

NOTICE OF A MEETING
OF THE CITY COUNCIL OF THE CITY OF HEMPSTEAD

Notice is hereby given that a Regular Meeting of the City Council of the City of Hempstead will be held on **Monday, the 5th day of April, A.D., 2021 at 6:00 P.M.** in the City Hall at 1125 Austin Street, Hempstead, Texas, at which time the following subjects will be discussed, to-wit:

1. Call to order and invocation.
2. Pledge of Allegiance.
3. Public Comments.
4. Consideration and action on a Resolution accepting the 09-30-19 Audit.
5. Consideration and action on a Contract with Spartan Utility Services LLC for a Pole Attachment Audit.
6. Consideration and action on a Resolution approving appointments to the Planning and Zoning Commission Board.
7. Administer Oath of Office to Planning and Zoning Commission Board Members Barbara Bezub and Joe Ayala.
8. Consideration and action on 2020 CDBG Program Contract 7220034 (Planning Grant):
 - a) Resolution to Designate Authorized Signatories
 - b) Resolution Regarding Civil Rights
 - c) Citizen Participation Plan
 - d) Section 3 Policy
 - e) Excessive Force Policy
 - f) Section 504 Policy Against Discrimination Based on Handicap and Grievance Procedures
 - g) Over 5% Limited English Proficiency Plan – 7220034
 - h) Code of Conduct Policy of the City of Hempstead
 - i) Proclamation of April as Fair Housing Month
 - j) Fair Housing Policy
9. Consideration and action on authorization for the City of Hempstead to issue requests for proposals (RFPs) for administrative services and requests for qualifications (RFQs) for professional services for the American Rescue Plan Act of 2021.
10. Consideration and action on Amendment to Digital Billboard Development Agreement with Clear Channel Outdoor, LLC.
11. Consideration and action on a contract with Alan Younts to provide Financial Consulting to the City.
12. Executive Session pursuant to Texas Government Code, Section 551.076 Certain Public Power Utilities: Competitive Matters regarding natural gas and electricity; Section 551.071 Consultation with Attorney; Section 551.087 Economic Deliberations.
13. Action, if any, from Executive Session.
14. Adjourn City Council Meeting.

The City Council of the City of Hempstead reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below

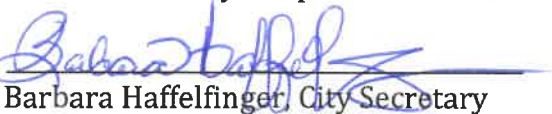
authorized by Texas Government Code, Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), 551.087 (Economic Development), and 551.086 (Certain Public Power Utilities: Competitive Matters). Council may act in Open Session on any item listed for Executive Session.

Dated this the 1st day of April, A.D., 2021.

By: 
Barbara Haffelfinger, City Secretary

I, the undersigned authority, do hereby certify that the above Notice of a Regular Meeting of the governing body of the City of Hempstead is a true and correct copy of said Notice, and that a true and correct copy of said Notice was posted on the City Hall bulletin board and entrances to City Hall, in the City Hall of said City of Hempstead, Texas, a place convenient and readily accessible to the general public at all times, and that said Notice was posted on April 1, 2021 at 1:00 P.M. and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Dated this the 1st day of April, A.D., 2021.

By: 
Barbara Haffelfinger, City Secretary

SUPPLEMENTAL NOTICE OF MEETING BY TELEPHONE CONFERENCE

In accordance with order of the Office of the Governor issued March 16, 2020, the City of Hempstead will conduct the meeting scheduled at 6:00 P.M. on Monday, the 5th day of April at Hempstead City Hall, 1125 Austin Street, Hempstead, Texas by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19). Limited public access will be allowed, in order to maintain social distancing practices.

This supplemental written notice, the meeting agenda, and the agenda packet, are posted online at www.hempsteadcitytx.com.

The public toll-free dial-in number to participate in the telephonic meeting is
1-346-248-7799; Access Code 989-478-2100

The public will be permitted to offer public comments telephonically as provided by the agenda and as permitted by the presiding officer during the meeting.

A recording of the telephonic meeting will be made, and will be available to the public in accordance with the Opening Meetings Act upon written request.



City of Hempstead

1125 Austin Street • Hempstead, Texas 77445 • Tel: 979-826-2486 • Fax: 979-826-6703

RESOLUTION

NO. 21-_____

CITY OF HEMPSTEAD AUDIT 2018-2019

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEMPSTEAD,
TEXAS:**

A Resolution accepting the City Audit conducted by WhitleyPenn; Certified
Public Accountants for fiscal year ending September 30, 2019.

PASSED AND APPROVED this the 5th day of April, A.D., 2021.

