

CITY OF KEMPNER, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



CITY OF KEMPNER, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council, and Citizens of the
City of Kempner, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Kempner, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of September 30, 2019, and the respective changes in financial position and respective budgetary comparisons of the General Fund and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC.
Cedar Park, Texas

March 27, 2020

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CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kempner, Texas (the "City"), 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, 2019.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$1,109,240 (*total net position*). For the year ended September 30, 2019, the City's total net position increased by \$22,066.
- At the end of the current fiscal year, the total fund balance in the General Fund was \$455,054. For the year ended September 30, 2019, the General Fund's fund balance increased by \$4,280.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$525,096, a increase of \$23,640 in comparison with the prior year.

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.

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, liabilities, and deferred inflows/outflows 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 vacation leave).

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, and culture and recreation.

The government-wide financial statements can be found on pages 14-15 of this report.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 are governmental 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 three 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, the Sales Tax Street Fund, and the Debt Service Fund, which are all considered to be major funds.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate budget compliance.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Funds. The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City does not currently utilize an enterprise fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. The City currently is not utilizing proprietary funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City currently is not utilizing fiduciary funds.

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 27-37 of this report.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 exceeded liabilities by \$1,109,240 at the close of the most recent fiscal year.

**CITY OF KEMPNER, TEXAS
NET POSITION**

	Governmental Activities 2019	Governmental Activities 2018	Change
ASSETS			
Current Assets	\$ 556,918	\$ 528,044	\$ 28,874
Capital Assets	880,882	923,055	(42,173)
Total Assets	\$ 1,437,800	\$ 1,451,099	\$ (13,299)
LIABILITIES			
Current Liabilities	\$ 29,269	\$ 17,849	\$ 11,420
Long-Term Liabilities	299,291	346,076	(46,785)
Total Liabilities and Deferred Inflows	328,560	363,925	(35,365)
NET POSITION			
Net Investment in Capital Assets	581,591	577,945	3,646
Restricted	10,382	9,952	430
Unrestricted	517,267	499,277	17,990
Total net position	\$ 1,109,240	\$ 1,087,174	\$ 22,066

Approximately 52% of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, 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.

An additional portion of the City's net position, about 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$517,267 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position for its separate governmental activities. The same situation held true for the prior fiscal year.

The City's overall net position increased by \$22,066 from the prior fiscal year. The reasons for this overall increase is discussed in the following section for governmental activities.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$22,066 from the prior fiscal year for an ending balance of \$1,109,240. The increase in the overall net position of governmental activities is primarily the result of budgeted and actual revenues exceeding expenditures for the year.

**CITY OF KEMPNER, TEXAS
CHANGES IN NET POSITION**

	Governmental Activities 2019	Governmental Activities 2018	Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 36,738	\$ 45,123	\$ (8,385)
Operating Grants & Contributions	968	8,825	(7,857)
General Revenues:			
Property Taxes	107,393	106,424	969
Other Taxes	107,683	103,488	4,195
Grants and Contributions Not Restricted to Specific Programs	48,782	55,109	(6,327)
Other	51,323	2,484	48,839
Total Revenue	352,887	321,453	31,434
EXPENSES			
General Government	185,570	142,842	42,728
Public Safety	110,492	175,878	(65,386)
Culture and Recreation	16,427	10,975	5,452
Interest on Long-Term Debt	18,332	11,780	6,552
Total expenses	330,821	341,475	(10,654)
Increase (Decrease) in Net Position Before Transfers	22,066	(20,022)	42,088
Increase (Decrease) in Net Position	22,066	(20,022)	42,088
Net Position - Beginning	1,087,174	1,107,196	(20,022)
Net Position - Ending	\$ 1,109,240	\$ 1,087,174	\$ 22,066

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 City'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 an individual that has been delegated authority to assign resources for particular purposes by the City's Council.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

At September 30, 2019, the City's governmental funds reported combined fund balances of \$525,096, an increase of \$23,640 in comparison with the prior year. Approximately 40% of this amount, or \$209,854, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$0, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$5,822 4) committed for particular purposes \$64,220, or 5) assigned for particular purposes \$245,200.

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 \$209,854, while total fund balance increased to \$455,054. 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. Committed and assigned balances may be converted back to unassigned amounts at the City's discretion, and so for consideration of reserves we will include in the calculation. The City's total ending fund balance in the General Fund represents approximately 179% of the past year's expenditures.

