366,493
Transfers					(14,853)	14,853	-
Total general revenues and transfers					10,068,392	29,345	10,097,737
Change in net position					4,043,362	2,642,758	6,686,120
Net position - beginning, as restated					22,946,106	10,884,394	33,830,500
Net position - ending					\$ 26,989,468	\$ 13,527,152	\$ 40,516,620
							\$ 1,083,971

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

CITY OF KAUFMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

	General	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,181,664	\$ 655,883	\$ 3,987,262	\$ 1,887,445	\$ 11,712,254
Receivables (net of allowance for uncollectibles)	958,708	48,882	-	19,259	1,026,849
Intergovernmental receivables	-	6,686,349	-	814,787	7,501,136
Due from component unit	800,000	-	-	-	800,000
Due from other funds	-	-	567,499	131,287	698,786
Prepaid items	81,000	-	-	-	81,000
Total assets	<u>\$ 7,021,372</u>	<u>\$ 7,391,114</u>	<u>\$ 4,554,761</u>	<u>\$ 2,852,778</u>	<u>\$ 21,820,025</u>
LIABILITIES					
Accounts payable	\$ 313,755	\$ 205	\$ 49,003	\$ 15,584	\$ 378,547
Accrued payroll payable	30,688	-	-	428	31,116
Due to other funds	210,100	-	-	488,686	698,786
Due to component unit	98,052	-	-	-	98,052
Customer deposits payable	8,850	-	-	-	8,850
Unearned revenue	206,250	-	-	-	206,250
Total liabilities	<u>867,695</u>	<u>205</u>	<u>49,003</u>	<u>504,698</u>	<u>1,421,601</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	73,073	43,925	-	-	116,998
Unavailable revenue-grants	-	-	-	814,787	814,787
Unavailable revenue-other	800,000	6,686,349	-	-	7,486,349
Total deferred inflows of resources	<u>873,073</u>	<u>6,730,274</u>	<u>-</u>	<u>814,787</u>	<u>8,418,134</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	81,000	-	-	-	81,000
Restricted:					
Capital projects	75,048	-	4,505,758	-	4,580,806
General government	-	-	-	59,693	59,693
Public safety	14,224	-	-	129,097	143,321
Public works	-	-	-	1,806,226	1,806,226
Public service and operations	-	-	-	41,927	41,927
Debt service	-	660,635	-	-	660,635
Assigned:					
Capital outlay	1,880,754	-	-	-	1,880,754
Unassigned	<u>3,229,578</u>	<u>-</u>	<u>-</u>	<u>(503,650)</u>	<u>2,725,928</u>
Total fund balances	<u>5,280,604</u>	<u>660,635</u>	<u>4,505,758</u>	<u>1,533,293</u>	<u>11,980,290</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,021,372</u>	<u>\$ 7,391,114</u>	<u>\$ 4,554,761</u>	<u>\$ 2,852,778</u>	<u>\$ 21,820,025</u>

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

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

Amounts reported for governmental activities in the statement of net position (page 28) are different because:

Total fund balances - governmental funds (page 30)		\$ 11,980,290
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,268,353
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		8,418,134
Deferred outflows of resources are not reported in the governmental funds:		
Deferred outflows of resources related to pension	\$ 349,417	
Deferred outflows of resources related to OPEB	<u>40,673</u>	390,090
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(132,602)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(1,611,980)	
Due in more than one year	<u>(32,465,817)</u>	(34,077,797)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflows of resources related to pension	(836,504)	
Deferred inflows of resources related to OPEB	<u>(20,496)</u>	(857,000)
Net position of governmental activities (page 28)		<u><u>\$ 26,989,468</u></u>

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

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

	General	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,537,998	\$ 1,657,566	\$ -	\$ -	\$ 4,195,564
Sales taxes	3,359,442	-	-	559,907	3,919,349
Franchise taxes	520,843	-	-	-	520,843
Hotel occupancy taxes	-	-	-	63,691	63,691
Alcoholic beverage taxes	15,435	-	-	-	15,435
Licenses and permits	463,010	-	-	-	463,010
Fines and forfeitures	105,419	-	-	6,856	112,275
Charges for services	517,850	-	-	-	517,850
Investment earnings	4,277	-	1,629	1,461	7,367
Miscellaneous	136,783	-	-	229,710	366,493
Intergovernmental	219,824	858,414	1,173,689	1,088,340	3,340,267
Contributions and donations	31,483	-	25,000	-	56,483
Total revenues	<u>7,912,364</u>	<u>2,515,980</u>	<u>1,200,318</u>	<u>1,949,965</u>	<u>13,578,627</u>
EXPENDITURES					
Current:					
General government	1,928,906	-	-	266,013	2,194,919
Public safety	3,121,226	-	-	16,794	3,138,020
Public works	928,963	-	-	260,394	1,189,357
Public services and operations	596,062	-	-	82,600	678,662
Parks and recreation	848,008	-	-	-	848,008
Debt service:					
Principal retirement	214,651	1,601,880	-	-	1,816,531
Interest and fiscal charges	48,358	801,580	-	-	849,938
Bond issuance costs	-	31,238	124,714	-	155,952
Capital outlay:					
Public works	-	-	1,098,964	-	1,098,964
Total expenditures	<u>7,686,174</u>	<u>2,434,698</u>	<u>1,223,678</u>	<u>625,801</u>	<u>11,970,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,190</u>	<u>81,282</u>	<u>(23,360)</u>	<u>1,324,164</u>	<u>1,608,276</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	256,548	100,000	415,200	225,334	997,082
Transfers out	(320,075)	(104,628)	-	(587,232)	(1,011,935)
Certificates of obligation issued	-	-	3,885,000	-	3,885,000
General obligation bonds issued	-	1,100,000	-	-	1,100,000
Payment to refunded bond escrow agent	-	(1,130,000)	-	-	(1,130,000)
Premium on bonds issued	-	18,224	226,005	-	244,229
Leases issued	-	90,917	-	-	90,917
Sale of capital assets	842,528	-	-	8,169	850,697
Total other financing sources (uses)	<u>779,001</u>	<u>74,513</u>	<u>4,526,205</u>	<u>(353,729)</u>	<u>5,025,990</u>
Net change in fund balances	1,005,191	155,795	4,502,845	970,435	6,634,266
Fund balances-beginning, as restated	<u>4,275,413</u>	<u>504,840</u>	<u>2,913</u>	<u>562,858</u>	<u>5,346,024</u>
Fund balances-ending	<u>\$ 5,280,604</u>	<u>\$ 660,635</u>	<u>\$ 4,505,758</u>	<u>\$ 1,533,293</u>	<u>\$ 11,980,290</u>

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

CITY OF KAUFMAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net Change in Fund Balances - total governmental funds (page 32)		\$ 6,634,266
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		2,130,399
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(1,719,203)
The issuance of long-term debt (e.g. bonds) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Certificates of obligation issued	\$ (3,885,000)	
Certificates of obligation retirement	235,000	
General obligation bonds issued	(1,100,000)	
General obligation bonds retirement	360,000	
Pass through bond retirement	340,000	
Premium on bonds issued	(244,229)	
Amortization of bond premiums/discounts	6,216	
Amortization of deferred charge on refunding	8,744	
Note payable retirement	601,880	
Tax note retirement	1,195,000	
Lease liabilities issued	(90,917)	
Lease liabilities retirement	<u>214,651</u>	(2,358,655)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		(22,797)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(948,066)
Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual pension and OPEB amounts.		
Deferred outflows/inflows of resources related to pension	(467,151)	
Deferred outflows/inflows of resources related to pension OPEB	<u>(8,111)</u>	(475,262)
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 the governmental funds.		
Compensated absences	(12,284)	
Net pension liability	830,049	
OPEB liability	<u>(15,085)</u>	802,680
Change in net position of governmental activities (page 29)		<u>\$ 4,043,362</u>

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-type Activities - Enterprise		
	Utility	Drainage	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,438,236	\$ 258,271	\$ 2,696,507
Restricted cash and cash equivalents	83,556	468,027	551,583
Receivables (net of allowance for uncollectibles)	691,585	28,449	720,034
Inventories	144,705	-	144,705
Prepaid items	8,778	-	8,778
Total current assets	<u>3,366,860</u>	<u>754,747</u>	<u>4,121,607</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	1,511,804	467,233	1,979,037
Capital assets (net, where applicable of accumulated depreciation)	17,085,031	6,057,353	23,142,384
Total noncurrent assets	<u>18,596,835</u>	<u>6,524,586</u>	<u>25,121,421</u>
Total assets	<u>21,963,695</u>	<u>7,279,333</u>	<u>29,243,028</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	60,121	-	60,121
Deferred outflows of resources related to pension	107,515	-	107,515
Deferred outflows of resources related to OPEB	14,006	-	14,006
Total deferred outflows of resources	<u>181,642</u>	<u>-</u>	<u>181,642</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	56,475	-	56,475
Accrued payroll payable	25,472	-	25,472
Compensated absences	23,784	-	23,784
Customer deposits payable	120,066	-	120,066
Bonds payable	470,000	195,000	665,000
Note payable	106,052	-	106,052
Lease liabilities	25,645	-	25,645
Development agreement payable	15,000	-	15,000
Accrued interest payable	25,300	18,293	43,593
Current liabilities payable from restricted assets:			
Accounts payable	79,979	386,394	466,373
Retainage payable	3,577	81,633	85,210
Total current liabilities	<u>951,350</u>	<u>681,320</u>	<u>1,632,670</u>
Noncurrent Liabilities:			
Bonds payable	5,607,731	5,656,459	11,264,190
Note payable	2,421,432	-	2,421,432
Lease liabilities	58,229	-	58,229
Development agreement payable	60,000	-	60,000
Net pension liability	108,679	-	108,679
OPEB liability	64,459	-	64,459
Total noncurrent liabilities	<u>8,320,530</u>	<u>5,656,459</u>	<u>13,976,989</u>
Total liabilities	<u>9,271,880</u>	<u>6,337,779</u>	<u>15,609,659</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	280,591	-	280,591
Deferred inflows of resources related to OPEB	7,268	-	7,268
Total deferred inflows of resources	<u>287,859</u>	<u>-</u>	<u>287,859</u>
NET POSITION			
Net investment in capital assets	9,328,229	2,207,005	11,535,234
Restricted for infrastructure improvements	375,343	-	375,343
Restricted for debt service	189,295	-	189,295
Unrestricted	2,692,731	(1,265,451)	1,427,280
Total net position	<u>\$ 12,585,598</u>	<u>\$ 941,554</u>	<u>\$ 13,527,152</u>

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

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

For the Fiscal Year Ended September 30, 2022

	Business-type Activities - Enterprise		
	Utility	Drainage	Total Enterprise Funds
Operating revenues:			
Water revenue	\$ 3,420,124	\$ -	\$ 3,420,124
Sewer revenue	1,858,463	-	1,858,463
Drainage revenue	-	355,013	355,013
Rental	31,040	-	31,040
Miscellaneous	58,897	-	58,897
Total operating revenues	<u>5,368,524</u>	<u>355,013</u>	<u>5,723,537</u>
Operating expenses:			
Personnel services	1,227,546	-	1,227,546
Supplies and materials	106,854	-	106,854
Maintenance and repair	237,343	-	237,343
Contractual services	1,883,533	-	1,883,533
Depreciation and amortization	1,108,831	133,639	1,242,470
Total operating expenses	<u>4,564,107</u>	<u>133,639</u>	<u>4,697,746</u>
Operating income	<u>804,417</u>	<u>221,374</u>	<u>1,025,791</u>
Nonoperating revenue (expenses):			
Investment earnings	5,567	1,375	6,942
Gain on sale of capital asset	7,550	-	7,550
Interest expense	(256,616)	(141,708)	(398,324)
Total nonoperating revenue (expenses)	<u>(243,499)</u>	<u>(140,333)</u>	<u>(383,832)</u>
Income before contributions and transfers	560,918	81,041	641,959
Capital contributions	1,038,217	947,729	1,985,946
Transfer in	72,072	523,393	595,465
Transfer out	<u>(150,238)</u>	<u>(430,374)</u>	<u>(580,612)</u>
Change in net position	1,520,969	1,121,789	2,642,758
Net position-beginning	11,064,629	(180,235)	10,884,394
Net position-ending	<u>\$ 12,585,598</u>	<u>\$ 941,554</u>	<u>\$ 13,527,152</u>

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2022

	Business-type Activities - Enterprise		
			Total Enterprise Funds
	Utility	Drainage	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,989,453	\$ 337,978	\$ 5,327,431
Payments to suppliers and service providers	(2,245,077)	-	(2,245,077)
Payments to employees for salaries and benefits	(1,346,784)	-	(1,346,784)
Net cash provided by (used for) operating activities	1,397,592	337,978	1,735,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances to other funds	1,977,403	451,853	2,429,256
Transfers from other funds	72,072	523,393	595,465
Transfers to other funds	(150,238)	(430,374)	(580,612)
Net cash provided by (used for) noncapital financing activities	1,899,237	544,872	2,444,109
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,653,404)	(1,426,187)	(4,079,591)
Proceeds from sale of capital assets	7,550	-	7,550
Principal paid on bond maturities	(460,000)	(175,000)	(635,000)
Interest and fiscal charges paid on bonds	(184,461)	(156,723)	(341,184)
Principal paid on note payable	(103,516)	-	(103,516)
Interest paid on note payable	(64,460)	-	(64,460)
Principal paid on development agreement	(15,000)	-	(15,000)
Principal paid on leased assets	(23,910)	-	(23,910)
Interest paid on leased assets	(3,711)	-	(3,711)
Net cash provided by (used for) capital and related financing activities	(3,500,912)	(1,757,910)	(5,258,822)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	5,567	1,375	6,942
Net cash provided by investing activities	5,567	1,375	6,942
Net increase (decrease) in cash and cash equivalents	(198,516)	(873,685)	(1,072,201)
Cash and cash equivalents October 1 (including \$3,969,284 reported in restricted accounts)	4,232,112	2,067,216	6,299,328
Cash and cash equivalents September 30 (including \$2,530,620 reported in restricted accounts)	\$ 4,033,596	\$ 1,193,531	\$ 5,227,127
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 804,417	\$ 221,374	\$ 1,025,791
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,108,831	133,639	1,242,470
(Increase) decrease in accounts receivable	(400,161)	(17,035)	(417,196)
(Increase) decrease in inventory	(46,873)	-	(46,873)
(Increase) decrease in prepaid items	(3,693)	-	(3,693)
(Increase) decrease in pension related deferred outflows/inflows	144,506	-	144,506
(Increase) decrease in OPEB related deferred outflows/inflows	2,784	-	2,784
Increase (decrease) in accounts payable	33,219	-	33,219
Increase (decrease) in accrued payroll payable	6,060	-	6,060
Increase (decrease) in compensated absences	4,808	-	4,808
Increase (decrease) in customer deposits	21,090	-	21,090
Increase (decrease) in net pension liability	(278,293)	-	(278,293)
Increase (decrease) in net OPEB liability	897	-	897
Total adjustments	593,175	116,604	709,779
Net cash provided by (used for) operating activities	\$ 1,397,592	\$ 337,978	\$ 1,735,570
Schedule of non-cash transactions:			
Capital assets purchased on account	\$ 83,556	\$ 468,027	\$ 551,583
Capital contributions	\$ 1,038,217	\$ 947,729	\$ 1,985,946
Capital asset added with lease payable	\$ 37,618	\$ -	\$ 37,618

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

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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.