APPROVED:

Dave Shelburne, Mayor

ATTEST:

Barbara Haffelfinger, City Secretary

CITY OF HEMPSTEAD, TEXAS

ANNUAL FINANCIAL REPORT

**For the Year Ended
September 30, 2019**



DRAFT 3/16/21



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CITY OF HEMPSTEAD, TEXAS
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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, and each major fund of the City of Hempstead, 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. 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, budgetary comparison information on pages 64 through 65 pension system supplementary information and other post-employment benefit supplementary information on pages 66 through 70, 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.

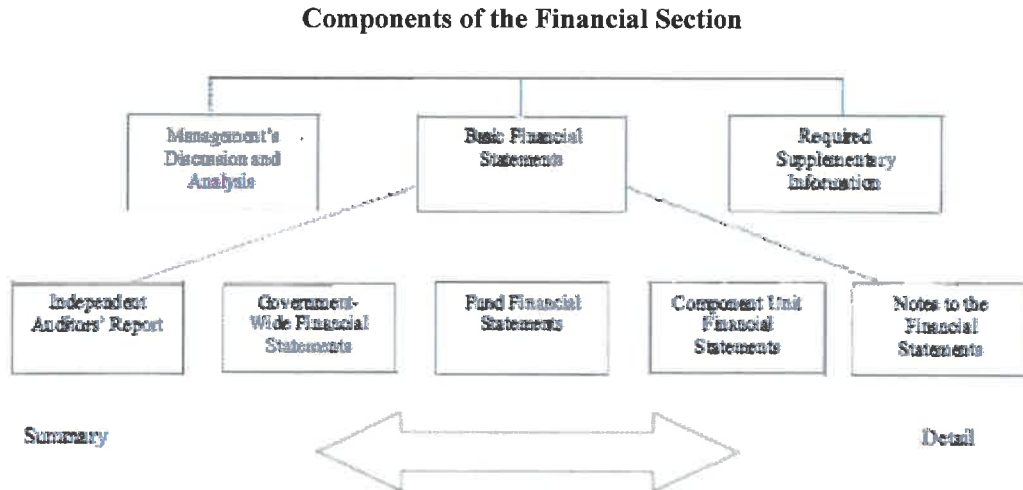
Houston, Texas
March 19, 2021

CITY OF HEMPSTEAD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Hempstead, Texas (the "City") for the year ending September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 – the accrual method rather than modified accrual that is used in the fund level statements.

CITY OF HEMPSTEAD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or significant portion of their costs through user fees (business-type activities).

- Governmental activities – The City's tax-supported services are reported here including General Government, Municipal Court, Public Safety, Public Works, Solid Waste, and Parks and Recreation. Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
- Business-type activities Services involving a fee for those services are reported here. These services include the City's water and wastewater collection, electricity, and gas services as well as interest payments on debt issued for water, wastewater, electrical, and gas improvements.

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.

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

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses two fund types – governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements with the exclusion of internal service fund activity. However, unlike the government-wide financial statements, governmental funds 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 evaluating the City's near-term financing requirements.

Because the focus of the 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, the reader may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental 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 and the debt service fund, which are considered to be major funds for reporting purposes. The capital projects fund is not considered a major fund for reporting purposes, but the City has elected to present it as major due to its significance.

CITY OF HEMPSTEAD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, wastewater collection, electrical services, and natural gas services. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as RSI to demonstrate compliance with this budget. RSI can be found after the notes to the financial statements. The RSI also includes schedules related to the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities by \$12,542,747 as of September 30, 2019 for the primary government. This compares with \$12,710,524 from the prior fiscal year. The largest portion of the City's net position, \$16,350,174 reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

A portion of the primary government's net position, \$402,058, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, (\$4,209,485), represents an unrestricted deficit in financial resources to be funded by future operations.

CITY OF HEMPSTEAD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table reflects the condensed Statement of Net Position.

	Governmental Activities		Business Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 745,390	\$ 728,125	\$ 2,253,101	\$ 2,706,065	\$ 2,998,491	\$ 3,434,190
Capital assets	9,502,728	9,709,444	18,404,460	18,875,220	27,907,188	28,584,664
Total assets	10,248,118	10,437,569	20,657,561	21,581,285	30,905,679	32,018,854
Deferred outflows - Pensions	538,808	192,379	220,077	76,671	758,885	269,050
Deferred outflows - OPEB (TMRS)	5,820	53,472	2,494	20,655	8,314	74,127
Deferred outflows - OPEB (Health)	116,289	9,805	47,499	-	163,788	9,805
Deferred charge on refunding	235,945	257,395	-	-	235,945	257,395
Total deferred outflows of resources	896,862	513,051	270,070	97,326	1,166,932	610,377
Long-term liabilities	13,309,415	13,922,887	3,877,381	3,693,379	17,186,796	17,616,266
Other Liabilities	1,168,507	938,077	1,098,496	941,282	2,267,003	1,879,359
Total Liabilities	14,477,922	14,860,964	4,975,877	4,634,661	19,453,799	19,495,625
Deferred inflows - Pensions	42,816	301,544	17,488	121,538	60,304	423,082
Deferred inflows - OPEB	9,830	-	4,213	-	14,043	-
Total deferred inflows of resources	52,646	301,544	21,701	121,538	74,347	423,082
Net position:						
Net investment in capital assets	178,806	103,341	16,171,368	16,660,256	16,350,174	16,763,597
Restricted	288,447	296,298	113,611	-	402,058	296,298
Unrestricted	(3,852,841)	(4,611,527)	(354,926)	262,156	(4,207,767)	(4,349,371)
Total net position	\$ (3,385,588)	\$ (4,211,888)	\$ 15,930,053	\$ 16,922,412	\$ 12,544,465	\$ 12,710,524