During the current year, the fund balance of the City's General Fund increased by \$4,280. As discussed earlier in connection with governmental activities, the increase is due primarily to insurance recoveries exceeding City Hall repair expenditures for the year.

The Sales Tax Street Fund had an increase in fund balance during the current year of \$19,710, to end at \$64,220. The Debt Service Fund had a decrease in fund balance during the current year of \$350 to end at \$5,822. The decrease is due to property tax revenues collected being less than budgeted.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. During the year, there were two significant amendments to the General Fund budget consisting of the line item Insurance Recoveries of \$45,000 and the corresponding extraordinary item of Repairs to City Hall of \$34,000.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$880,882 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and roads. Additional information on the City's capital assets can be found in Note III, subparagraph D, on page 34 of this report.

**CITY OF KEMPNER, TEXAS
CAPITAL ASSETS**

	Governmental Activities 2019	Governmental Activities 2018	Change
Land	\$ 132,744	\$ 132,744	\$ -
Buildings and Improvements	828,393	828,393	-
Machinery, Equipment, and Vehicles	150,191	150,191	-
Infrastructure	113,268	113,268	-
Total	<u>1,224,596</u>	<u>1,224,596</u>	<u>-</u>
Less Accumulated Depreciation	<u>(343,714)</u>	<u>(301,541)</u>	<u>(42,173)</u>
Capital Assets, Net of Depreciation	<u>\$ 880,882</u>	<u>\$ 923,055</u>	<u>\$ (42,173)</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$285,000 and one note payable outstanding of \$14,291.

**CITY OF KEMPNER, TEXAS
OUTSTANDING DEBT**

	Governmental Activities 2019	Governmental Activities 2018	Change
General Obligation Bonds	\$ 285,000	\$ 315,000	\$ (30,000)
Notes Payable	14,291	20,956	(6,665)
Total	<u>\$ 299,291</u>	<u>\$ 335,956</u>	<u>\$ (36,665)</u>

The City's total debt decreased by \$30,000 related to bond principal repaid during the year and decreased by \$6,665 related to note principal repaid during the year. Additional information on the City's long-term debt can be found in Note III, subparagraph E, on pages 35-37 of this report.

CITY OF KEMPNER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Various economic factors affect the City and were considered in developing the 2019-2020 fiscal year budgets. Property tax rates of \$0.146603 for M&O and \$0.098297 for I&S were adopted (for a total of \$0.244900) which is an increase of \$0.009610 from the previous year. The City adopted an expenditure budget for the General Fund for fiscal year 2019-2020 of approximately \$300,000 which is a decrease from the previous fiscal year's adopted budget of \$40,000. There are no significant changes planned to the operations of the City for the 2019-2020 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City 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 City Hall, 12288 U.S. Highway 190, Kempner, Texas 76539 or by calling (512) 932-2180.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KEMPNER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 544,244
Taxes Receivable - Delinquent	14,083
Allowance for Uncollectible Taxes	(1,409)
Capital Assets, Not Being Depreciated:	
Land	132,744
Capital Assets, Being Depreciated:	
Buildings and Improvements	828,393
Machinery, Equipment, and Vehicles	150,191
Infrastructure	113,268
Accumulated Depreciation	(343,714)
Total Assets	1,437,800
LIABILITIES	
Accounts Payable	14,605
Accrued Salaries and Benefits	4,543
Accrued Interest Payable	10,121
Noncurrent Liabilities:	
Due Within One Year	36,980
Due in More Than One Year	262,311
Total Liabilities	328,560
NET POSITION	
Net Investment in Capital Assets	581,591
Restricted for Debt Service	10,382
Unrestricted	517,267
Total Net Position	\$ 1,109,240

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

CITY OF KEMPNER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 185,570	\$ 535	\$ -	\$ (185,035)
Public Safety	110,492	36,203	968	(73,321)
Culture and Recreation	16,427	-	-	(16,427)
Interest and Bank Fees	18,332	-	-	(18,332)
Total Governmental Activities:	<u>330,821</u>	<u>36,738</u>	<u>968</u>	<u>(293,115)</u>
General Revenues:				
Property Taxes				107,393
Sales taxes				107,683
Franchise Taxes				48,782
Contributions and Donations				350
Investment Earnings				4,284
Miscellaneous				46,689
Total General Revenues				<u>315,181</u>
Change in Net Position				22,066
Net Position - Beginning				1,087,174
Net Position - Ending				<u>\$ 1,109,240</u>

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

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FUND BASIS FINANCIAL STATEMENTS