B. Reporting entity

The City of Kaufman, Texas (the "City") was incorporated in 1853, and operates under a Council-Manager form of government. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

Discretely presented component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and they provides services to the citizens of Kaufman and the surrounding area as opposed to only the primary government. To emphasize that it is separate from the City, it is reported in a separate column in the financial statements.

The *Kaufman Economic Development Corporation* (the "Corporation") is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Separately issued financial reports are available for the Corporation. This report may be obtained by contacting the following office.

City of Kaufman
209 S. Washington
Kaufman, Texas 75142

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, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Economic Development Corporation is considered to be a major component unit and is shown in a separate column in 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 charges between the City's utility function 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. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital improvements fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise fund:

The *utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

The *drainage fund* accounts for the drainage operations that are to be self-supporting through user charges.

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. 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 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 transfers in the business-type activities column.

E. Measurement focus and basis of accounting

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

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

The government-wide 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 taxes, 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 if 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.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a budgetary basis for the general fund, debt service fund, special revenue funds and utility funds. Project-length budgets are adopted for capital project funds. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. *Restricted assets*

Certain proceeds of the City's enterprise funds general obligation bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "infrastructure improvements" account is used to segregate resources from impact fees for infrastructure improvements.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *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. 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 two years.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	10-50
Improvements	7-30
Machinery and equipment	5-15
Infrastructure	30-50
Leased machinery and equipment	7
Leased buildings	3

6. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) deferred outflows of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) a deferred outflow of resources related to the changes in actuarial assumptions of the City's defined benefit pension and OPEB plan, (3) a deferred outflow of resources related to changes in actuarial experience of the City's OPEB plan, and (4) deferred charge on refunding. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 1 year and OPEB expense over a period of 5.32 years. Deferred outflows of resources for the difference between expected and actual experience data is attributed to OPEB expense over a total of 2.71 years. 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. No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) the difference between expected and actual experience data used by the actuary for the pension and OPEB plan, (2) a deferred inflow of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit pension plan, and (3) deferred charge on refunding. Deferred inflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 3.27 years and OPEB expense over a total of 5.32 years. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. 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. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes and grants are reported in the governmental funds balance sheet.

7. Leases

The City is a lessee for noncancellable leases of equipment and buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City 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. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund type 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the 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.

9. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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 assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance —amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance —amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

Assigned fund balance —amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has delegated this authority to the City Manager.

Unassigned fund balance— amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

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.

It is the long-term goal of the City to maintain a minimum unassigned fund balance in the General Fund equal to three months of the annually budgeted expenditures. The City will appropriate one percent (1%) of each year's General Fund budgeted expenditures until the identified goal is met.

11. Deficit fund balance

As of September 30, 2022, the Court Technology fund, a nonmajor governmental fund, has a deficit fund balance of \$16,313. The deficit fund balance will be covered with the collections of fines and forfeitures.

As of September 30, 2022, the Grants fund, a nonmajor governmental fund, has a deficit fund balance of \$455,415. The deficit fund balance will be covered with the collections of intergovernmental revenues.

As of September 30, 2022, the Tax Increment Reinvestment Zone fund, a nonmajor governmental fund, has a deficit fund balance of \$31,922. The deficit fund balance will be covered with the collections of property tax.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

2. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Kaufman County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Kaufman County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

4. 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 utility and nonmajor enterprise funds are charges to customers for sales and services. The utility 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 includes 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.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

5. *Pensions and Other Post Employment Benefits (OPEB)*

For purposes of measuring the net pension asset/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.

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of actual expenditures/expenses over budget in individual fund

The General Fund expenses exceeded appropriations by \$76,146. This excess was funded by greater than anticipated transfers in.

The Debt Service fund had an excess of actual operating expenses over budget by \$71,298. This excess was funded by bond proceeds.

The Hotel/Motel fund had an excess of actual expenditures over budget by \$10,018. This excess was funded by excess revenues and existing fund balance.

The Law Enforcement fund had an excess of actual expenditures over budget by \$7,334. This excess was funded by existing fund balance.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

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 fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2022. At year end, the bank balance of the City's deposits was \$16,795,247. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance, \$16,295,247, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$17,875,000.

B. Investments

Public funds of the City may be invested in 1) obligations of the United States of America, its agencies and instrumentalities; 2) certificates of deposit; 3) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities; 4) money market mutual funds; and 5) local government investment pools.

The State Treasurer's Investment Pool (TexPool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, Investments, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

<u>Investment Type</u>	<u>Fair Value</u>
TexPool	<u>\$ 400,904</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2022, the City's investment in TexPool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Restricted assets

The balances of the restricted asset accounts in the Utility and Drainage funds are as follows:

	Utility	Drainage	Total
Revenue bond current debt service account	\$ 189,295	\$ -	\$ 189,295
Revenue bond construction	1,030,722	935,260	1,965,982
Infrastructure improvements	375,343	-	375,343
	<u>\$ 1,595,360</u>	<u>\$ 935,260</u>	<u>\$ 2,530,620</u>

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, nonmajor governmental, utility, and nonmajor enterprise funds, including the applicable allowances for uncollectible accounts:

Receivables:	General	Debt Service	Nonmajor Governmental	Utility	Drainage	Total
Taxes	\$ 960,687	\$ 67,672	\$ 19,259	\$ -	\$ -	\$ 1,047,618
Accounts	43,271	-	-	711,995	29,379	784,645
Other	30	-	-	-	-	30
Gross receivables	<u>1,003,988</u>	<u>67,672</u>	<u>19,259</u>	<u>711,995</u>	<u>29,379</u>	<u>1,832,293</u>
Less: allowance for uncollectibles	(45,280)	(18,790)	-	(20,410)	(930)	(85,410)
Net total receivables	<u>\$ 958,708</u>	<u>\$ 48,882</u>	<u>\$ 19,259</u>	<u>\$ 691,585</u>	<u>\$ 28,449</u>	<u>\$ 1,746,883</u>

E. Intergovernmental receivables

The Texas Department of Transportation ("TxDOT") has entered into a contract with the City to reimburse the City for a portion of the costs associated with the State Highway 34 re-alignment project ("SH34"). The maximum amount to be reimbursed totals \$11,047,887. The City issued debt in the amount of \$8,250,000 to fund these highway improvements. After completion of the work, the State of Texas shall be responsible for the maintenance of the state highway system, therefore, the costs associated with the SH34 have been expensed rather than capitalized by the City. The balance due as of September 30, 2022 was \$6,686,349.

F. Kaufman Economic Development Corporation receivables

On May 19, 2015, the City entered into an agreement with the Kaufman Economic Development Corporation (Corporation) to provide for the construction of the State Highway 34 re-alignment. Under the agreement the Corporation agrees to pay \$100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2022 totaled \$800,000.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Capital assets

Capital asset activity for the year ended September 30, 2022, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,690,718	\$ -	\$ -	\$ 2,690,718
Construction in progress	2,275,671	1,098,964	(2,944,535)	430,100
Total capital assets not being depreciated	4,966,389	1,098,964	(2,944,535)	3,120,818
Capital assets being depreciated:				
Buildings	14,287,905	138,555	-	14,426,460
Machinery and equipment	2,506,574	183,785	(180,127)	2,510,232
Infrastructure	26,944,272	3,670,506	-	30,614,778
Leased machinery and equipment	1,388,509	90,918	(107,794)	1,371,633
Totals capital assets being depreciated	45,127,260	4,083,764	(287,921)	48,923,103
Less accumulated depreciation and amortization:				
Buildings	(2,178,806)	(386,953)	-	(2,565,759)
Machinery and equipment	(1,734,665)	(210,130)	180,127	(1,764,668)
Infrastructure	(5,186,280)	(981,659)	-	(6,167,939)
Leased machinery and equipment	(136,741)	(140,461)	-	(277,202)
Total accumulated depreciation and amortization	(9,236,492)	(1,719,203)	180,127	(10,775,568)
Total capital assets, being depreciated, net	35,890,768	2,364,561	(107,794)	38,147,535
Governmental activities capital assets, net	\$ 40,857,157	\$ 3,463,525	\$ (3,052,329)	\$ 41,268,353

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

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

Governmental activities:

General government	\$ 101,813
Public safety	296,161
Public works	1,034,810
Parks and recreational	286,419
Total depreciation expense - governmental activities	<u>\$ 1,719,203</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 549,375	\$ 15,228	\$ -	\$ 564,603
Construction in progress	1,570,822	4,237,511	(313,959)	5,494,374
Total capital assets not being depreciated	2,120,197	4,252,739	(313,959)	6,058,977
Capital assets being depreciated:				
Buildings	7,982,797	313,959	-	8,296,756
Improvements	23,828,639	1,882,106	-	25,710,745
Machinery and equipment	1,224,704	7,000	-	1,231,704
Leased machinery and equipment	83,081	-	-	83,081
Leased building	-	37,618	-	37,618
Total capital assets being depreciated	33,119,221	2,240,683	-	35,359,904
Less accumulated depreciation and amortization for:				
Buildings	(6,522,951)	(226,253)	-	(6,749,204)
Improvements	(9,583,480)	(921,383)	-	(10,504,863)
Machinery and equipment	(904,098)	(82,965)	-	(987,063)
Leased machinery and equipment	(11,825)	(11,869)	-	(23,694)
Leased building	-	(11,673)	-	(11,673)
Total accumulated depreciation and amortization	(17,022,354)	(1,254,143)	-	(18,276,497)
Total capital assets being depreciated, net	16,096,867	986,540	-	17,083,407
Business-type capital assets, net	\$ 18,217,064	\$ 5,239,279	\$ (313,959)	\$ 23,142,384

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

Business-type activities:

Utility	\$ 1,120,504
Drainage	133,639
	<u>\$ 1,254,143</u>

H. Construction commitments

The City has active construction projects as of September 30, 2022. The projects include street improvements, water and sewer improvements, and drainage improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street improvements	\$ 391,966	\$ 46,128
Water and sewer improvements	3,201,223	535,787
Drainage improvements	1,980,373	2,570,060
	<u>\$ 5,573,562</u>	<u>\$ 3,151,975</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Construction commitments (continued)

The street improvements are commitments of the City's Capital Improvements fund. The projects are being funded by general obligation bonds, certificates of obligation, and grants.

The water and sewer improvements and drainage improvements are commitments of the City's Utility fund and Drainage fund. The projects are being funded by general obligation bonds, certificates of obligation, and a note payable.

I. Other significant commitments

The City entered into a contract with the North Texas Municipal Water District on July 24, 2014. The City agreed to take or pay for at least 459,989,000 gallons of water annually. The rate paid for the fiscal year ended September 30, 2022 was \$3.44 cents per thousand gallons. The contract shall continue in force and effect for twenty years.

Actual payments for the year ended September 30, 2022 were \$1,398,367.

The City has entered into a contract with the Greater Texoma Utility Authority (GTUA) to obtain wastewater treatment services, an additional supply of water to the City, and certain water supply facilities in order to store and transport water to the City. In the contract, the GTUA agreed to acquire and construct a wastewater treatment system to serve the City.

The City is responsible for the system's annual operation, maintenance and debt service costs for the term of the contract. A current schedule of estimated future contractual payments due to the Authority is shown below:

<u>Year Ending September 30</u>	<u>Amount</u>
2023	\$ 112,587
2024	112,587
2025	93,895
2026	93,895
2027	93,895
2028-2032	469,472
2033-2037	469,221
2038-2042	466,170
2043-2047	459,302
2048-2049	191,216
	<u><u>\$ 2,562,240</u></u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

Actual payments for the year ended September 30, 2022 were \$93,895.

The payments to be received from the City of Kaufman, Texas are used as collateral for the bonds issued by GTUA to construct the facility.

The City created Tax Increment Reinvestment Zone No. 1 (the "Zone 1") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in Zone 1. On April 24, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (Public Improvements TIF Agreement) the Company is to design and construct public improvements in Zone 1. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed costs due the Company totaled \$8,110,074.

On December 18, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (TIF Purchase Agreement) the Company has agreed to sell to the City a 4.51 acre tract of real property located within Zone 1. Payments shall be made to the Company through the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed costs due the Company totaled \$733,976.

On December 18, 2017, the City authorized the execution of a development agreement with Georgetown KF, Ltd. ("Company"). Under the agreement (Developer Reimbursement Agreement) the Company has agree to develop and construct a subdivision within Zone 1. Following completion of the subdivision the City shall reimburse the Developer for approved project costs through the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed costs due the Company totaled \$3,979,861.

On November 13, 2018, the City authorized the execution of a development agreement with Georgetown KF, Ltd. ("Developer"). Under the agreement (Park Improvement Fee Reimbursement Agreement) the Developer has agree to pay a one-time Park Improvement Fee to the City in the amount of \$1,470,750. The City shall reimburse the Developer for the fee through the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed amounts due the Company totaled \$0.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

Under the terms of the agreements, disbursement of tax increment reinvestment zone funds shall be made for the following purposes and in the following priority: (1) to reimburse the City for administrative costs; (2) to reimburse the Developer under the Developer Reimbursement Agreement; (3) to reimburse the Developer under the Public Improvements TIF Agreement; (4) to pay the Developer under the TIF Purchase Agreement; and (5) to reimburse the Developer under the Park Improvement Fee Reimbursement Agreement.