The City's total net position decreased by \$166,059 during the current fiscal year. This included an increase of \$826,300 in the governmental activities, and a decrease in business-type activities of \$992,359.

Current assets decreased from the prior year due to a decrease in transfers restricted cash in the Business-Type Activities. There was an increase in deferred outflows, and related decrease in deferred inflows, due to investment earnings on pension plan assets. Long-term liabilities decreased due to current year debt principle payments.

CITY OF HEMPSTEAD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Governmental Activities		Business Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 1,414,394	\$ 1,235,244	\$ 8,919,088	\$ 9,327,624	\$ 10,333,482	\$ 10,562,868
Operating grants and contributions	63,203	257,170	25,725	111,621	88,928	368,791
Capital grants and contributions	-	-	-	276,863	-	276,863
General Revenues:						
Property taxes	1,351,835	1,088,810	-	-	1,351,835	1,088,810
Sales taxes	1,393,015	1,201,287	-	-	1,393,015	1,201,287
Franchise taxes	64,761	61,595	-	-	64,761	61,595
Hotel/motel taxes	45,418	36,422	-	-	45,418	36,422
Investment earnings	519	133	4,671	3,289	5,190	3,422
Other revenues	121,450	75,432	17,050	-	138,500	75,432
Total revenues	<u>4,454,595</u>	<u>3,956,093</u>	<u>8,966,534</u>	<u>9,719,397</u>	<u>13,421,129</u>	<u>13,675,490</u>
Expenses						
General government	1,335,630	1,174,381	-	-	1,335,630	1,174,381
Public safety	2,677,552	2,707,498	-	-	2,677,552	2,707,498
Public works	2,144,348	2,340,048	-	-	2,144,348	2,340,048
Parks and recreation	595,961	590,212	-	-	595,961	590,212
Interest and fiscal agent fees	279,722	324,959	-	-	279,722	324,959
Utilities	-	-	6,553,975	6,586,282	6,553,975	6,586,282
Total Expenses	<u>7,033,213</u>	<u>7,137,098</u>	<u>6,553,975</u>	<u>6,586,282</u>	<u>13,587,188</u>	<u>13,723,380</u>
Increase (decrease) in net position before transfers	(2,578,618)	(3,181,005)	2,412,559	3,133,115	(166,059)	(47,890)
Transfers in (out)	3,404,918	2,819,126	(3,404,918)	(2,819,126)	-	-
Change in net position	826,300	(361,879)	(992,359)	313,989	(166,059)	(47,890)
Net position - beginning	<u>(4,211,888)</u>	<u>(3,850,009)</u>	<u>16,922,412</u>	<u>16,608,423</u>	<u>12,710,524</u>	<u>12,758,414</u>
Net position - ending	<u>\$ (3,385,588)</u>	<u>\$ (4,211,888)</u>	<u>\$ 15,930,053</u>	<u>\$ 16,922,412</u>	<u>\$ 12,544,465</u>	<u>\$ 12,710,524</u>

Governmental Activities

For the year ended September 30, 2019, revenues from governmental activities totaled \$4,454,595, compared with \$3,956,093 in the prior year. This \$498,502 increase occurred mainly due to increases in refuse charges for services revenue, property tax revenue, sales tax revenue, and license and permits revenue. The decrease in operating grant revenue is mostly the result of Department of Criminal Justice funds received in the prior year.

Governmental expenses decreased by \$103,885. This decrease is due mostly to decreases in various repair and maintenance projects and grant related expenses.

6

Business-Type Activities

Business-type activities revenues decreased by \$752,863 mostly due to a decrease in charges for services related to electricity sales caused by a decrease in the PCRC (power cost revenue charge) from the prior year. The decrease in operating and capital grant revenues is related to the FEMA Hurricane Harvey reimbursements and a Community Development Block Grant sanitary sewer improvement project funds received in the prior year. Business-type activities expenses decreased by \$32,307 due to a decrease in repair and maintenance projects.