CITY OF KEMPNER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Sales Tax Street Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 475,666	\$ 62,756	\$ 5,822	\$ 544,244
Taxes Receivable - Delinquent	9,016	-	5,067	14,083
Allowance for Uncollectible Delinquent Taxes	(902)	-	(507)	(1,409)
Due From Other Funds	-	1,464	-	1,464
Total Assets	<u>\$ 483,780</u>	<u>\$ 64,220</u>	<u>\$ 10,382</u>	<u>\$ 558,382</u>
LIABILITIES				
Accounts Payable	\$ 14,605	\$ -	\$ -	\$ 14,605
Accrued Liabilities	4,543	-	-	4,543
Due to other funds	1,464	-	-	1,464
Total Liabilities	<u>20,612</u>	<u>-</u>	<u>-</u>	<u>20,612</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	8,114	-	4,560	12,674
Total Deferred Inflows of Resources	<u>8,114</u>	<u>-</u>	<u>4,560</u>	<u>12,674</u>
FUND BALANCES				
Restricted:				
Debt Service	-	-	5,822	5,822
Committed:				
Streets	-	64,220	-	64,220
Assigned:				
Infrastructure	190,000	-	-	190,000
Parks	55,200	-	-	55,200
Unassigned	209,854	-	-	209,854
Total Fund Balances	<u>455,054</u>	<u>64,220</u>	<u>5,822</u>	<u>525,096</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 483,780</u>	<u>\$ 64,220</u>	<u>\$ 10,382</u>	<u>\$ 558,382</u>

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

CITY OF KEMPNER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

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

Total fund balance of all governmental funds	\$	525,096
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 1,224,596	
Less accumulated depreciation	<u>(343,714)</u>	880,882
<p>Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		12,674
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	\$ (285,000)	
Notes payable	<u>(14,291)</u>	(309,412)
		<u>1,109,240</u>
Net position of governmental activities	\$	<u><u>1,109,240</u></u>

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

CITY OF KEMPNER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Sales Tax Street Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property Taxes	\$ 66,896	\$ -	\$ 38,467	\$ 105,363
Sales Taxes	86,752	20,931	-	107,683
Franchise Taxes	48,782	-	-	48,782
Licenses and Permits	535	-	-	535
Fines	36,203	-	-	36,203
Investment Earnings	4,032	191	61	4,284
Grants and Contributions	1,318	-	-	1,318
Miscellaneous Revenue	914	-	-	914
Total Revenues	245,432	21,122	38,528	305,082
EXPENDITURES				
Current:				
General Government	128,854	1,412	-	130,266
Public Safety	93,865	-	-	93,865
Culture and Recreation	13,955	-	-	13,955
Debt Service:				
Principal Payments	15,819	-	30,000	45,819
Interest	1,238	-	8,878	10,116
Total Expenditures	253,731	1,412	38,878	294,021
Excess (Deficiency) of Revenues Over Expenditures	(8,299)	19,710	(350)	11,061
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	45,775	-	-	45,775
City Hall Repairs	(33,196)	-	-	(33,196)
Total Other Financing Sources (Uses)	12,579	-	-	12,579
Net Change in Fund Balance	4,280	19,710	(350)	23,640
Fund Balance - Beginning	450,774	44,510	6,172	501,456
Fund Balance - Ending	\$ 455,054	\$ 64,220	\$ 5,822	\$ 525,096

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

CITY OF KEMPNER, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances for total governmental funds	\$ 23,640
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(42,173)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,030
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The issuance of long-term debt (e.g., bonds, leases) 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 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.	38,569
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Change in net position for governmental activities	\$ 22,066
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The notes to the financial statements are an integral part of this statement.

CITY OF KEMPNER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 72,310	\$ 72,310	\$ 66,896	\$ (5,414)
Sales Taxes	83,000	86,000	86,752	752
Franchise Taxes	50,200	53,200	48,782	(4,418)
Licenses and Permits	900	900	535	(365)
Fines	40,000	40,000	36,203	(3,797)
Investment Earnings	1,500	1,500	4,032	2,532
Grants and Donations	3,150	3,150	1,318	(1,832)
Miscellaneous Revenue	350	350	914	564
Total Revenues	251,410	257,410	245,432	(11,978)
EXPENDITURES				
Current:				
General Government	114,888	129,888	128,854	1,034
Public Safety	107,635	107,635	93,865	13,770
Culture and Recreation	11,828	13,828	13,955	(127)
Debt Service:				
Notes Payable - Principal	15,387	15,819	15,819	-
Notes Payable - Interest	1,672	1,240	1,238	2
Total Expenditures	251,410	268,410	253,731	14,679
Excess (Deficiency) of Revenues Over Expenditures				
	-	(11,000)	(8,299)	2,701
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	45,000	45,775	775
City Hall Repairs	-	(34,000)	(33,196)	804
Total Other Financing Sources (Uses)	-	11,000	12,579	1,579
Net Change in Fund Balances	-	-	4,280	4,280
Fund Balance - Beginning	450,774	450,774	450,774	-
Fund Balance - Ending	\$ 450,774	\$ 450,774	\$ 455,054	\$ 4,280