On May 28, 2019, the City authorized the execution of a development agreement with Lions Den Self Storage, LLC-Highway 175 Series ("Developer"). Under the agreement the Developer has agree to construct public improvements within Zone 1. Following completion of the improvements the City shall reimburse the Developer for approved project costs through the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed costs due the Company totaled \$304,225.

The City created Tax Increment Reinvestment Zone No. 2 (the "Zone 2") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in Zone 2. On July 27, 2020, the City authorized the execution of a development agreement with Cedar Crest Development Company, LLC. ("Company"). Under the agreement (Public Improvements TIF Agreement) the Company is to design and construct public improvements in Zone 2. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. As of September 30, 2022 the unreimbursed costs due the Company totaled \$0.

On December 20, 2021, the City authorized the creation a Kaufman Public Improvement District No.3 (the "District") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the District. On December 20, 2021, the City authorized the execution of a development agreement with SRP Development, LLC.. ("Developer"). Under the agreement the Developer is to design and construct public improvements in the District. Following completion of the public improvements with funding provided by the Developer, the City shall acquire the public improvements and reimburse the Developer for budgeted public improvement construction costs in the amount of \$3,380,000 with the use of bond proceeds. As of September 30, 2022 the no reimbursements were due to the Developer.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

On January 24, 2022, the City authorized the creation a Kaufman Public Improvement District No.3 (the "District") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the District. On January 24, 2022, the City authorized the execution of a development agreement with Kaufman One WW, LLC.. ("Developer"). Under the agreement the Developer is to design and construct public improvements in the District. Following completion of the public improvements with funding provided by the Developer, the City shall acquire the public improvements and reimburse the Developer for budgeted public improvement construction costs in the amount of \$4,000,000 with the use of bond proceeds. As of September 30, 2022 the no reimbursements were due to the Developer.

The City entered into a contract with Kaufman County to operate and maintain a consolidated county-wide public health and safety communication facility. Population from census data is used to calculate the City's annual projected cost. The agreement shall continue in full force and effect, provided the City may withdraw on one year notice. Actual payments for the year ended September 30, 2022 were \$110,000.

The Kaufman Chamber of Commerce (Chamber) entered into a lease agreement with the City for office space located in the Kaufman Civic Center. The Chamber made an initial payment of \$250,000 for a term of 10 years. The Chamber will have the option to renew the terms of this lease for one or more additional 5 year terms at the then current market rate. The City recognized unearned revenues related to this agreement in the amount of \$206,250 as of September 30, 2022.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Tax abatements

The City has two programs through which tax abatements are provided:

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements up to one-hundred percent of property tax on the value of the property improvement with a duration of up to ten years, may be established upon property within the City or the extra-territorial jurisdiction of the City. The threshold criteria used for the abatement include adding a minimum of ten full-time employees and adding at least \$1,000,000 to the tax rolls. The City recaptures any and all property tax revenue lost as a result of the agreement if the owner of the property fails to complete, make, and maintain the threshold criteria. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, which is not to exceed ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner. There were no amounts abated in 2022.

On August 9, 2016, the City entered into a performance agreement to make annual grant payments equal to eighty percent of the ad valorem property tax paid by KLLM Transport Services, LLC., for a period of ten years to relocate their transportation business to the City of Kaufman. The incentive period began for the tax year 2018. The abatement amount totaled \$132,462 for the fiscal year ended September 30, 2022.

On December 20, 2021, the City entered into a performance agreement with Bloomfield Homes, L.P., for the purposes of stimulating business and commercial activity. The City will make semi - annual grant payments equal to eighty percent of the use tax paid by Bloomfield Homes, L.P., for a period of ten years. The grant payments totaled \$12,147 for the fiscal year ended September 30, 2022.

K. 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. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Lease activities

1. Lease liabilities (as lessee)

Lease agreements are summarized as follows:

Governmental Activities:

<u>Description</u>	<u>Total Lease Liabilities</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
Vehicles	<u>\$ 1,371,633</u>	5-7 years	2.28% - 9.35%	<u>\$ 912,270</u>

Business-type Activities:

<u>Description</u>	<u>Total Lease Liabilities</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
Vehicles	\$ 83,081	5 years	5.92% - 7.95%	\$ 57,928
Buildings	37,618	3 years	7.25%	25,946
	<u>\$ 120,699</u>			<u>\$ 83,874</u>

The vehicles are leased for terms ranging from 5 to 7 years with interest rates ranging from 2.28% to 8.62%. These leases are not renewable and the City expects to exercise its purchase options at the end of the terms.

Beginning October 1, 2021 the City entered into a building lease agreement for public works operation for a term of 3 years. The lease is renewable month to month at the end of the term. As there was no interest rate specified in the original lease agreement, the City used its weighted average borrowing rate of 7.25% to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of September 30, 2022.

Annual requirements to amortize this lease liability and related interest are as follows:

<u>Year Ending September 30</u>	<u>Lease Liabilities</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 175,654	\$ 42,483	\$ 25,645	\$ 5,407
2024	185,544	32,594	27,506	3,545
2025	206,866	21,277	17,046	1,252
2026	183,889	12,758	13,677	623
2027	88,372	4,261	-	-
2028	71,945	1,691	-	-
	<u>\$ 912,270</u>	<u>\$ 115,064</u>	<u>\$ 83,874</u>	<u>\$ 10,827</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2022 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2014	\$ 1,045,000	2/15/2034	2.0-4.0	\$ 705,000
2016B	1,250,000	2/15/2036	2.75-4.0	990,000
2019	3,455,000	2/15/2039	2.25-4.0	3,180,000
2022	3,885,000	2/15/2042	5.0	3,885,000
Total				<u>\$ 8,760,000</u>

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011	\$ 880,000	2/15/2027	2.0-3.0	\$ 390,000
2016A	3,990,000	2/15/2036	2.0-3.0	3,025,000
2016B	880,000	2/15/2036	2.75-4.0	695,000
2018	1,430,000	2/15/2038	3.25-5.0	1,390,000
2018	1,240,000	2/15/2038	3.25-5.0	1,055,000
2020	4,785,000	2/15/1940	1.5-3.5	4,545,000
Total				<u>\$ 11,100,000</u>

The debt service requirements for the City's certificates of obligation are as follows:

Year Ending September 30	Certificates of Obligation			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 355,000	\$ 330,839	\$ 540,000	\$ 303,343
2024	380,000	307,634	575,000	285,318
2025	390,000	292,077	610,000	266,143
2026	410,000	275,882	635,000	246,575
2027	420,000	258,949	690,000	225,983
2028-2032	2,425,000	1,034,070	3,295,000	836,195
2033-2037	2,590,000	564,555	3,510,000	365,258
2038-2042	1,790,000	152,967	1,245,000	36,851
	<u>\$ 8,760,000</u>	<u>\$ 3,216,973</u>	<u>\$ 11,100,000</u>	<u>\$ 2,565,666</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2022 are as follows:

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2016	\$ 1,000,000	2/15/2036	2.75	\$ 830,000
2017	3,200,000	2/15/2037	3.7	3,025,000
2017A	6,630,000	2/15/2057	2.375	6,160,000
2022- Refunding	11,000,000	2/15/2040	5.0	1,100,000
Total				<u>\$ 11,115,000</u>

Business-type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2016 - Refunding	\$ 1,180,000	2/15/2027	1.5-2.15	<u>\$ 470,000</u>

The debt service requirements for the City's general obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 330,000	\$ 323,393	\$ 125,000	\$ 8,720
2024	335,000	310,651	130,000	5,720
2025	350,000	299,040	135,000	3,070
2026	365,000	287,317	80,000	1,720
2027	380,000	275,563	-	-
2028-2032	2,085,000	1,192,841	-	-
2033-2037	2,900,000	781,656	-	-
2038-2042	1,100,000	455,247	-	-
2043-2047	965,000	332,129	-	-
2048-2052	1,080,000	211,341	-	-
2053-2057	1,225,000	74,058	-	-
	<u>\$ 11,115,000</u>	<u>\$ 4,543,236</u>	<u>\$ 470,000</u>	<u>\$ 19,230</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Pass-Through Toll Revenue and Limited Tax Bonds

The City issues pass-through toll revenue and limited tax bonds to provide funds for the design, development, construction and relocation of SH 34. Pass-through toll revenue and limited tax bonds have been issued for the governmental activities. Pass-through toll revenue and limited tax bonds outstanding at September 30, 2022 are as follows:

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2014	\$ 8,255,000	8/15/2036	2.0-4.0	<u>\$ 6,330,000</u>

The debt service requirements for the City's pass through bonds are as follows:

<u>Year Ending September 30</u>	<u>Pass Through Bonds</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 345,000	\$ 228,056
2024	360,000	217,706
2025	365,000	206,906
2026	380,000	195,956
2027	390,000	184,556
2028-2032	2,045,000	717,838
2033-2036	2,445,000	282,800
	<u>\$ 6,330,000</u>	<u>\$ 2,033,818</u>

Notes Payable

Notes payable currently outstanding and reported as a liability of the City's governmental activities are as follows:

The City received a loan from State Infrastructure Bank for \$4,500,000 to fund the City's portion of the State Highway 34 re-alignment project in July 2014. The loan will be repaid in 17 annual installments, with the first principal payment due in July 2018. Interest payments are to be made annually beginning July 2015 at an interest rate of 3%. The balance due at September 30, 2022 was \$3,280,159.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

The City entered into an agreement with Kaufman County ("County") to help pay for the State Highway 34 re-alignment project. The City is to be reimbursed by the Texas Department of Transportation ("TxDOT") for 80% of the cost of the project and has agreed to reimburse the County 39.99% of the amount received from TxDOT. The balance due at September 30, 2022 was \$2,673,816.

The payment of this note will not begin until the project is completed and traffic flows on the roadway. The monies from TxDOT will be based on the number of vehicles that use the roadway; therefore, the payment amount to the County will be calculated on the monies received. At this time, there is not a timeline of payments to be expected to be made by TxDOT or the City.

Note payable currently outstanding and reported as a liability of the City's business-type activities is as follows:

The City received a loan from Government Capital Corporation for \$2,631,000 to fund the City's Advanced Metering Infrastructure project. The loan will be repaid in 20 annual installments, with the first principal and interest payment due in September 2022. Interest payments are to be made annually at an interest rate of 2.45%. The balance due at September 30, 2022 was \$2,527,484.

The debt service requirements for the City's notes payable are as follows:

Year Ending September 30	Notes Payable			
	Governmental Activities**		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 266,358	\$ 98,405	\$ 106,052	\$ 61,923
2024	274,349	90,414	108,650	59,325
2025	282,579	82,184	111,312	56,663
2026	291,056	73,706	114,039	53,936
2027	299,788	64,975	116,833	51,142
2028-2032	1,639,364	184,449	628,529	211,346
2033-2037	226,664	6,800	709,390	130,485
2038-2041	-	-	632,679	39,221
	<u>\$ 3,280,158</u>	<u>\$ 600,933</u>	<u>\$ 2,527,484</u>	<u>\$ 664,041</u>

** Does not include note payable in the amount of \$2,673,816 that does not have a repayment schedule.

Development Agreement Payable

Development agreement payable currently outstanding and reported as a liability of the City's business-type activities consist of:

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

A Chapter 380 Partnership Agreement with the First Baptist Church of Kaufman for the construction of public improvements to the City's water system. Under the agreement the City agreed to reimburse the Church \$150,000 for construction of these improvements over ten years. Payments will commence on the first day of the first month following the first anniversary date of the issuance of the first certificate of occupancy and continue for a total of ten years.

The development agreement payable currently outstanding and reported as a liability of the City's business-type activities at September 30, 2022 totaled \$75,000. The amount due within one year totals \$15,000.

The debt service requirements for the City's development agreement payable are as follows:

Year Ending September 30	Development Agreement Payable
	Business- Type Activities Principal
2023	\$ 15,000
2024	15,000
2025	15,000
2026	15,000
2027	15,000
	<u>\$ 75,000</u>

Advance Refunding

The City issued \$1,100,000 in general obligation bonds with interest rates ranging from 3.0% to 5.0%. The proceeds were used to advance refund \$1,130,000 of outstanding 2020 Series, tax notes which had an interest rate of 1.7%. The net proceeds of \$1,104,534 (including a \$18,224 premium and after payment of \$13,690 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, 2020 Series tax notes are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2022, \$0 of defeased bonds remain outstanding.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

The City advance refunded 2020 Series tax notes in order to restructure debt service payments and lessen the tax burden, and that such refunding will result in a present value debt service loss of approximately \$31,056, and an actual debt service loss of approximately \$417,906.

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Fund and nonmajor enterprise fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Other Post-Employment Benefit Liability (OPEB)

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

Special Assessment Bond

On November 13, 2018, the City created the Kaufman Public Improvement District No. 1 ("PID") as authorized under Chapter 372 of the Texas Local Government Code. This PID was created for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated with the development and financing of these improvements.

A third party collects the special assessment for the debt issued and transfers money to the paying agent for the debt. The City of Kaufman, Texas does not have any direct or contingent liability or moral obligation for the payment of this debt. The outstanding balance for the special assessment bond at September 30, 2022 is:

Special Assessment Revenue Bonds, Series 2021

\$3,305,000

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Changes in Long-term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 5,110,000	\$ 3,885,000	\$ (235,000)	\$ 8,760,000	\$ 355,000
General obligation bonds	10,375,000	1,100,000	(360,000)	11,115,000	330,000
Pass through bonds	6,670,000	-	(340,000)	6,330,000	345,000
Less deferred amounts:					
For issuance discounts	(25,896)	-	1,814	(24,082)	-
For issuance premium	91,779	244,229	(8,030)	327,978	-
Total bonds payable	22,220,883	5,229,229	(941,216)	26,508,896	1,030,000
Notes payable	6,555,855	-	(601,880)	5,953,975	266,358
Tax notes	1,195,000	-	(1,195,000)	-	-
Lease liabilities	1,036,004	90,917	(214,651)	912,270	175,654
Compensated absences	127,684	165,349	(153,065)	139,968	139,968
Net pension liability	1,183,252	-	(830,049)	353,203	-
OPEB liability	194,400	15,085	-	209,485	-
Governmental activity					
Long-term liabilities	<u>\$ 32,513,078</u>	<u>\$ 5,500,580</u>	<u>\$ (3,935,861)</u>	<u>\$ 34,077,797</u>	<u>\$ 1,611,980</u>

Certificates of obligation, general obligation bonds, pass through bonds and notes payable issued for governmental activity purposes are liquidated by the debt service fund. Governmental lease obligations, compensated absences, net pension liability and OPEB liability will be liquidated by the general fund. Vacation leave is expected to be taken during the year following its accumulation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 11,560,000	\$ -	\$ (460,000)	\$ 11,100,000	\$ 540,000
General obligation bonds	645,000	-	(175,000)	470,000	125,000
Less deferred amounts:					
For issuance premiums	381,876	-	(22,686)	359,190	-
Total bonds payable	12,586,876	-	(657,686)	11,929,190	665,000
Note payable	2,631,000	-	(103,516)	2,527,484	106,052
Development agreement payable	90,000	-	(15,000)	75,000	15,000
Lease liabilities	70,166	37,618	(23,910)	83,874	25,645
Compensated absences	18,976	26,119	(21,311)	23,784	23,784
Net pension liability	386,972	-	(278,293)	108,679	-
OPEB liability	63,562	897	-	64,459	-
Business-type activity					
Long-term liabilities	<u>\$ 15,847,552</u>	<u>\$ 64,634</u>	<u>\$ (1,099,716)</u>	<u>\$ 14,812,470</u>	<u>\$ 835,481</u>

Certificate of obligation, general obligation bonds, note payable, development agreements payable, lease obligations, compensated absences, net pension liability and OPEB liability issued for business-type activities are repaid from the utility and drainage funds.