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City of Hempstead, TX 2019 AFR

CITY OF HEMPSTEAD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The City's governmental funds reflect a combined fund balance of \$321,665. Of this, \$108,434 is restricted for debt service, \$179,458 is restricted for enabling legislation, \$555 is restricted for capital projects, and \$33,218 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was a balance of \$33,218, while total fund balance was \$212,676. Total general fund revenues increased mainly due to increase in property tax rates, sales tax collections, and an increase in permits issued. Total expenditures increased related to an increase in capital outlay activity from the prior year. Unassigned General Fund fund balance represents less than 1% (2 days) of General Fund expenditures. Unassigned fund balance for General Fund should represent 60 to 90 days of General Fund expenditures.

The debt service fund has a fund balance of \$108,434. The net increase in fund balance during the current year was \$4,121. This increase can be attributed to transfers from the utility fund in the current year.

The capital projects fund recorded an increase of \$3 in fund balance, which was related to investment income.

Proprietary Funds

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

CITY OF HEMPSTEAD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

The budget was not amended in the current year. The actual fund balance for the year increased by \$582,200. Actual revenues exceeded budgeted revenues by \$445,021 primarily due to a greater amount of property and sales taxes collected than expected, as well as an increase of licenses and permits revenues greater than expected. Actual expenditures were greater than budgeted expenditures by \$354,838. The difference in budgeted to actual expenditures is across multiple departments. More detailed information about the City's excess expenditures over appropriations is presented in Note 1 to the financial statements.

Capital Assets

At the end of fiscal year 2019, the City's governmental and business-type activities had invested \$27,907,188 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$677,476.

Major capital events during the year included the following:

- Purchase of a backhoe in the amount of \$96,896.
- Railroad gasline improvements in the amount of \$60,408.
- Road and asphalt improvements in the amount of \$91,800.
- Purchase of police video car systems in the amount of \$66,435.
- Lease of vehicles in the amount of \$270,644.

More detailed information on the City's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, notes, and capital leases outstanding of \$11,518,023. Of this amount, \$5,730,000 was general obligation bonds, \$5,343,000 was certificates of obligation, \$190,355 was notes, and capital leases accounted for the remaining \$254,668. The City obtained new capital leases totaling \$270,644.

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City adopted a fiscal year 2019-2020 general fund expenditure budget of \$6,125,201, which is an increase of one percent from the prior year general fund expenditure budget of \$6,037,969. The City budgeted for fiscal year 2019-2020 general fund revenues of \$4,006,100, which is an increase of five percent from the prior year general fund revenues budget of \$3,831,350. The City approved a 2019-2020 Maintenance and Operation tax rate of \$0.5249 and an Interest and Sinking tax rate of \$0.0013 per \$100 of property valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Office of the City Secretary, 1125 Austin Street, Hempstead, TX, 77445; telephone 979-826-2486; or for general City information, visit the City's website at www.hempsteadcitytx.com.



BASIC FINANCIAL STATEMENTS



CITY OF HEMPSTEAD, TEXAS
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hempstead EDC
Assets				
Current assets:				
Cash and cash equivalents	\$ 105,335	\$ 384,926	\$ 490,261	\$ 658,968
Restricted cash and cash equivalents	179,458	307,615	487,073	-
Investments	-	-	-	1,078,827
Internal balances	3,653	(3,653)	-	-
Receivables (net of allowances)	456,944	1,390,139	1,847,083	207,587
Due from other governments	-	46,068	46,068	-
Inventory	-	128,006	128,006	-
Noncurrent assets:				
Nondepreciable capital assets	184,274	27,500	211,774	83,284
Net depreciable capital assets	9,318,454	18,376,960	27,695,414	-
Total Assets	10,248,118	20,657,561	30,905,679	2,028,666
Deferred Outflows of Resources				
Deferred outflows - Pensions	538,808	220,077	758,885	-
Deferred outflows - OPEB (TMRS)	5,820	2,494	8,314	-
Deferred outflows - OPEB (Health)	116,289	47,499	163,788	-
Deferred charge on refunding	235,945	-	235,945	-
Total Deferred Outflows of Resources	896,862	270,070	1,166,932	-
Total Assets and Deferred Outflows of Resources	11,144,980	20,927,631	32,072,611	2,028,666
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	61,403	277,251	338,654	2,480
Deficit cash and cash equivalents	113,459	-	113,459	-
Other payables	27,901	-	27,901	-
Customer deposits	-	639,064	639,064	-
Accrued interest payable	63,982	13,427	77,409	-
Noncurrent liabilities:				
Due within one year	901,762	168,754	1,070,516	-
Due in more than one year	8,767,042	2,108,800	10,875,842	-
Net pension liability	985,294	403,189	1,388,483	-
Net other post-employment benefits (OPEB) liability - (TMRS)	90,994	38,997	129,991	-
Net other post-employment benefits (OPEB) liability (Health)	3,466,085	1,326,395	4,792,480	-
Total Liabilities	14,477,922	4,975,877	19,453,799	2,480
Deferred Inflows of Resources				
Deferred inflows - pensions	42,816	17,488	60,304	-
Deferred inflows - OPEB (TMRS)	9,830	4,213	14,043	-
Total Deferred Inflows of Resources	52,646	21,701	74,347	-
Net Position				
Net investment in capital assets	178,806	16,171,368	16,350,174	83,284
Restricted for:				
Debt service	108,434	113,611	222,045	-
Enabling legislation	179,458	-	179,458	-
Capital projects	555	-	555	-
Unrestricted	(3,852,841)	(354,926)	(4,207,767)	1,942,902
Total Net Position	\$ (3,385,588)	\$ 15,930,053	\$ 12,544,465	\$ 2,026,186