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

CITY OF KEMPNER, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 38,883	\$ 38,883	\$ 38,467	\$ (416)
Investment Earnings	-	-	61	61
Total Revenues	<u>38,883</u>	<u>38,883</u>	<u>38,528</u>	<u>(355)</u>
EXPENDITURES				
Current:				
Debt Service:				
Bond Principal	30,000	30,000	30,000	-
Interest	8,883	8,883	8,878	5
Total Expenditures	<u>38,883</u>	<u>38,883</u>	<u>38,878</u>	<u>5</u>
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	(350)	(350)
Net Change in Fund Balances	-	-	(350)	(350)
Fund Balance - Beginning	6,172	6,172	6,172	-
Fund Balance - Ending	<u>\$ 6,172</u>	<u>\$ 6,172</u>	<u>\$ 5,822</u>	<u>\$ (350)</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. 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. All fiduciary activities are reported only in the fund financial statements. *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 Kempner, Texas (the “City”) is a municipal corporation governed by an elected mayor and five-member governing Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City does not have any component units.

C. Basis of Presentation – Government-wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its fiduciary funds and blended component units. 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:

CITY OF KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

The *Sales Tax Street Fund* accounts for sales tax revenues collected for and restricted specifically for the maintenance of City streets.

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 City did not report any nonmajor governmental funds during the fiscal year.

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 or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

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.

CITY OF KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Debt Service Fund.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2019, the City's expenditures in the General Fund and Debt Service Fund did not significantly exceed respective appropriations.

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, 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 positions in local government investment pools when applicable. In accordance with state law, these investment pools operate 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, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

CITY OF KEMPNER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Inventories and Prepaid Items

The City does not report inventories of supplies for consumable items due to the unused amount of these items being on hand at any given time being deemed immaterial. 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; however, the City does not have any prepaid items.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column 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 of more than one year.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, 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 estimated fair value at the date of donation.

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 & Improvements	15-40
Machinery and Equipment	5-7
Vehicles	5-7
Infrastructure	20

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City currently has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

6. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2018, upon which the levy for the 2018-2019 fiscal year was based, was \$44,762,314. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2019, to finance General Fund and Debt Service Fund operations were \$0.148297 and \$0.086993, respectively, for a total tax rate of \$0.23529 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2018-2019 fiscal year was \$105,321. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2019, were 97% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and operations and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

3. Compensated Absences

The City's policy permits employees to accumulate earned but unused compensated absences up to eighty hours, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide fund financial statements.

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit Fund Equity

For the year ended September 30, 2019, there were no funds reported with deficit fund equity.

III. 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. The City does not have a deposit policy for custodial credit risk. However, as of September 30, 2019, the City's bank balance was \$413,341 and was fully insured by FDIC and pledged securities.

CITY OF KEMPNER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

B. Investments

The City currently holds deposits with TexPool, the largest local government investment pool in the State of Texas. TexPool has a credit rating of AAAM 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's investments are governed by the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and government investment pools.

As of September 30, 2019, the City did not have any balances classified as investments.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2019, the City's investment in the TexPool investment pool was rated AAAM by Standard & Poor's.

Concentration of credit risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Risk Management

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the Texas Municipal League risk pool, a risk-sharing pool, for property, liability and workers' compensation insurance, wherein member cities pool risks and funds and share in costs of losses. Claims against the City are expected to be paid by the public entity risk pool. Should the risk pool become insolvent, or otherwise be unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

CITY OF KEMPNER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

D. Capital Assets

Capital assets activity for the year ended September 30, 2019, was as follows:

Governmental Activities:

	Balance 10/1/18	Increases	Decreases	Balance 9/30/19
Capital Assets, Not Being Depreciated:				
Land	\$ 132,744	\$ -	\$ -	\$ 132,744
Total Capital Assets, Not Being Depreciated	<u>132,744</u>	<u>-</u>	<u>-</u>	<u>132,744</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	828,393	-	-	828,393
Machinery, Equipment, and Vehicles	150,191	-	-	150,191
Infrastructure	113,268	-	-	113,268
Total Capital Assets, Being Depreciated	<u>1,091,852</u>	<u>-</u>	<u>-</u>	<u>1,091,852</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(132,751)	(20,664)	-	(153,415)
Machinery, Equipment, and Vehicles	(102,090)	(15,845)	-	(117,935)
Infrastructure	(66,700)	(5,664)	-	(72,364)
Total Accumulated Depreciation	<u>(301,541)</u>	<u>(42,173)</u>	<u>-</u>	<u>(343,714)</u>
Total Capital Assets Being Depreciated, Net	<u>790,311</u>	<u>(42,173)</u>	<u>-</u>	<u>748,138</u>
Governmental Activities Capital Assets, Net	<u>\$ 923,055</u>	<u>\$ (42,173)</u>	<u>\$ -</u>	<u>\$ 880,882</u>

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

Governmental Activities:

General Government	\$ 23,074
Public Safety	16,627
Culture and Recreation	2,472
Total Depreciation Expense - Governmental Activities	<u>\$ 42,173</u>

CITY OF KEMPNER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

E. Long-Term Liabilities

General obligation bonds have been issued for governmental activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds were issued in 2012 and will mature in 2027.

Long-Term Liabilities

Details of long-term debt obligations outstanding at September 30, 2019, are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/19
Bonds Payable					
General Obligation Refunding Bonds	2012	\$ 490,000	2.82%	2027	\$ 285,000
Total Bonds Payable					<u>\$ 285,000</u>
Notes Payable:					
Notes Payable - COPsync	2017	\$ 27,426	4.73%	2021	\$ 14,291
Total Notes Payable					<u>\$ 14,291</u>

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2019, are as follows:

Governmental Activities

Description	Balance 10/1/18	Additions	Deletions	Balance 9/30/19	Due in One Year
Bonds Payable:					
Gen. Oblig. Refunding Bonds, Series 2012	\$ 315,000	\$ -	\$(30,000)	\$ 285,000	\$ 30,000
Total Bonds Payable	315,000	-	(30,000)	285,000	30,000
Notes Payable:					
Notes Payable - COPsync	20,956	-	(6,665)	14,291	6,980
Total Notes Payable	20,956	-	(6,665)	14,291	6,980
Governmental Activities Long-Term Liabilities	<u>\$ 335,956</u>	<u>\$ -</u>	<u>\$(36,665)</u>	<u>\$ 299,291</u>	<u>\$ 36,980</u>

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CITY OF KEMPNER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

The debt service requirements for the City's bond is as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities Bonds Payable	
	Principal	Interest
2020	\$ 30,000	\$ 8,037
2021	35,000	7,191
2022	35,000	6,204
2023	35,000	5,217
2024	35,000	4,230
2025-2027	115,000	6,627
Totals	\$ 285,000	\$ 37,506

The debt service requirements for the City's note is as follows:

Governmental Activities:

Year Ended September 30,	Principal		Interest	
	Principal	Interest	Principal	Interest
2020	\$ 6,980	\$ 676		
2021	7,311	346		
	\$ 14,291	\$ 1,022		

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The funds in the plan are held by Nationwide Retirement Solutions, Inc. of Columbus, Ohio as the plan administrator for the City. The funds are held in trust by Nationwide Retirement Solutions, Inc. for the exclusive benefits of the employees and their beneficiaries who will receive these funds directly remitted by Nationwide Retirement Solutions, Inc. to the City employees and their beneficiaries. The City no longer owns the amounts deferred by the employees or related income on these amounts. Therefore, since the plan does not qualify to be included with the City's fiduciary funds, there are not any plan assets included in the City's financial statements.

G. Interfund Receivables, Payables, and Transfers

The City had no interfund receivables/payables or transfers as of September 30, 2019.

H. Subsequent Events

The City has evaluated subsequent events through March 27, 2020, the date of the audit report. The City is not aware of any subsequent events that materially affect the financial statements and as a result would require recording/disclosure.

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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, Members of the City Council and Citizens of the
City of Kempner, 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 and each major fund of City of Kempner, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 determination of financial statement amounts. 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 Standard*.

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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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC.
Cedar Park, Texas

March 27, 2020

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CITY OF KEMPNER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under federal Uniform Guidance, a Single Audit was not required due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2019 and 2018.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not applicable.