N. Interfund receivables and payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Capital Improvements	General	\$ 112,048
Capital Improvements	Nonmajor governmental funds	455,451
Nonmajor governmental funds	Nonmajor governmental funds	33,235
Nonmajor governmental funds	General	98,052
		<u>\$ 698,786</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Interfund transfers

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

Transfer out:	Transfer In						Total
	General	Debt Service	Capital Improvements	Nonmajor Governmental	Utility	Drainage	
General	\$ -	\$ 100,000	\$ 26,822	\$ 193,253	\$ -	\$ -	\$ 320,075
Debt Service	90,918	-	13,710	-	-	-	104,628
Nonmajor							
Governmental	3,800	-	27,958	32,081	-	523,393	587,232
Utility	150,238	-	-	-	-	-	150,238
Drainage	11,592	-	346,710	-	72,072	-	430,374
Total	<u>\$ 256,548</u>	<u>\$ 100,000</u>	<u>\$ 415,200</u>	<u>\$ 225,334</u>	<u>\$ 72,072</u>	<u>\$ 523,393</u>	<u>\$ 1,592,547</u>

Transfers are primarily used to move debt proceeds to the General Fund. Repayments of a long-term receivable received by the General Fund were transferred to the Debt Service Fund. Transfers were made from the Utility Fund to the General Fund for administrative services and transfers from the Drainage Fund to the Construction Fund for capital project funding. Grant proceeds were transferred from the General Fund to the Utility and Drainage Funds

P. Discretely presented component units

1. Kaufman Economic Development Corporation (Corporation)

Cash deposits with financial institutions

At year-end, the Corporation's bank balance was \$1,175,758. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$925,758 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$1,162,000.

Loan Receivable

The Corporation has an outstanding loan receivable at zero percent interest totaling \$90,000 at fiscal year end due from a Company as part of an economic development agreement. The loan shall be repaid by the Company by making \$10,000 per year payments to the Corporation each year for fifteen years. Management feels that collectability of the loan is certain. Accordingly, no allowance for doubtful accounts has been recorded for the loan receivable.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

P. Discretely presented component units (continued)

Capital assets

Capital asset activity for the Corporation for the year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 558,435	\$ -	\$ -	\$ 558,435
Total capital assets not being depreciated	558,435	-	-	558,435
Capital assets being depreciated:				
Infrastructure	25,453	-	-	25,453
Machinery and equipment	9,278	-	-	9,278
Totals capital assets being depreciated	34,731	-	-	34,731
Less accumulated depreciation				
Infrastructure	(19,469)	(1,697)	-	(21,166)
Machinery and equipment	(9,278)	-	-	(9,278)
Total accumulated depreciation	(28,747)	(1,697)	-	(30,444)
Total capital assets being depreciated, net	5,984	(1,697)	-	4,287
Corporation capital assets, net	\$ 564,419	\$ (1,697)	\$ -	\$ 562,722

Long-term liabilities

Economic Development agreements

On May 19, 2015, the Corporation entered into an agreement with the City of Kaufman, Texas to provide for the construction of the Highway 34 by-pass project. Under the agreement the Corporation agrees to pay \$100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2022 totaled \$800,000. The amount due within one year totals \$100,000.

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Corporation					
Economic development agreements	\$ 900,000	\$ -	\$ (100,000)	\$ 800,000	\$ 100,000
Long-term liabilities	\$ 900,000	\$ -	\$ (100,000)	\$ 800,000	\$ 100,000

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

P. Discretely presented component units (continued)

<u>Year Ending September 30</u>	<u>Component Unit</u>
	<u>Economic Development Agreement Principal</u>
2023	\$ 100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
2028-2030	300,000
	<u>\$ 800,000</u>

Subsequent events

Subsequent to year end the Corporation:

- Approved an economic development agreement with a local business not to exceed \$40,000.

Related party transactions

The significant transactions between the component unit and primary government during the year ended September 30, 2022 consisted of financial services contract payments in the amount of \$2,700, economic development agreement payments in the amount of \$100,000 (see note 3.F), and contributions to the City by the Corporation of \$120,388.

Q. Contingencies

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

R. Subsequent events

Subsequent to year end the City:

- Approved the issuance of Kaufman Public Improvement District No. 1 Phases 2A and 2B bonds and related development agreements in the amount of \$5,635,000.
- Approved construction contract for improvements for approximately \$394,000.
- Approved the purchase of property for approximately \$200,000.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

S. Change in accounting principle

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in the City's 2022 financial statements and had no effect on beginning net position.

T. Prior period adjustment

Corrections have been made to the governmental activities' beginning net position in the government-wide financial statements and to the fund balance in the fund financial statements due to errors in the recording of financial transactions in the prior period, resulting in an understatement of liabilities and an overstatements of fund balance/net position, and an overstatement of expenses in the prior year. The changes to the beginning net position as of October 1, 2021 are summarized as follows:

	Government-wide Statements	Fund Financial Statements
	Governmental Activities	General
As previously reported, October 1, 2021	\$ 23,177,356	\$ 4,506,663
Correct understatement of unearned revenues	(231,250)	(231,250)
Restated, October 1, 2021	<u>\$ 22,946,106</u>	<u>\$ 4,275,413</u>
Effect of restatement on operations for the year ending September 30, 2021:	<u>\$ 18,750</u>	<u>\$ 18,750</u>

NOTE 4 - DEFINED BENEFIT PENSION PLANS

A. Plan description

The City of Kaufman, Texas participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

B. 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 Members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2008R
Increase benefits to retirees:	
Rate (%) ⁽¹⁾	50
Year effective	2019R
Military service credit effective date	10-01
Buyback effective date	
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	6-97
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	N/A

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	59
Active employees	74
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C. 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 (1 ½ 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 (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Kaufman, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Kaufman, Texas were 14.86% and 14.01% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$626,712 and were equal to the required contributions.

D. Net pension liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Actuarial assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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-district 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Sale 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 healthy annuitants and Annuity Purchase Rates (APRs) are based on a 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.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100%	

Discount Rate

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

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	\$ 16,419,998	\$ 14,849,774	\$ 1,570,224
Changes for the year:			
Service cost	735,072	-	735,072
Interest	1,106,718	-	1,106,718
Difference between expected and actual experience	(78,043)	-	(78,043)
Contributions - employer	-	641,784	(641,784)
Contributions - employee	-	302,321	(302,321)
Net investment income	-	1,936,877	(1,936,877)
Benefit payments, including refunds of employee contributions	(783,411)	(783,411)	-
Administrative expense	-	(8,957)	8,957
Other changes	-	64	(64)
Net Changes	\$ 980,336	\$ 2,088,678	\$ (1,108,342)
Balance at 12/31/2021	\$ 17,400,334	\$ 16,938,452	\$ 461,882

Sensitivity of the net pension liability to changes in the discount rate -

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

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 2,887,669	\$ 461,882	\$ (1,524,197)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$44,691.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2022, the City recognized pension expense of \$130,028.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	
		Governmental Activities	Business-Type Activities
Contributions subsequent to the measurement date		\$ 349,417	\$ 107,515
Total		<u>\$ 349,417</u>	<u>\$ 107,515</u>
		Deferred Inflow of Resources	
		Governmental Activities	Business-Type Activities
Differences between expected and actual economic experience		\$ 99,085	\$ 32,603
Difference between projected and actual investment earnings		737,419	247,988
Total		<u>\$ 836,504</u>	<u>\$ 280,591</u>

\$456,932 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2022	\$ (258,349)
2023	(455,452)
2024	(216,388)
2025	<u>(186,906)</u>
Total	<u><u>\$(1,117,095)</u></u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e. , no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at tmrs.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure 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.

C. Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	5
Active employees	74
	<hr/> 111

D. Total OPEB liability

The City's total OPEB liability of \$273,944 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

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
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal 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% 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 was 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.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	\$ 257,962
Changes for the year:	
Service cost	19,435
Interest	5,302
Difference between expected and actual experience	(11,866)
Changes in assumptions or other inputs	8,295
Benefit payments**	(5,184)
Net Changes	<u>\$ 15,982</u>
Balance at 12/31/2021	<u>\$ 273,944</u>

** 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.

Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease (0.84%)	Current Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB liability	\$ 334,695	\$ 273,944	\$ 227,164

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

E. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$38,059. At September 30, 2022, the City reported deferred outflows of resources and related to OPEB from the following sources:

Deferred Outflows of Resources			
	Governmental Activities		Business-Type Activities
Changes of assumptions	\$ 29,354	\$	10,272
City contributions subsequent to the measurement date	6,485		1,995
Differences between expected and actual economic experience	4,834		1,739
Total	<u>\$ 40,673</u>	<u>\$</u>	<u>14,006</u>

Deferred Inflow of Resources			
	Governmental Activities		Business-Type Activities
Differences between expected and actual economic experience	\$ 20,496	\$	7,268
Total	<u>\$ 20,496</u>	<u>\$</u>	<u>7,268</u>

\$8,480 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 year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	
2022	\$ 7,868
2023	5,685
2024	4,143
2025	955
2026	(216)
Total	<u>\$ 18,435</u>

F. Payable to the OPEB plan

At September 30, 2022, the City reported a payable of \$829 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Property taxes	\$ 2,533,375	\$ 2,554,910	\$ 2,537,998	\$ 1,104	\$ 2,539,102	\$ (15,808)
Sales taxes	2,775,000	3,308,260	3,359,442	(51,180)	3,308,262	2
Franchise taxes	447,625	517,990	520,843	(8,492)	512,351	(5,639)
Alcoholic beverage taxes	12,000	13,450	15,435	(1,985)	13,450	-
Licenses and permits	1,061,205	457,385	463,010	-	463,010	5,625
Fines and forfeitures	99,150	102,450	105,419	-	105,419	2,969
Charges for services	425,050	510,155	517,850	(3,970)	513,880	3,725
Investment earnings	5,450	3,530	4,277	-	4,277	747
Miscellaneous	129,350	114,980	136,783	(25,000)	111,783	(3,197)
Intergovernmental	1,750,045	1,080,140	219,824	858,413	1,078,237	(1,903)
Contributions and donations	1,350	56,470	31,483	-	31,483	(24,987)
Total revenues	<u>9,239,600</u>	<u>8,719,720</u>	<u>7,912,364</u>	<u>768,890</u>	<u>8,681,254</u>	<u>(38,466)</u>
EXPENDITURES						
Current:						
General government	1,733,750	1,834,636	1,928,906	(118,196)	1,810,710	(23,926)
Public safety	2,917,605	3,035,264	3,121,226	(1,494)	3,119,732	84,468
Public works	927,830	921,870	928,963	(5,653)	923,310	1,440
Public services and operations	734,790	583,905	596,062	(11,585)	584,477	572
Parks and recreation	824,375	834,670	848,008	(15,633)	832,375	(2,295)
Debt service:						
Principal retirement	257,845	212,895	214,651	13,668	228,319	15,424
Interest and fiscal charges	31,240	34,265	48,358	(13,630)	34,728	463
Total expenditures	<u>7,427,435</u>	<u>7,457,505</u>	<u>7,686,174</u>	<u>(152,523)</u>	<u>7,533,651</u>	<u>76,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,812,165</u>	<u>1,262,215</u>	<u>226,190</u>	<u>768,890</u>	<u>1,147,603</u>	<u>(114,612)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	207,560	164,830	256,548	(800)	255,748	90,918
Transfers out	(2,043,645)	(1,178,491)	(320,075)	(858,413)	(1,178,488)	3
Sale of capital assets	25,000	867,530	842,528	-	842,528	(25,002)
Total other financing sources (uses)	<u>(1,811,085)</u>	<u>(146,131)</u>	<u>779,001</u>	<u>(859,213)</u>	<u>(80,212)</u>	<u>65,919</u>
Net change in fund balances	<u>\$ 1,080</u>	<u>\$ 1,116,084</u>	<u>\$ 1,005,191</u>	<u>\$ (90,323)</u>	<u>\$ 1,067,391</u>	<u>\$ (48,693)</u>

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of expenditures over appropriations in individual funds