CITY OF HEMPSTEAD, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2019

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental Activities:			
General government	\$ 1,335,630	\$ 420,907	\$ -
Municipal court	-	156,781	-
Public safety	2,677,552	300	63,203
Public works	2,144,348	-	-
Solid waste	-	804,704	-
Parks and recreation	595,961	31,702	-
Interest and fiscal agent fees	279,722	-	-
Total Governmental Activities	7,033,213	1,414,394	63,203
Business-type Activities:			
Water, sewer, gas, and electric	6,553,975	8,919,088	25,725
Total Business-type Activities	6,553,975	8,919,088	25,725
Total Primary Government	\$ 13,587,188	\$ 10,333,482	\$ 88,928
Component Unit			
Hempstead EDC	\$ 565,117	\$ -	\$ -
Total Component Units	\$ 565,117	\$ -	\$ -

General revenues:

Taxes:

Property taxes

Sales tax

Hotel occupancy tax

Franchise and other taxes

Investment income

Other revenue

Special item - gain (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Hempstead EDC
\$ (914,723)	\$ -	\$ (914,723)	\$ -
156,781		156,781	
(2,614,049)	-	(2,614,049)	-
(2,144,348)	-	(2,144,348)	-
804,704	-	804,704	-
(564,259)	-	(564,259)	-
(279,722)	-	(279,722)	-
(5,555,616)	-	(5,555,616)	-
-	2,390,838	2,390,838	-
-	2,390,838	2,390,838	-
(5,555,616)	2,390,838	(3,164,778)	-
			(565,117)
			(565,117)
1,351,835	-	1,351,835	-
1,393,015	-	1,393,015	483,109
45,418	-	45,418	-
64,761	-	64,761	-
519	4,671	5,190	22,978
56,651	-	56,651	-
64,799	17,050	81,849	-
3,404,918	(3,404,918)	-	-
6,381,916	(3,383,197)	2,998,719	506,087
826,300	(992,359)	(166,059)	(59,030)
(4,211,888)	16,922,412	12,710,524	2,085,216
\$ (3,385,588)	\$ 15,930,053	\$ 12,544,465	\$ 2,026,186



CITY OF HEMPSTEAD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 104,780	\$ 555	\$ 105,335
Restricted cash and cash equivalents	179,458	-	-	179,458
Due from other funds	-	3,653	-	3,653
Receivables, net of allowance				
Taxes receivables	456,035	909	-	456,944
Total Assets	\$ 635,493	\$ 109,342	\$ 555	\$ 745,390
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 61,403	\$ -	\$ -	\$ 61,403
Deficit cash and cash equivalents	113,459	-	-	113,459
Other payables	27,901	-	-	27,901
Total Liabilities	202,763	-	-	202,763
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	91,845	908	-	92,753
Unavailable revenue - garbage collections	128,209	-	-	128,209
Total Deferred Inflows of resources	220,054	908	-	220,962
Fund Balances:				
Restricted:				
Debt service	-	108,434	-	108,434
Enabling legislation	179,458	-	-	179,458
Capital projects	-	-	555	555
Unassigned	33,218	-	-	33,218
Total Fund Balances	212,676	108,434	555	321,665
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 635,493	\$ 109,342	\$ 555	\$ 745,390

CITY OF HEMPSTEAD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
TO THE STATEMENT OF NET POSITION
September 30, 2019

Total fund balance, governmental funds \$ 321,665

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 9,502,728

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds and certificates of obligation payable	(9,005,000)
Note payable	(128,453)
Capital leases payable	(178,978)
Compensated absences	(269,319)
Closure cost transfer station	(75,563)
Accrued interest payable	(63,982)
Unamortized premium on bonds	(11,491)
Deferred loss on refunding	235,945

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 220,962

Certain other long-term assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Net pension liability	(985,294)
Total OPEB liability	(3,557,079)
Deferred outflows and inflows of resources related to the net pension liability	495,992
Deferred outflows and inflows of resources related to the total OPEB liability	112,279

Net Position of Governmental Activities in the Statement of Net Position \$ (3,385,588)

CITY OF HEMPSTEAD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCE
GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 1,323,838	\$ 3,605	\$ -	\$ 1,327,443
Sales taxes	1,393,015	-	-	1,393,015
Hotel occupancy tax	45,418	-	-	45,418
Franchise fees and other	64,761	-	-	64,761
Permits and fees	229,827	-	-	229,827
Fines and forfeitures	152,545	-	-	152,545
Charges for services	135,690	-	-	135,690
Charges for solid waste	804,704	-	-	804,704
Intergovernmental	63,203	-	-	63,203
Investment earnings	-	516	3	519
Other revenue	63,370	-	-	63,370
Total Revenues	4,276,371	4,121	3	4,280,495
Expenditures				
Current:				
General government	1,219,433	-	-	1,219,433
Public safety	2,473,199	-	-	2,473,199
Public works	2,131,049	-	-	2,131,049
Animal control	18,677	-	-	18,677
Parks and recreation	519,445	-	-	519,445
Debt service:				
Principal	109,629	605,000	-	714,629
Interest and other charges	5,466	269,734	-	275,200
Total Expenditures	6,476,898	874,734	-	7,351,632
				-
Excess (deficiency) of revenues over (under) expenditures	(2,200,527)	(870,613)	3	(3,071,137)
Other Financing Sources (Uses)				
Transfers in	2,580,184	874,734	-	3,454,918
Proceeds from sale of capital assets	65,999	-	-	65,999
Transfers out	(50,000)	-	-	(50,000)
Capital lease proceeds	186,544	-	-	186,544
Total Other Financing Sources (Uses)	2,782,727	874,734	-	3,657,461
Net change in fund balances	582,200	4,121	3	586,324
Fund balances - beginning	(369,524)	104,313	552	(264,659)
Fund balances - ending	\$ 212,676	\$ 108,434	\$ 555	\$ 321,665



CITY OF HEMPSTEAD, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019**

Net change in fund balances - total governmental funds: \$ 586,324

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	457,853
Depreciation expense	(663,369)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(1,200)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable property tax revenue and other revenues	96,836
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Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	714,629
Proceeds from capital leases	(186,544)

Contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension/OBEB liability in the statement of net position. This amount is the difference between contributions and net pension/OPEB expense (revenue) for the current fiscal year.

Pension	(38,556)
OPEB	(75,748)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Amortization of deferred loss on refunding	(21,450)
(Increase) decrease in accrued interest	5,437
(Increase) decrease in closure of transfer station	(354)
(Increase) decrease in compensated absences	(59,049)
Amortization of premium on bonds	11,491

Change in net position of governmental activities	\$ 826,300
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CITY OF HEMPSTEAD, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2019

Page 1 of 2

	Business-Type Activities
	Utility
Assets	
Current assets	
Cash and cash equivalents	\$ 384,926
Restricted cash and cash equivalents:	
Water well debt service reserve	113,611
Customer deposits	194,004
Receivables, net	1,390,139
Due from other governments	46,068
Inventory	128,006
Total current assets	2,256,754
Non-current assets	
Capital assets:	
Land and improvements	27,500
Infrastructure	31,516,734
Vehicles	958,663
Equipment	345,465
Less: accumulated depreciation	(14,443,902)
Total capital assets	18,404,460
Total assets	20,661,214
Deferred outflows of resources	
Deferred outflows - Pension	220,077
Deferred outflows - OPEB (TMRS)	2,494
Deferred outflows - OPEB (Health)	47,499
Total deferred outflows of resources	270,070
Total assets and deferred outflows of resources	20,931,284

CITY OF HEMPSTEAD, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2019

Page 2 of 2

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	277,251
Due to other funds	3,653
Customer deposits	639,064
Accrued interest payable	13,427
Notes payable - current	41,023
Capital leases - current	16,819
Certificates of obligation - current	45,000
Compensated absences - current	65,912
Total current liabilities	1,102,149

Non-current liabilities

Notes payable	20,879
Capital leases	58,871
Certificates of obligation	2,023,000
Net pension liability	403,189
Total OPEB liability (TMRS)	38,997
Total OPEB liability (Health)	1,326,395
Compensated absences	6,050
Total non-current liabilities	3,877,381
Total Liabilities	4,979,530

Deferred inflows of resources

Deferred inflows - pensions	17,488
Deferred inflows - OPEB	4,213
Total deferred inflows of resources	21,701

Total liabilities and deferred inflows of resources

5,001,231

Net Position

Net investment in capital assets	16,198,868
Restricted for debt service - water well	113,611
Unrestricted	(382,426)
Total net position	\$ 15,930,053



CITY OF HEMPSTEAD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
September 30, 2019