The General Fund expenses exceeded appropriations by \$76,146. This excess was funded by greater than anticipated transfers in.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service Cost	\$ 405,637	\$ 491,919	\$ 499,848	\$ 466,908	\$ 503,803	\$ 547,402	\$ 588,124	\$ 735,072
Interest (on the Total Pension Liability)	777,889	732,140	730,703	919,527	938,944	989,119	1,051,698	1,106,718
Changes of benefit terms	-	(1,159,659)	(691,158)	1,959,761	(655,526)	-	-	-
Difference between expected and actual experience	(330,714)	(8,006)	96,318	177,714	(7,891)	(65,199)	(201,528)	(78,043)
Changes of assumptions	-	261,150	-	-	-	63,899	-	-
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)	(779,534)	(647,110)	(609,880)	(783,411)
Net Change in Total Pension Liability	474,750	(84,091)	189,496	3,024,616	(204)	888,111	828,414	980,336
Total Pension Liability - Beginning	11,098,906	11,573,656	11,573,656	11,679,061	14,703,677	14,703,473	15,591,584	16,419,998
Total Pension Liability - Ending (a)	\$ 11,573,656	\$ 11,489,565	\$ 11,763,152	\$ 14,703,677	\$ 14,703,473	\$ 15,591,584	\$ 16,419,998	\$ 17,400,334
Plan Fiduciary Net Position								
Contributions - Employer	\$ 399,817	\$ 431,985	\$ 311,064	\$ 277,314	\$ 280,961	\$ 450,345	\$ 511,322	\$ 641,784
Contributions - Employee	187,080	202,674	214,527	215,449	210,796	226,467	242,169	302,321
Net Investment Income	529,502	14,738	691,376	1,523,670	(374,531)	1,829,013	1,038,261	1,936,877
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)	(779,534)	(647,110)	(609,880)	(783,411)
Administrative Expense	(5,527)	(8,976)	(7,805)	(7,892)	(7,235)	(10,331)	(6,717)	(8,957)
Other	(454)	(443)	(420)	(400)	(379)	(310)	(265)	64
Net Change in Plan Fiduciary Net Position	732,356	238,343	762,527	1,508,847	(669,922)	1,848,074	1,174,890	2,088,678
Plan Fiduciary Net Position - Beginning	9,254,659	9,987,015	9,987,015	10,987,885	12,496,732	11,826,810	13,674,884	14,849,774
Plan Fiduciary Net Position - Ending (b)	\$ 9,987,015	\$ 10,225,358	\$ 10,749,542	\$ 12,496,732	\$ 11,826,810	\$ 13,674,884	\$ 14,849,774	\$ 16,938,452
Net Pension Liability - Ending (a) - (b)	\$ 1,586,641	\$ 1,264,207	\$ 1,013,610	\$ 2,206,945	\$ 2,876,663	\$ 1,916,700	\$ 1,570,224	\$ 461,882
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.29%	89.00%	91.38%	84.99%	80.44%	87.71%	90.44%	97.35%
Covered Payroll	2,672,571	2,895,343	3,064,670	3,077,841	3,011,372	3,235,239	3,459,551	4,318,869
Net Pension Liability as a Percentage of Covered Payroll	59.37%	43.66%	33.07%	71.70%	95.53%	59.24%	45.39%	10.69%

Notes to Schedule:
N/A

CITY OF KAUFMAN, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 387,392	\$ 347,168	\$ 285,723	\$ 279,762	\$ 392,490	\$ 523,170	\$ 599,204	\$ 626,712
Contributions in relation to the actuarially determined contribution	387,392	347,168	285,723	279,762	392,490	523,170	599,204	626,712
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	2,558,729	3,029,037	3,061,302	3,028,970	3,106,585	3,597,839	4,036,960	4,404,003
Contributions as a percentage of covered payroll	15.14%	11.46%	9.33%	9.24%	12.63%	14.54%	14.84%	14.23%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
Amortization Method Level Percentage of Payroll, Closed
Remaining Amortization Period 24 years
Asset Valuation Method 10 Year smoothed market; 12% soft corridor
Inflation 2.50%
Salary Increases 3.50% to 11.50% including inflation
Investment Rate of Return 6.75%
Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generation basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used from males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2017	2018	2019	2020	2021
Total OPEB liability					
Service Cost	\$ 8,310	\$ 9,335	\$ 10,029	\$ 12,108	\$ 19,435
Interest (on the Total OPEB Liability)	5,709	5,908	7,497	6,098	5,302
Difference between expected and actual experience	-	21,748	(31,504)	(7,692)	(11,866)
Changes of assumptions and other inputs	13,828	(12,655)	34,102	32,644	8,295
Benefit payments	(923)	(903)	(1,294)	(1,730)	(5,184)
Net Change in Total OPEB Liability	26,924	23,433	18,830	41,428	15,982
Total OPEB Liability - Beginning	147,347	174,271	197,704	216,534	257,962
Total OPEB Liability - Ending	<u>\$ 174,271</u>	<u>\$ 197,704</u>	<u>\$ 216,534</u>	<u>\$ 257,962</u>	<u>\$ 273,944</u>
 Covered-Employee Payroll	 3,077,841	 3,011,372	 3,235,239	 3,459,551	 4,318,869
 OPEB Liability as a Percentage of					
Covered-Employee Payroll	5.66%	6.57%	6.69%	7.46%	6.34%

Notes to Schedule:

Note 1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note 2 - The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in note 5.D to the financial statements.

Note 3 - 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.

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Hotel/Motel Fund - This fund is used to account for the Hotel/Motel Occupancy Tax levied on all hotels and motels in the City. Funds are used for attracting and promoting tourism and the convention and hotel industry as authorized by statute.

Law Enforcement Fund - This fund is used to account for seized property to be used for official purposes as provided by Article 59.06 Texas Code of Criminal Procedure.

Court Technology Fund - This fund is used to accounts for monies received to purchase technological enhancements for the municipal court.

Court Security Fund - This fund is used to accounts for monies received to secure the municipal court.

Grants Fund - This fund is used to account for grants received from the federal, state and local governments for the enhancement of public safety activities.

Impact Fees Fund - This fund is used to account for revenues from impact fees assessed to be used for infrastructure improvements.

Tax Increment Reinvestment Zone Fund - This fund is used to account for funds received and expended within the City's Tax Increment Reinvestment Zone.

Public Improvements District Fund - This fund is used to account for funds received and expended within the City's Public Improvements District. The City does not appropriate a budget for this fund.

Street Maintenance Fund - This fund is used to account for the 1/4 cent Street Maintenance Tax revenues and expenditures devoted to street repair, mill and overlay, and reconstruction projects.

CITY OF KAUFMAN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2022

	Hotel/ Motel	Law Enforcement	Court Technology	Court Security	Grants	Impact Fees	Tax Incremental Reinvestment Zone	Public Improvements District	Street Maintenance	Totals
ASSETS										
Cash and cash equivalents	\$ 23,096	\$ 97,733	\$ -	\$ 15,051	\$ 36	\$ 1,131,110	\$ -	\$ 43,355	\$ 577,064	\$ 1,887,445
Receivables	19,259	-	-	-	-	-	-	-	-	19,259
Intergovernmental receivables	-	-	-	-	814,787	-	-	-	-	814,787
Due from other funds	-	-	-	16,313	-	-	-	16,922	98,052	131,287
Total assets	<u>\$ 42,355</u>	<u>\$ 97,733</u>	<u>\$ -</u>	<u>\$ 31,364</u>	<u>\$ 814,823</u>	<u>\$ 1,131,110</u>	<u>\$ -</u>	<u>\$ 60,277</u>	<u>\$ 675,116</u>	<u>\$ 2,852,778</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 584	\$ -	\$ 15,584
Accrued payroll payable	428	-	-	-	-	-	-	-	-	428
Due to other funds	-	-	16,313	-	455,451	-	16,922	-	-	488,686
Total liabilities	<u>428</u>	<u>-</u>	<u>16,313</u>	<u>-</u>	<u>455,451</u>	<u>-</u>	<u>31,922</u>	<u>584</u>	<u>-</u>	<u>504,698</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue-grants	-	-	-	-	814,787	-	-	-	-	814,787
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>814,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>814,787</u>
FUND BALANCE										
Restricted:										
General government	-	-	-	-	-	-	-	59,693	-	59,693
Public safety	-	97,733	-	31,364	-	-	-	-	-	129,097
Public works	-	-	-	-	-	1,131,110	-	-	675,116	1,806,226
Public services and operations	41,927	-	-	-	-	-	-	-	-	41,927
Unassigned:	-	-	(16,313)	-	(455,415)	-	(31,922)	-	-	(503,650)
Total fund balance	<u>41,927</u>	<u>97,733</u>	<u>(16,313)</u>	<u>31,364</u>	<u>(455,415)</u>	<u>1,131,110</u>	<u>(31,922)</u>	<u>59,693</u>	<u>675,116</u>	<u>1,533,293</u>
Total liabilities and fund balance:	<u>\$ 42,355</u>	<u>\$ 97,733</u>	<u>\$ -</u>	<u>\$ 31,364</u>	<u>\$ 814,823</u>	<u>\$ 1,131,110</u>	<u>\$ -</u>	<u>\$ 60,277</u>	<u>\$ 675,116</u>	<u>\$ 2,852,778</u>

CITY OF KAUFMAN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2022

	Hotel/ Motel	Law Enforcement	Court Technology	Court Security	Grants	Impact Fees	Tax Increment Reinvestment Zone	Public Improvements District	Street Maintenance	Totals
REVENUES										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 559,907	\$ 559,907
Hotel occupancy taxes	63,691	-	-	-	-	-	-	-	-	63,691
Fines and forfeitures	-	870	2,753	3,233	-	-	-	-	-	6,856
Investment earnings	-	-	-	-	-	1,435	-	26	-	1,461
Miscellaneous	-	-	-	-	-	229,710	-	-	-	229,710
Intergovernmental	-	-	-	-	1,007,101	-	81,239	-	-	1,088,340
Total revenues	63,691	870	2,753	3,233	1,007,101	231,145	81,239	26	559,907	1,949,965
EXPENDITURES										
Current:										
General government	-	-	-	-	-	-	266,013	-	-	266,013
Public safety	-	10,134	-	-	6,660	-	-	-	-	16,794
Public works	-	-	-	-	-	-	-	30,481	229,913	260,394
Public services and operations	82,600	-	-	-	-	-	-	-	-	82,600
Total expenditures	82,600	10,134	-	-	6,660	-	266,013	30,481	229,913	625,801
Excess (deficiency) of revenues over (under) expenditures	(18,909)	(9,264)	2,753	3,233	1,000,441	231,145	(184,774)	(30,455)	329,994	1,324,164
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	193,252	32,082	-	225,334
Transfers out	-	-	-	(3,000)	(552,150)	-	(32,082)	-	-	(587,232)
Sale of capital assets	-	8,169	-	-	-	-	-	-	-	8,169
Total other financing sources (uses)	-	8,169	-	(3,000)	(552,150)	-	161,170	32,082	-	(353,729)
Net change in fund balances	(18,909)	(1,095)	2,753	233	448,291	231,145	(23,604)	1,627	329,994	970,435
Fund balances (deficit)-beginning	60,836	98,828	(19,066)	31,131	(903,706)	899,965	(8,318)	58,066	345,122	562,858
Fund balances (deficit)-ending	\$41,927	\$ 97,733	\$ (16,313)	\$31,364	\$ (455,415)	\$1,131,110	\$ (31,922)	\$ 59,693	\$ 675,116	\$1,533,293

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOTEL/MOTEL FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Hotel occupancy taxes	\$ 45,000	\$ 48,515	\$ 63,691	\$ (4,876)	\$ 58,815	\$ 10,300
Total revenues	45,000	48,515	63,691	(4,876)	58,815	10,300
EXPENDITURES						
Current:						
Public services and operations	42,350	76,187	82,600	3,605	86,205	10,018
Total expenditures	42,350	76,187	82,600	3,605	86,205	10,018
Net change in fund balances	2,650	(27,672)	(18,909)	(8,481)	(27,390)	282
Fund balances-beginning	-	-	60,836	-	60,836	60,836
Fund balances-ending	\$ 2,650	\$ (27,672)	\$ 41,927	\$ (8,481)	\$ 33,446	\$ 61,118

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LAW ENFORCEMENT FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 870	\$ -	\$ 870	\$ (5,630)
Total revenues	6,500	6,500	870	-	870	(5,630)
EXPENDITURES						
Current:						
Public safety	2,800	2,800	10,134	-	10,134	7,334
Total expenditures	2,800	2,800	10,134	-	10,134	7,334
Excess (deficiency) of revenues over (under) expenditures	3,700	3,700	(9,264)	-	(9,264)	(12,964)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	7,000	7,000	8,169	-	8,169	1,169
Total other financing sources (uses)	7,000	7,000	8,169	-	8,169	1,169
Net change in fund balances	10,700	10,700	(1,095)	-	(1,095)	(11,795)
Fund balances-beginning	-	-	98,828	-	98,828	98,828
Fund balances-ending	\$ 10,700	\$ 10,700	\$ 97,733	\$ -	\$ 97,733	\$ 87,033

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COURT TECHNOLOGY FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Fines and forfeitures	\$ 4,000	\$ 2,700	\$ 2,753	\$ -	\$ 2,753	\$ 53
Investment earnings	40	40	-	-	-	(40)
Total revenues	<u>4,040</u>	<u>2,740</u>	<u>2,753</u>	<u>-</u>	<u>2,753</u>	<u>13</u>
EXPENDITURES						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,040	2,740	2,753	-	2,753	13
Fund balances (deficit)-beginning	<u>-</u>	<u>-</u>	<u>(19,066)</u>	<u>-</u>	<u>(19,066)</u>	<u>(19,066)</u>
Fund balances (deficit) -ending	<u>\$ 4,040</u>	<u>\$ 2,740</u>	<u>\$ (16,313)</u>	<u>\$ -</u>	<u>\$ (16,313)</u>	<u>\$ (19,053)</u>

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COURT SECURITY FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Fines and forfeitures	\$ 3,000	\$ 3,141	\$ 3,233	\$ -	\$ 3,233	\$ 92
Total revenues	3,000	3,141	3,233	-	3,233	92
EXPENDITURES	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	3,000	3,141	3,233	-	3,233	92
OTHER FINANCING SOURCES (USES)						
Transfers out	(3,000)	(3,000)	(3,000)	-	(3,000)	-
Total other financing sources (uses)	(3,000)	(3,000)	(3,000)	-	(3,000)	-
Net change in fund balances	-	141	233	-	233	92
Fund balances-beginning	-	-	31,131	-	31,131	31,131
Fund balances-ending	\$ -	\$ 141	\$ 31,364	\$ -	\$ 31,364	\$ 31,223

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment earnings	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	57,670	37,170	1,007,101	-	1,007,101	969,931
Total revenues	57,870	37,170	1,007,101	-	1,007,101	969,931
EXPENDITURES						
Current:						
Public safety	2,670	6,660	6,660	-	6,660	-
Total expenditures	2,670	6,660	6,660	-	6,660	-
Excess (deficiency) of revenues over (under) expenditures	55,200	30,510	1,000,441	-	1,000,441	969,931
OTHER FINANCING SOURCES (USES)						
Transfers out	(55,000)	(800)	(552,150)	-	(552,150)	(551,350)
Total other financing sources (uses)	(55,000)	(800)	(552,150)	-	(552,150)	(551,350)
Net change in fund balances	200	29,710	448,291	-	448,291	418,581
Fund balances-beginning	-	-	(903,706)	-	(903,706)	(903,706)
Fund balances-ending	\$ 200	\$ 29,710	\$ (455,415)	\$ -	\$ (455,415)	\$ (485,125)