	Business-Type Activities
	Utility
Operating Revenues	
Charges for services	\$ 8,679,969
Penalties and reconnect fees	185,364
Tap fees	43,590
Other revenue	10,165
Total Operating Revenues	8,919,088
Operating Expenses	
Salaries	1,000,855
Employee benefits	441,793
Contractual services	45,092
Wholesale utility purchases	3,503,302
Repairs and maintenance	263,684
Supplies	80,266
Telephone and utilities	30,285
Insurance	42,573
Travel, fees, and dues	43,056
Other	72,017
Depreciation	954,358
Total Operating Expenses	6,477,281
Operating income	2,441,807
Non-Operating Revenues (Expenses)	
Intergovernmental	25,725
Investment income	4,671
Interest expense	(76,694)
Proceeds from sales of capital assets	17,050
Total Non-Operating Revenues (Expenses)	(29,248)
Income before transfers	2,412,559
Transfers	
Transfers in	50,000
Transfers out	(3,454,918)
Total Transfers - net	(3,404,918)
Change in net position	(992,359)
Net position - beginning	16,922,412
Total Net Position - ending	\$ 15,930,053

CITY OF HEMPSTEAD, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2019

Page 1 of 2

	Business-Type Activities
	Utilities
Cash flows from operating activities	
Receipts from customers	\$ 9,077,576
Payments to suppliers and employees	(5,447,310)
Net cash provided by operating activities	<u>3,630,266</u>
Cash flows from noncapital financing activities	
Cash received from grants	25,725
Transfers (to) from other funds	(3,454,918)
Net cash used by noncapital financing activities	<u>(3,429,193)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(403,306)
Principal payments on debt	(85,061)
Interest expense	(81,296)
Proceeds from sale of capital assets	17,050
Net cash used by capital and related financing activities	<u>(552,613)</u>
Cash flows from investing activities	
Interest on investments	4,671
Net cash provided by investing activities	<u>4,671</u>
Net decrease in cash and cash equivalents	(346,869)
Cash and cash equivalents, beginning	989,410
Cash and cash equivalents, ending	<u>\$ 642,541</u>
Reconciliation of Total Cash and cash equivalents	
Unrestricted cash and cash equivalents	\$ 384,926
Restricted assets - cash and cash equivalents	307,615
	<u>\$ 692,541</u>

CITY OF HEMPSTEAD, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2019

Page 2 of 2

	Business-Type Activities
	Utilities
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,441,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	954,358
Change in assets, deferred inflows and outflows, and liabilities:	
Decrease in accounts receivable	158,488
Increase in inventories	(2,394)
Increase in deferred outflow of resources	(250,869)
Decrease in accounts payable	(34,104)
Increase in accrued liabilities	4,517
Decrease in compensated absences	(5,036)
Increase in net pension liability	272,334
Increase in total OPEB liability	94,830
Decrease in deferred inflows of resources	(21,712)
Increase in customer deposits	18,047
Total adjustments	1,188,459
Net cash provided by operating activities	\$ 3,630,266



CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Hempstead, Texas (the "City") was incorporated in November 1858 and adopted a "Home Rule Charter", which provided for a "Mayor-Council" form of government. A Mayor and five Council members are elected by voters of the City at large for two-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council and does not vote except in the case of a tie vote.

The City provides the following services: general government, public safety, public works, and parks and recreation.

A. Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component unit, as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

Discretely Presented Component Unit

Hempstead Economic Development Corporation

The Hempstead Economic Development Corporation (HEDC) has been included in the reporting entity as a discretely presented component unit. The HEDC, a nonprofit industrial development corporation, was created by the City under the Texas Development Corporation Act (the "Act") of 1979 and covered by section 4A of the Act. The HEDC was created in 1992 to promote, assist, and enhance economic development in the Hempstead area. The HEDC's Board of Directors is appointed by, and serves at the discretion of, City Council. The City has the ability to impose its will on the HEDC. A sales and use tax of one half of one percent is levied to fund the HEDC's budget. The HEDC does not issue separate financial statements.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of activities of the primary government and its component unit. *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 a legally separate *component unit* for which the primary government is financially accountable.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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 utility fund 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.

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.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and parks and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects fund is not considered a major fund for reporting purposes, but the City has elected to present it as major due to its significance.

The City reports the following enterprise fund:

The *utility fund* is used to account for the operations that provide water and wastewater collection, electricity, and gas services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The utility fund is considered a major fund for reporting purposes.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

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

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

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

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

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

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

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.

Investments consist of certificates of deposit that are non-negotiable and reported at cost.

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

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Statewide investment pools

Property Taxes

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

Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans"). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

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.

Restricted Assets

Certain proceeds of the City's general fund are set aside and restricted per enabling legislation and enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Capital Assets

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

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

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 40 years
Equipment	5 to 15 years
Vehicles	5 to 10 years
Infrastructure	5 to 40 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. Employees are allowed to carry up to 240 hours of sick leave. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. 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.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Long-term Debt (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 has the following items that qualify for reporting in this category:

- Deferred loss on refunding debt – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences; and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees five year period.
- Deferred outflows of resources for other post-employment benefits (OPEB) - Reported in the government wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the total OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position and/or balance sheet 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 or balance sheet 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 for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from changes in actuarial assumptions. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plans.