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
IMPACT FEES FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment earnings	\$ 2,000	\$ 198	\$ 1,435	\$ -	\$ 1,435	\$ 1,237
Miscellaneous	406,595	229,710	229,710	-	229,710	-
Total revenues	408,595	229,908	231,145	-	231,145	1,237
EXPENDITURES						
Current:						
Public works	49,585	49,585	-	-	-	(49,585)
Total expenditures	49,585	49,585	-	-	-	(49,585)
Net change in fund balances	359,010	180,323	231,145	-	231,145	50,822
Fund balances-beginning	-	-	899,965	-	899,965	899,965
Fund balances-ending	<u>\$ 359,010</u>	<u>\$ 180,323</u>	<u>\$ 1,131,110</u>	<u>\$ -</u>	<u>\$ 1,131,110</u>	<u>\$ 950,787</u>

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TAX INCREMENT REINVESTMENT ZONE
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Intergovernmental	\$ 90,000	\$ 81,239	\$ 81,239	\$ -	\$ 81,239	\$ -
Total revenues	90,000	81,239	81,239	-	81,239	-
EXPENDITURES						
Current:						
General government	390,000	293,099	266,013	-	266,013	(27,086)
Total expenditures	390,000	293,099	266,013	-	266,013	(27,086)
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(211,860)	(184,774)	-	(184,774)	27,086
OTHER FINANCING SOURCES (USES)						
Transfers in	300,000	193,255	193,252	-	193,252	(3)
Transfers out	-	-	(32,082)	-	(32,082)	(32,082)
Total other financing sources (uses)	300,000	193,255	161,170	-	161,170	(32,085)
Net change in fund balances	-	(18,605)	(23,604)	-	(23,604)	(4,999)
Fund balances-beginning	-	-	(8,318)	-	(8,318)	(8,318)
Fund balances-ending	\$ -	\$ (18,605)	\$ (31,922)	\$ -	\$ (31,922)	\$ (13,317)

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC IMPROVEMENT DISTRICT
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment earnings	\$ -	\$ 17	\$ 26	-	\$ 26	9
Total revenues	-	17	26	-	26	9
EXPENDITURES						
Current:						
Public services and operations	-	26,404	30,481	-	30,481	4,077
Total expenditures	-	26,404	30,481	-	30,481	4,077
Excess (deficiency) of revenues over (under) expenditures	-	(26,387)	(30,455)	-	(30,455)	(4,068)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	32,082	-	32,082	32,082
Total other financing sources (uses)	-	-	32,082	-	32,082	32,082
Net change in fund balances	-	(26,387)	1,627	-	1,627	28,014
Fund balances-beginning	-	-	58,066	-	58,066	58,066
Fund balances-ending	\$ -	\$ (26,387)	\$ 59,693	\$ -	\$ 59,693	\$ 86,080

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET MAINTENANCE
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Sales taxes	\$ 475,000	\$ 551,377	\$ 559,907	\$ (8,530)	\$ 551,377	\$ -
Total revenues	475,000	551,377	559,907	(8,530)	551,377	-
EXPENDITURES						
Current:						
Public works	405,000	229,913	229,913	-	229,913	-
Total expenditures	405,000	229,913	229,913	-	229,913	-
Net change in fund balances	70,000	321,464	329,994	(8,530)	321,464	-
Fund balances-beginning	-	-	345,122	-	345,122	345,122
Fund balances-ending	\$ 70,000	\$ 321,464	\$ 675,116	\$ (8,530)	\$ 666,586	\$ 345,122

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Property taxes	\$ 1,633,375	\$ 1,633,375	\$ 1,657,566	\$ 903	\$ 1,658,469	\$ 25,094
Intergovernmental	-	-	858,414	(858,414)	-	-
Total revenues	<u>1,633,375</u>	<u>1,633,375</u>	<u>2,515,980</u>	<u>(857,511)</u>	<u>1,658,469</u>	<u>25,094</u>
EXPENDITURES						
Debt service:						
Principal retirement	1,591,870	1,661,880	1,601,880	59,998	1,661,878	(2)
Interest and fiscal charges	804,695	804,695	801,580	1,410	802,990	(1,705)
Bond issuance costs	-	-	31,238	41,767	73,005	73,005
Total expenditures	<u>2,396,565</u>	<u>2,466,575</u>	<u>2,434,698</u>	<u>103,175</u>	<u>2,537,873</u>	<u>71,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(763,190)</u>	<u>(833,200)</u>	<u>81,282</u>	<u>(960,686)</u>	<u>(879,404)</u>	<u>(46,204)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	783,345	958,414	100,000	858,414	958,414	-
Transfers out	(20,155)	(20,155)	(104,628)	(3,986,290)	(4,090,918)	(4,070,763)
General obligation bonds issued	-	-	1,100,000	2,785,000	3,885,000	3,885,000
Payment to refunded bond escrow agent	-	-	(1,130,000)	1,130,000	-	-
Premium on bonds issued	-	-	18,224	174,469	192,693	192,693
Leases issued	-	-	90,917	-	90,917	90,917
Total other financing sources (uses)	<u>763,190</u>	<u>938,259</u>	<u>74,513</u>	<u>961,593</u>	<u>1,036,106</u>	<u>97,847</u>
Net change in fund balances	-	105,059	155,795	907	156,702	51,643
Fund balances-beginning	<u>499,528</u>	<u>499,528</u>	<u>504,840</u>	<u>-</u>	<u>504,840</u>	<u>5,312</u>
Fund balances-ending	<u>\$ 499,528</u>	<u>\$ 604,587</u>	<u>\$ 660,635</u>	<u>\$ 907</u>	<u>\$ 661,542</u>	<u>\$ 56,955</u>

Proprietary Funds

Enterprise Funds

Utility Fund - This fund is used to account for the water and sewer utility operations.

Drainage Fund - This fund is used to account for the drainage operations that are to be self-supporting through user charges.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - UTILITY
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	
OPERATING REVENUES						
Water revenue	3,103,175	\$ 3,304,790	\$ 3,420,124	\$ (97,939)	\$ 3,322,185	\$ 17,395
Sewer revenue	1,773,810	1,845,820	1,858,463	(14,496)	1,843,967	(1,853)
Rental	30,000	31,040	31,040	-	31,040	-
Miscellaneous	56,100	59,520	58,897	-	58,897	(623)
Total operating revenues	4,963,085	5,241,170	5,368,524	(112,435)	5,256,089	14,919
OPERATING EXPENSES						
Personnel services	1,335,095	1,329,523	1,227,546	125,294	1,352,840	23,317
Supplies and materials	206,450	109,395	106,854	-	106,854	(2,541)
Maintenance and repair	436,105	322,305	237,343	53,874	291,217	(31,088)
Contractual services	2,443,370	1,925,000	1,883,533	-	1,883,533	(41,467)
Total operating expenses before depreciation	4,421,020	3,686,223	3,455,276	179,168	3,634,444	(51,779)
Depreciation	-	-	1,108,831	(1,108,831)	-	-
Total operating expenses	4,421,020	3,686,223	4,564,107	(929,663)	3,634,444	(51,779)
Operating income	\$ 542,065	\$ 1,554,947	\$ 804,417	\$ 817,228	\$ 1,621,645	\$ 66,698

CITY OF KAUFMAN, TEXAS
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - DRAINAGE
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	
OPERATING REVENUES						
Drainage revenue	\$ 403,805	\$ 386,300	\$ 355,013	\$ 464	\$ 355,477	\$ (30,823)
Total operating revenues	403,805	386,300	355,013	464	355,477	(30,823)
OPERATING EXPENSES						
Maintenance and repair	85,110	68,980	-	-	-	(68,980)
Total operating expenses before depreciation	85,110	68,980	-	-	-	(68,980)
Depreciation	-	-	133,639	(133,639)	-	-
Total operating expenses	85,110	68,980	133,639	(133,639)	-	(68,980)
Operating income	\$ 318,695	\$ 317,320	\$ 221,374	\$ 134,103	\$ 355,477	\$ 38,157

STATISTICAL SECTION

This part of the City of Kaufman, Texas's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	106-110
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	111-114
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	115-118
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	119-120
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	121-123

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KAUFMAN, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 2,846,779	\$ 788,591	\$ 4,133,424	\$ 4,190,990	\$ 5,037,515	\$ 17,491,826	\$ 18,956,703	\$ 19,010,417	\$ 22,744,176	\$ 24,115,446
Restricted	647,308	11,514,811	1,455,330	267,446	1,646,430	1,191,219	1,153,109	1,668,844	1,998,788	2,711,802
Unrestricted (deficit)	2,368,657	1,652,765	692,891	(1,235,329)	(1,910,878)	(3,954,311)	(4,180,240)	(2,558,291)	(1,796,858)	162,220
Total governmental activities net position	\$ 5,862,744	\$ 13,956,167	\$ 6,281,645	\$ 3,223,107	\$ 4,773,067	\$ 14,728,734	\$ 15,929,572	\$ 18,120,970	\$ 22,946,106	\$ 26,989,468
Business-type activities										
Net investment in capital assets	\$ 8,180,720	\$ 8,148,142	\$ 9,277,027	\$ 9,156,309	\$ 9,247,153	\$ 9,487,320	\$ 9,196,069	\$ 10,178,024	\$ 9,940,276	\$ 11,535,234
Restricted	183,269	189,208	221,555	270,622	290,212	234,130	285,204	353,588	459,322	564,638
Unrestricted	1,766,054	1,691,884	1,023,920	1,479,868	1,623,436	1,171,547	1,796,196	2,164,324	484,796	1,427,280
Total business-type activities net position	\$ 10,130,043	\$ 10,029,234	\$ 10,522,502	\$ 10,906,799	\$ 11,160,801	\$ 10,892,997	\$ 11,277,469	\$ 12,695,936	\$ 10,884,394	\$ 13,527,152
Primary government										
Net investment in capital assets	\$ 11,027,499	\$ 8,936,733	\$ 13,410,451	\$ 13,347,299	\$ 14,284,668	\$ 26,979,146	\$ 28,152,772	\$ 29,188,441	\$ 32,684,452	\$ 35,650,680
Restricted	830,577	11,704,019	1,676,885	538,068	1,936,642	1,425,349	1,438,313	2,022,432	2,458,110	3,276,440
Unrestricted (deficit)	4,134,711	3,344,649	1,716,811	244,539	(287,442)	(2,782,764)	(2,384,044)	(393,967)	(1,312,062)	1,589,500
Total primary government net position	\$ 15,992,787	\$ 23,985,401	\$ 16,804,147	\$ 14,129,906	\$ 15,933,868	\$ 25,621,731	\$ 27,207,041	\$ 30,816,906	\$ 33,830,500	\$ 40,516,620

Source: Annual Comprehensive Financial Report

Note 1: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Note 2: The City implemented GASB Statement No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF KAUFMAN, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities:										
General government	\$ 752,655	\$ 1,038,186	\$ 890,648	\$ 795,430	\$ 889,202	\$ 1,203,419	\$ 1,250,680	\$ 1,608,805	\$ 1,920,745	\$ 2,211,572
Public safety	2,185,030	2,173,310	2,183,520	1,965,831	2,369,520	3,538,527	2,552,968	2,881,999	2,962,254	3,142,270
Public works	617,511	3,721,180	11,557,777	5,152,645	998,534	1,491,850	1,557,214	1,583,450	2,152,773	2,171,894
Public services and operations	296,982	373,393	435,194	336,920	324,759	613,769	465,988	484,396	786,677	758,695
Parks and recreational	297,587	379,839	322,998	466,463	503,986	593,384	493,476	532,166	971,142	1,015,594
Interest on long-term debt	44,454	167,236	620,218	571,583	645,093	699,605	752,700	859,089	883,309	982,487
Total governmental activities expenses	4,194,219	7,853,144	16,010,355	9,288,872	5,731,094	8,140,554	7,073,026	7,949,905	9,676,900	10,282,512
Business-type Activities:										
Utilities	3,205,722	3,260,804	3,515,919	3,767,304	3,816,367	4,771,558	4,144,684	4,678,519	4,860,578	4,962,431
Drainage	-	-	-	118,100	71,999	103,555	104,554	167,555	96,975	133,639
Total business-type activities expenses	3,205,722	3,260,804	3,515,919	3,885,404	3,888,366	4,875,113	4,249,238	4,846,074	4,957,553	5,096,070
Total primary government expenses	\$ 7,399,941	\$ 11,113,948	\$ 19,526,274	\$ 13,174,276	\$ 9,619,460	\$ 13,015,667	\$ 11,322,264	\$ 12,795,979	\$ 14,634,453	\$ 15,378,582
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 597,204	\$ 508,092	\$ 403,294	\$ 265,178	\$ 288,218	\$ 255,191	\$ 319,138	\$ 325,461	\$ 478,459	\$ 463,010
Public safety	157,387	231,171	274,775	219,331	195,061	243,904	101,723	88,611	96,736	112,276
Public works	-	-	32,865	265,714	295,618	307,105	333,688	353,810	405,040	468,320
Public services and operations	57,610	43,181	47,557	-	-	-	-	-	-	-
Parks and recreational	767	1,560	725	1,105	1,870	1,225	340	300	17,125	49,569
Operating grants and contributions	39,601	11,084,663	7,928,705	32,720	48,395	417,325	48,464	734,245	1,040,503	1,214,647
Capital grants and contributions	401,341	100,000	1,529,071	742,919	1,401,852	10,987,630	1,197,213	847,033	1,978,313	1,949,660
Total Governmental Activities Program Revenues	1,253,910	11,968,667	10,216,992	1,528,967	2,231,014	12,222,380	2,000,566	2,349,460	4,016,176	4,257,482
Business-type Activities:										
Charges for services:										
Utilities	3,245,608	3,129,605	3,242,295	3,953,166	3,886,217	4,282,739	4,250,741	4,558,234	4,152,661	5,388,524
Drainage	-	-	-	131,043	197,761	204,023	214,486	283,470	312,917	355,013
Operating grants and contributions	-	-	-	-	20,191	-	-	-	-	-
Capital grants and contributions	-	-	420,000	177,372	33,813	202,065	180,918	1,579,072	105,641	1,985,946
Total Business-type Activities Program Revenues	\$ 3,245,608	\$ 3,129,605	\$ 3,662,295	\$ 4,261,581	\$ 4,137,982	\$ 4,688,827	\$ 4,646,145	\$ 6,420,776	\$ 4,571,219	\$ 7,709,483
Total Primary Government Program Revenues	\$ 4,499,518	\$ 15,098,272	\$ 13,879,287	\$ 5,788,548	\$ 6,368,996	\$ 16,911,207	\$ 6,646,711	\$ 8,770,236	\$ 8,587,395	\$ 11,966,965
NET (EXPENSE)/REVENUE										
Governmental Activities:	\$ (2,940,309)	\$ 4,115,523	\$ (5,793,363)	\$ (7,761,905)	\$ (3,500,080)	\$ 4,081,826	\$ (5,072,460)	\$ (5,600,445)	\$ (5,660,724)	\$ (6,025,030)
Business-type Activities:	39,886	(131,199)	146,376	376,177	249,616	(186,286)	396,907	1,574,702	(386,334)	2,613,413
Total Primary Government Program Net Expenses	\$ (2,900,423)	\$ 3,984,324	\$ (5,646,987)	\$ (7,385,728)	\$ (3,250,464)	\$ 3,895,540	\$ (4,675,553)	\$ (4,025,743)	\$ (6,047,058)	\$ (3,411,617)

**GENERAL REVENUES AND OTHER CHANGES
IN NET POSITION**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Property taxes	\$ 1,743,664	\$ 1,807,255	\$ 1,990,159	\$ 2,114,025	\$ 2,370,809	\$ 3,015,217	\$ 3,213,811	\$ 3,631,892	\$ 3,949,549	\$ 4,339,370
Sales taxes	1,351,409	1,594,892	1,842,273	2,022,782	2,070,430	2,314,065	2,354,351	3,079,254	3,404,619	3,919,349
Franchise taxes	374,933	417,416	397,783	403,640	425,130	425,109	432,662	423,057	450,306	520,843
Hotel occupancy taxes	28,802	31,387	20,196	33,420	31,825	43,746	45,445	42,492	54,641	63,691
Alcoholic beverage taxes	3,567	5,802	6,914	8,042	8,028	12,114	10,749	9,673	11,074	15,435
Investment earnings	4,107	12,446	17,360	6,170	5,214	11,134	12,545	10,667	5,119	7,367
Gain on sale of capital assets	-	-	-	20,487	-	-	10,321	21,025	1,148,754	850,697
Miscellaneous	33,149	56,364	54,397	91,801	115,475	98,122	152,026	400,248	277,807	366,493
Transfers	18,902	25,338	(284,430)	3,000	23,129	57,656	41,388	173,535	1,433,991	(14,853)
Total Governmental Activities	3,558,533	3,950,900	4,044,652	4,703,367	5,050,040	5,977,163	6,273,298	7,791,843	10,735,860	10,068,392
Business-type Activities:										
Investment earnings	14,311	12,725	12,278	11,120	11,985	13,376	20,528	15,500	8,783	6,942
Gain on sale of capital assets	-	-	-	-	14,679	-	6,545	1,800	-	7,550
Miscellaneous	33,296	43,002	74,786	-	851	1,013	1,880	-	-	-
Transfers	(18,902)	(25,338)	284,430	(3,000)	(23,129)	(57,656)	(41,388)	(173,535)	(1,433,991)	14,853
Total Business-type Activities	28,705	30,389	371,494	8,120	4,386	(43,267)	(12,435)	(156,235)	(1,425,208)	29,345
Total Primary Government	\$ 3,587,238	\$ 3,981,289	\$ 4,416,146	\$ 4,711,487	\$ 5,054,426	\$ 5,933,896	\$ 6,260,863	\$ 7,635,608	\$ 9,310,652	\$ 10,097,737
CHANGE IN NET POSITION										
Governmental activities	\$ 618,224	\$ 8,066,423	\$ (1,748,711)	\$ (3,058,538)	\$ 1,549,960	\$10,058,989	\$ 1,200,838	\$ 2,191,398	\$ 5,075,136	\$ 4,043,362
Business-type activities	68,591	(100,810)	517,870	384,297	254,002	(229,553)	384,472	1,418,467	(1,811,542)	2,642,758
Total primary government	\$ 686,815	\$ 7,965,613	\$ (1,230,841)	\$ (2,674,241)	\$ 1,803,962	\$ 9,829,436	\$ 1,585,310	\$ 3,609,865	\$ 3,263,594	\$ 6,686,120

Source: Annual Comprehensive Financial Report

Note 1: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Note 2: The City implemented GASB Statement No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF KAUFMAN, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	\$ 13,868	\$ 18,400	\$ 74,913	\$ 28,127	\$ 60,472	\$ 60,990	\$ 65,050	\$ 81,768	\$ 150,166	\$ 81,000
Restricted	-	-	-	-	-	-	-	-	-	89,272
Assigned	-	-	96,818	96,985	100,476	34,526	36,085	319,052	1,378,601	1,880,754
Unassigned	1,841,869	1,539,800	928,996	1,399,264	1,523,945	1,780,866	2,150,553	2,840,126	2,746,646	3,229,578
Total general fund	\$1,855,737	\$1,558,200	\$1,100,727	\$1,524,376	\$1,684,893	\$1,876,382	\$2,251,688	\$3,240,946	\$4,275,413	\$5,280,604
All other governmental funds										
Restricted	\$ 674,773	\$ 436,648	\$2,215,242	\$ 3,045,274	\$10,211,061	\$ 4,722,424	\$ 2,701,503	\$ 2,730,763	\$ 2,001,701	\$ 7,203,336
Assigned	694,585	1,031,484	439,247	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(6,712)	(1,078,295)	(911,356)	(931,090)	(503,650)
Total all other governmental funds	\$1,369,358	\$1,468,132	\$2,654,489	\$ 3,045,274	\$10,211,061	\$ 4,715,712	\$ 1,623,208	\$ 1,819,407	\$ 1,070,611	\$ 6,699,686

Source: Annual Comprehensive Financial Report

CITY OF KAUFMAN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
Property taxes	\$ 1,752,725	\$ 1,815,219	\$ 1,941,275	\$ 2,160,878	\$ 2,323,203	\$ 2,963,053	\$ 3,298,235	\$ 3,625,768	\$ 3,936,639	\$ 4,195,564
Sales taxes	1,351,409	1,594,892	1,842,273	2,022,782	2,070,430	2,314,065	2,354,351	3,079,254	3,404,619	3,919,349
Franchise fees	374,933	417,416	397,783	403,640	425,130	425,109	432,662	423,057	450,306	520,843
Hotel occupancy taxes	28,802	31,387	29,799	33,420	31,825	43,746	45,445	42,492	54,641	63,691
Alcoholic beverage taxes	3,567	5,802	6,914	8,042	8,028	12,114	10,749	9,673	11,074	15,435
Licenses and permits	122,192	108,529	171,781	265,178	288,218	255,191	319,138	325,461	478,459	463,010
Fines and forfeitures	176,882	207,263	264,801	219,332	195,063	243,905	101,723	88,611	96,737	112,275
Charges for current services	260,414	267,302	252,951	266,819	297,488	308,330	334,028	354,110	422,165	517,850
Impact fees	251,714	165,161	32,864	-	-	-	-	-	-	-
Grants	1,341	2,755	4,366	-	-	-	-	-	-	-
Investment earnings	4,106	12,447	17,360	6,166	5,213	11,133	12,545	10,667	5,119	7,367
Miscellaneous	400,000	100,000	55,927	91,806	115,474	98,120	152,026	400,248	277,807	366,493
Intergovernmental	33,149	56,365	16,093,021	774,130	1,022,142	3,104,374	1,593,990	1,856,886	3,986,969	3,340,267
Contributions and donations	4,548	2,372	1,256	1,510	2,263	42,818	3,263	700	3,565	56,483
Total revenues	4,765,782	4,786,910	21,112,371	6,253,703	6,784,477	9,821,958	8,658,155	10,216,927	13,128,100	13,578,627
EXPENDITURES										
Current:										
General government	731,811	1,037,749	875,001	847,136	892,264	977,146	1,218,020	1,523,623	2,952,821	2,194,919
Public safety	1,961,215	2,010,423	2,235,392	2,452,185	2,565,841	3,302,819	2,616,004	2,971,292	3,669,142	3,138,020
Public works	503,324	3,492,612	11,287,061	4,948,322	676,340	698,911	2,345,705	843,569	1,493,206	1,189,357
Public services and operations	297,551	373,629	329,880	412,349	318,491	497,534	479,060	476,790	809,143	678,662
Parks and recreational	181,909	245,390	297,773	2,036,212	385,809	418,815	377,836	439,875	994,862	848,008
Debt service:										
Principal retirement	152,554	195,346	602,711	618,456	1,326,415	1,694,358	1,723,817	1,544,280	1,804,672	1,816,531
Interest and fiscal charges	49,405	136,088	556,638	530,831	573,135	793,833	787,324	827,584	874,621	849,938
Bond issuance charges	-	-	-	57,936	55,169	-	-	51,399	30,000	155,952
Capital outlay	578,747	2,290,910	427,720	466,551	3,475,387	8,127,008	1,986,602	4,432,532	4,772,564	1,098,964
Total expenditures	4,456,516	9,782,147	16,612,176	12,369,978	10,268,851	16,510,424	11,534,368	13,110,944	17,401,031	11,970,351
Excess (deficiency) of revenues over (under) expenditures	309,266	(4,995,237)	4,500,195	(6,116,275)	(3,484,374)	(6,688,466)	(2,876,213)	(2,894,017)	(4,272,931)	1,608,276
OTHER FINANCING SOURCES (USES)										
Transfers in	18,902	14,019,214	2,623,944	3,074,491	575,559	2,230,272	626,852	682,825	3,034,357	997,082
Transfers out	-	(13,994,489)	(2,908,374)	(3,071,491)	(552,430)	(2,172,616)	(585,464)	(509,290)	(1,600,366)	(1,011,935)
Certificates of obligation issued	-	1,045,000	-	1,250,000	-	-	-	3,455,000	-	3,885,000
General obligation bonds issued	-	-	-	1,000,000	9,830,000	-	-	-	-	1,100,000
Refunding bonds issued	-	-	-	275,000	-	-	-	-	-	-
Tax note issued	-	-	-	365,000	-	-	-	-	1,130,000	-
Pass through bonds issued	-	8,255,000	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(277,515)	-	-	-	-	-	(1,130,000)
Premium on bonds issued	-	-	-	1,248	-	-	-	97,149	-	244,229
Note payable issued	-	4,500,000	4,438,669	-	-	-	-	-	-	-
Leases issued	-	527,799	-	-	136,423	-	107,305	296,765	908,952	90,917
Sale of capital assets	-	35,750	35,289	20,487	23,447	-	10,321	21,025	1,371,659	850,697
Total other financing sources (uses)	18,902	14,388,274	4,189,528	2,637,220	10,012,999	57,656	159,014	4,043,474	4,844,602	5,025,990
Net change in fund balances	\$ 328,168	\$ 9,393,037	\$ 8,689,723	\$(3,479,055)	\$ 6,528,625	\$(6,630,810)	\$(2,717,199)	\$ 1,149,457	\$ 571,671	\$ 6,634,266
Debt service as a percentage of noncapital expenditures	5.21%	4.42%	7.16%	11.38%	30.10%	32.70%	32.07%	28.68%	26.51%	27.10%

Source: Annual Comprehensive Financial Report

CITY OF KAUFMAN, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year Ended September 30	Estimated Actual Value			Less: Tax-Exempt Property	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Taxable Value	Total Direct Rate
	Estimated Actual Value							
	Real Property	Personal Property						
2013	\$ 326,261,068	\$ 39,926,850	\$	\$ 99,740,725	\$ 266,447,193	72.76%	\$ 366,187,918	\$ 0.65249
2014	323,747,199	41,637,470		99,243,200	266,141,469	72.84%	365,384,669	0.65249
2015	328,703,417	45,524,420		99,621,127	274,606,710	73.38%	374,227,837	0.70249
2016	338,385,382	47,963,990		103,979,495	282,369,877	73.09%	386,349,372	0.70249
2017	365,457,870	60,754,710		130,166,145	296,046,435	69.46%	426,212,580	0.77726
2018	375,220,983	60,500,840		134,968,935	300,752,888	69.02%	435,721,823	0.89937
2019	389,763,658	79,031,250		133,077,698	335,717,210	71.61%	468,794,908	0.89865
2020	494,627,469	72,226,600		149,564,850	417,289,219	73.61%	566,854,069	0.84865
2021	544,663,186	78,166,870		158,621,467	464,208,589	74.53%	622,830,056	0.82168
2022	637,979,809	75,953,272		182,861,000	531,072,081	74.39%	713,933,081	0.79997

Source: City Administration Office.

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.
 Tax rates are per \$100 of assessed value.

CITY OF KAUFMAN, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Kaufman			Overlapping Rates			Total Direct and Overlapping Rates
	Operating / General Rate	General Obligation Debt Service	Total Direct	Kaufman Independent School District	Kaufman County	Trinity Valley Community College	
2013	\$ 0.57698	\$ 0.07551	\$0.65249	\$ 1.30000	\$0.55650	\$ 0.08900	\$ 2.59799
2014	0.57896	0.07353	0.65249	1.30000	0.55650	0.09600	2.60499
2015	0.49769	0.20480	0.70249	1.30000	0.57620	0.10360	2.68229
2016	0.50735	0.19514	0.70249	1.46000	0.57620	0.12674	2.86543
2017	0.50735	0.26991	0.77726	1.53000	0.58870	0.13567	3.03163
2018	0.50735	0.39202	0.89937	1.55000	0.58870	0.13854	3.17661
2019	0.53504	0.36361	0.89865	1.55000	0.58870	0.13854	3.17589
2020	0.54794	0.30071	0.84865	1.55000	0.58870	0.13854	3.12589
2021	0.50109	0.32059	0.82168	1.28760	0.50496	0.13854	2.75278
2022	0.49317	0.30680	0.79997	1.28760	0.46117	0.13605	2.68479

Source: City Administration Office

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Kaufman, Texas.

CITY OF KAUFMAN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2022 ¹			2013 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
ITS Equipment Leasing & Maintenance LLC	\$ 17,051,690	1	3.21%	-	-	-
Wal-Mart Real Estate Business Trust	8,880,520	2	1.67%	-	-	-
Mica Steelworks, Inc./Falcon Steel Inc.	8,118,887	3	1.53%	\$ 6,676,320	1	2.51%
JWS Land Ltd.	7,887,612	4	1.49%	2,967,271	6	1.11%
BWR Apartments LP	6,175,613	5	1.16%	-	-	-
Brookshire Grocery Co.	5,292,730	6	1.00%	2,254,160	7	0.85%
Wal-Mart Stores	5,179,995	7	0.98%	-	-	-
Kolder Inc.	4,921,306	8	0.93%	3,258,301	5	0.61%
Tables Manufacturing Inc.	4,508,263	9	0.85%	3,487,270	4	1.31%
HPAM Washington Square LLC	4,150,000	10	0.78%	-	-	-
Abox Paperboard	-	-	-	5,384,270	2	2.02%
BW Ranch, Inc.	-	-	-	4,819,881	3	1.81%
Oncor Electric Delivery Co.	-	-	-	2,000,001	8	0.75%
2M Properties, LTD	-	-	-	1,959,931	9	0.74%
Oncor Electric Delivery Co.	-	-	-	1,957,420	10	0.73%
Total	<u>\$ 72,166,616</u>		<u>13.59%</u>	<u>\$ 34,764,825</u>		<u>12.44%</u>

Source: ¹ www.kaufman-cad.net

² City Administration Office.

CITY OF KAUFMAN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2013	\$ 1,736,415	\$ 1,684,211	96.99	\$ 49,767	\$ 1,733,978	99.86
2014	1,769,535	1,742,183	98.45	24,278	1,766,461	99.83
2015	1,983,620	1,906,266	96.10	70,817	1,977,083	99.67
2016	2,081,279	2,040,636	98.05	34,659	2,075,295	99.71
2017	2,336,670	2,244,619	96.06	87,246	2,331,865	99.79
2018	3,086,895	2,939,233	95.22	140,100	3,079,333	99.76
2019	3,264,706	3,213,590	98.43	43,175	3,256,765	99.76
2020	3,714,078	3,647,045	98.20	48,087	3,695,132	99.49
2021	3,989,099	3,903,913	97.86	44,095	3,948,008	98.97
2022	4,295,131	4,209,216	98.00	-	4,209,216	98.00

Source: Kaufman County Tax Office

CITY OF KAUFMAN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						
	Certificates of Obligation	General Obligation Bonds	Pass Through Bonds	Notes Payable	Tax Anticipation Note	Development Agreement Payable	Leases
2013	\$ 449,350	\$ 1,201,092	\$ -	\$ -	\$ -	\$ -	\$ -
2014	1,475,647	1,056,754	8,221,846	4,500,000	-	1,695,000	490,553
2015	1,425,850	917,072	8,223,382	8,938,669	-	1,356,000	416,042
2016	2,220,116	2,054,378	8,224,918	8,917,995	365,000	1,017,000	340,761
2017	2,140,394	11,692,909	7,921,454	8,644,726	305,000	678,000	399,238
2018	2,055,672	11,407,278	7,612,989	8,141,695	245,000	339,000	286,511
2019	1,965,950	11,082,192	7,299,526	7,623,560	185,000	-	316,534
2020	5,427,297	10,731,508	6,976,062	7,106,535	125,000	-	411,044
2021	5,197,462	10,375,823	6,647,598	6,555,855	1,195,000	-	1,036,004
2022	9,066,709	11,133,052	6,309,135	5,953,975	-	-	912,270

Fiscal Year	Business- Activities					Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Certificates of Obligation	General Obligation Bonds	Development Agreement Payable	Note Payable	Leases			
2013	\$ 2,201,650	\$ 1,358,179	\$ 399,263	\$ -	\$ 60,772	\$ 21,459,664	8.44%	\$ 3,066
2014	2,065,350	907,143	399,263	-	46,310	24,695,081	9.55%	3,568
2015	1,916,150	436,107	549,263	-	31,557	26,073,245	9.56%	3,644
2016	5,747,495	1,551,299	404,916	-	16,302	39,501,733	14.23%	5,501
2017	5,534,902	1,371,788	404,916	-	140,191	37,539,942	13.50%	5,127
2018	7,970,637	1,185,677	135,000	-	106,606	37,870,682	11.84%	5,072
2019	7,667,627	999,365	120,000	-	72,065	37,331,819	11.67%	5,000
2020	12,405,908	828,654	105,000	-	73,444	44,190,452	10.79%	5,455
2021	11,938,934	647,942	90,000	2,631,000	70,166	46,385,784	11.19%	5,513
2022	11,456,959	472,231	75,000	2,527,484	83,874	47,990,689	11.42%	5,691

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Personal income data and population data can be found in the Schedule of Demographic and Economic Statistics on page 119.

CITY OF KAUFMAN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING ¹
 Last Ten Fiscal Years

Fiscal Year	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Note	Less: Amounts Available in Debt Service		Total	Percentage of Estimated Actual Taxable Value ² of Property		Per Capita ³
				Development Agreement Payable	Fund		Property		
2013	\$ 2,651,000	\$ 2,559,271	\$ -	\$ 399,263	\$ 45,605	\$ 5,563,929	2.09%	\$ 795	
2014	3,540,997	1,963,897	-	2,094,263	45,195	7,553,962	2.84%	1,079	
2015	3,342,000	1,353,179	-	1,905,263	118,828	6,481,614	2.36%	936	
2016	7,967,611	3,605,677	365,000	1,421,916	124,819	13,235,385	4.69%	1,850	
2017	7,675,296	13,064,697	305,000	1,082,916	271,861	21,856,048	7.38%	3,044	
2018	10,026,309	12,592,955	245,000	474,000	385,644	22,952,620	7.63%	3,135	
2019	9,633,577	12,081,557	185,000	120,000	507,966	21,512,168	6.41%	2,881	
2020	17,833,205	11,560,162	125,000	105,000	464,575	29,158,792	6.99%	3,599	
2021	17,136,396	11,023,765	1,195,000	90,000	498,975	28,946,186	6.24%	3,440	
2022	20,523,668	11,605,283	-	75,000	655,883	31,548,068	6.80%	3,741	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ General Bonded Debt Outstanding does not include notes payable that will not be repaid with general government resources.

² See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 111 for property value data.

³ Population data can be found in the Schedule of Demographic and Economic Statistics on page 119.

CITY OF KAUFMAN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Amounts Applicable to Primary Government
Debt repaid with property taxes: Kaufman County	\$ 183,213,357	4.12%	\$ 7,548,390
Debt repaid with property taxes: Kaufman ISD	67,700,000	43.86%	29,693,220
Debt repaid with property taxes: Crandall ISD	214,229,840	0.04%	85,692
Subtotal, overlapping debt			37,327,302
City of Kaufman, Texas direct debt			33,375,141
Total direct and overlapping debt			<u>\$ 70,702,443</u>

Source: Texas Municipal Reports

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the property taxes of the City of Kaufman, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxes should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county and school district's taxable assessed value that is within the city's boundaries and dividing it by the county and school district's total taxable assessed value.

CITY OF KAUFMAN, TEXAS
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Waterworks and Sewer System Revenue Bonds						
Fiscal Year	Total Revenues¹	Less Operating Expenses²	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2013	\$ 3,278,904	\$ 2,351,745	\$ 927,159	\$ 586,956	\$ 111,667	1.33
2014	3,172,607	2,464,632	707,975	635,030	91,330	0.97
2015	3,191,532	2,621,892	569,640	619,800	89,400	0.80
2016	3,942,046	2,670,799	1,271,247	154,363	154,349	4.12
2017	3,874,232	2,767,539	1,106,693	383,800	131,734	2.15
2018	4,269,363	3,587,127	682,236	420,400	188,713	1.12
2019	4,271,269	2,929,045	1,342,224	480,600	230,814	1.89
2020	4,575,185	3,347,656	1,227,529	440,000	212,539	1.88
2021	4,157,025	3,385,276	771,749	465,000	205,079	1.15
2022	5,381,641	3,455,276	1,926,365	460,000	184,484	2.99

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Includes operating and nonoperating revenues.

² Includes operating expenses minus depreciation.

CITY OF KAUFMAN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Estimated Population¹	Personal Income¹	Per Capita Personal Income²	Median Age²	School Enrollment³	Unemployment Rate⁴
2013	7,000	\$ 266,903,000	\$ 38,129 **	32	3,752	6.5 %
2014	7,000	254,275,000	36,325	32.0	3,798	6.8 ⁵
2015	6,922	258,522,856	37,348	37.0	3,844	4.9
2016	7,156	272,686,536	38,106	34.0	3,851	3.6
2017	7,181	277,624,641	38,661	34.6	3,931	3.1
2018	7,322	278,074,916	37,978	35.6	4,002	3.2
2019	7,467	319,863,879	42,837	35.4	4,018	3.8
2020	8,101	409,716,176	50,576	33.9	4,055	5.9
2021	8,414	414,549,366	49,269	33.9	4,165	4.3
2022	8,432	420,141,264	49,827	33.7	4,128	3.4

Sources:

¹ North Central Texas Council of Governments

² U.S. Department of Commerce - Bureau of Economic Analysis

³ Kaufman Independent School District

⁴ Texas Workforce Commission

⁵ www.citydata.com

** Estimated

CITY OF KAUFMAN, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kaufman County	629	1	22.19%	567	1	13.22%
Kaufman ISD	533	2	18.80%	514	2	11.99%
Walmart	295	3	10.41%	-	-	-
Texas Health Presbyterian	204	4	7.20%	260	3	6.06%
Numo Manufacturing	183	5	6.46%	-	-	-
Trinity Valley Electric Cooperative	178	6	6.28%	147	4	3.43%
Advanced Tabco / Tables Mfg. Inc.	175	7	6.17%	-	-	-
Brookshire's Grocery Company	102	8	3.60%	130	5	3.03%
Mica Steelworks, Inc./Falcon Steel Inc	100	9	3.53%	-	-	-
City of Kaufman	74	10	2.61%	67	7	1.56%
Sunflower Park	-	-	-	115	6	2.68%
Kaufman Healthcare	-	-	-	55	8	1.28%
McDonalds's	-	-	-	47	9	1.10%
Denny's	-	-	-	45	10	1.05%
Total	<u>2,473</u>		<u>87.23%</u>	<u>1,947</u>		<u>45.41%</u>

Source: City Administration Office.

CITY OF KAUFMAN, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Administrative Services										
Administration	1.0	1.0	1.0	1.0	1.0	2.0	2.0	3.0	3.0	3.0
City Secretary	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Secretary/Admin Assistant	1.0	1.0	1.0	1.0	1.0	-	-	1.0	1.0	1.0
Financial Services										
Finance	5.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0
Municipal Court	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police	26.0	25.0	25.0	25.0	24.0	24.0	23.0	21.0	19.0	20.0
Development Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0
Fire	4.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	8.0
Streets	10.0	12.0	10.0	10.0	12.0	12.0	7.0	6.0	8.0	8.0
Parks							5.0	6.0	6.0	7.0
Water and Sewer Systems	13.0	12.0	14.0	14.0	13.0	13.0	13.0	13.0	13.0	13.0
Total	66.0	69.0	69.0	68.0	68.0	68.0	68.0	68.0	70.0	74.0

Source: City Administration Office.

CITY OF KAUFMAN, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
UCR - Reported Crimes	155	132	209	200	230	201	175	187	109	94
Number of Violations (Citations)	4,074	2,977	6,995	5,845	6,933	4,872	5,198	1,989	2,199	4,073
Judicial										
Municipal Court Fines	\$ 224,673	\$ 258,077	\$ 289,161	\$ 211,091	\$ 172,099	\$ 114,402	\$ 91,687	\$ 84,158	\$ 91,063	\$105,418
Fire										
Fire Calls	735	880	1,156	1,569	1,974	2,271	2,414	2,352	2,585	2,437
Fire Loss	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable
Inspection										
Permits Issued (Units)	3	3	485	431	572	522	512	439	460	524
Permit Value	\$10,309,526	\$1,470,000	\$14,036,494	\$56,041,030	\$14,769,321	\$18,776,255	\$14,549,894	\$17,998,163	\$31,014,968	\$50,032,595
Streets										
Miles of Streets Maintained	35.31	35.81	35.81	35.81	35.81	37.31	37.31	37.74	37.74	37.74
Health										
Animals Impounded	269	245	226	279	164	203	190	265	181	193
Cultural and Recreational										
Parks										
Parks Maintained	5	5	5	5	5	5	5	5	5	5
Sanitation Service										
Refuse Customers	1,835	1,788	1,686	1,859	2,245	1,784	1,932	1,928	1,988	2,044
Water										
Number of Water Customers	2,451	2,447	2,374	2,551	2,480	2,651	2,639	2,680	2,726	282
Estimated Gallons Billed (in thousands)	341,270	324,422	299,781	328,672	289,399	261,916	284,801	212,782	211,317	340,945
Sewer										
Number of Wastewater Customers	2,142	2,108	2,111	2,190	2,104	1,974	2,254	2,248	2,321	2,390

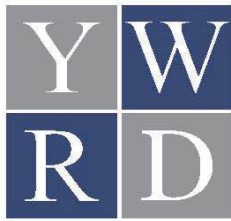
Sources: Various city departments.

CITY OF KAUFMAN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire Hydrants	300	312	362	364	456	456	456	484	496	522
Streets										
Miles of Streets	35.31	35.81	35.81	35.81	35.81	37.31	37.31	37.74	37.74	37.74
Cultural and Recreational										
Parks Maintained	5	5	5	5	5	5	5	5	5	5
Water										
Water Storage Capacity (gallons)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Sewer										
Sewer Plant Capacity (million gallons per day)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

Sources: Various city departments.

OTHER REPORT



YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Kaufman, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Kaufman, Texas' basic financial statements and have issued our report thereon dated March 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kaufman, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kaufman, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kaufman, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described below, that we consider to be a material weakness.

FINDING

Preparation of Financial Statements – We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on current auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with a governmental entity of your size.

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy and we have answered any questions that management might have. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Under the circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information to the amounts reported in the financial statements.

RESPONSE

Procedures will be implemented by the City to review the financial statements and related footnote disclosures and to agree the City's accounting information to the amounts reported in the financial statements and related footnote disclosures.

Honorable Mayor and City Council
City of Kaufman, Texas
Page Three

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kaufman, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, TX
March 24, 2023