Pension

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' 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.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Other Post-Employment Benefits (OPEB)

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides medical benefits to eligible retirees through a single-employer defined benefit plan. This plan is an unfunded, pay-as-you-go plan. Information about the City's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the City's consulting actuary.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items, note receivable and the fund balance of the City's permanent fund.

Restricted – includes fund balance amounts that are constrained for specific purposes which are imposed by providers, such as creditors or amounts restricted due to constitutional provision or enabling legislation. This classification includes retirement of long-term debt, construction programs, City ordinances, and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passes by the City Council.

Assigned – includes fund balance amounts that are self-imposed by the City to be used for particular purpose. Fund balance can be assigned by the City Council or the City Manager, pursuant to the City's fund balance policy.

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Fund Balance (continue)

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

The City has established a minimum fund balance policy whereby the City's unassigned general fund balance will be maintained at levels sufficient to protect the City's creditworthiness, as well as its financial position, from unforeseeable emergencies. The City will strive to maintain the unassigned general fund balance at a minimum of 90 days of prior year audited operating expenditures.

Net Position

Government-Wide Financial Statements:

The Statement of Net Position includes the following categories of net position:

Net investment in capital assets – the component unit of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted – the difference between assets, deferred outflows and inflows, and liabilities that are not reported in any of the classifications above.

Statement of Cash Flows

In accordance with Governmental Accounting Standards Board Statement No. 34, a Statement of Cash Flows is required as part of a full set of financial statements for all Proprietary Funds. For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Use of Estimates

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

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

E. 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.

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise 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 fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Current and Future GASB Pronouncements

In the current fiscal year, the City implemented GASB No. 83 Certain Asset Retirement Obligations, GASB No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period in fiscal year 2019.

The effective dates of the following pronouncements are postponed by 12 months:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Current and Future GASB Pronouncements (continued)

The following GASB pronouncements have been issued but not yet implemented by the City:

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

G. Stewardship, Compliance, and Accountability

The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year. Supplemental budget appropriations were not made for the year ended September 30, 2019.

Expenditures in Excess of Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

	Excess Expenditures
General Fund:	
Departments:	
General government	\$ 64,919
Fire department	21,741
Police department	333,420
Cemetary	26,910
Solid waste department	118,567
Parks department	33,975
Principal	109,629
Interest and fiscal charges	5,466
Total expenditures over appropriations	<u>\$ 714,627</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Cash and Investments

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year.

At September 30, 2019, the carrying amount of the City and Hempstead Economic Development Corporation's (EDC) deposits was \$1,636,302 and the bank balance of \$1,935,198.

As of September 30, 2019, the Hempstead Downtown Economic Development Corporation held the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days/Years)
Certificates of deposit	\$ 1,078,827	22
Total fair value	\$ 1,078,827	
Portfolio weighted average maturity		0.06

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Hempstead EDC's investment in certificates of deposit as of September 30, 2019, are considered Level 1 inputs that are priced in active markets. The valuation techniques used in the fair value measurement are based on quoted market closing prices for Level 1 inputs.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and invest operating funds primarily in interest bearing accounts with the bank depository.

Custodial credit risk- deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's and HEDC's investment policies require funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2019, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk- investments. For an investment, this is the risk that the City and HEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City and HEDC are not exposed to custodial risk due to investments in interest bearing accounts only at the bank depository, which are fully insured or collateralized.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Cash and Investments (continued)

Deficit Cash Balance

As of September 30, 2019, the general fund had a deficit cash balance of \$113,459. The City annually transfers funds from the utility fund to the general fund to replenish the deficit balance that accumulates throughout the fiscal year within the general fund. However, the utility fund did not have a sufficient excess cash balance to cover the general fund's deficit for the fiscal year ending September 30, 2019. The primary government had a net unrestricted cash deficit of \$113,459.

Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Hotel occupancy taxes	\$ 157,395	\$ -
Court technology	2,839	-
court building and security	2,138	-
Police department forfeiture	17,086	-
Reserve - debt	-	113,611
Customer deposits	-	194,004
Total	<u>\$ 179,458</u>	<u>\$ 307,615</u>

Note 3 - Receivables and Deferred Inflows of Resources

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

	<u>General</u>	<u>Debt service</u>	<u>Utility</u>	<u>Component Unit</u>
Receivables:				
Property taxes	\$ 119,279	\$ 1,180	\$ -	\$ -
Sales taxes	230,540	-	-	76,847
Accounts	229,221	-	2,584,990	-
Intergovernmental	5,165	-	-	-
Other receivables	-	-	-	130,740
	<u>584,205</u>	<u>1,180</u>	<u>2,584,990</u>	<u>207,587</u>
Less: allowance for uncollectibles	<u>(128,170)</u>	<u>(271)</u>	<u>(1,194,851)</u>	<u>-</u>
Net total receivables	<u>\$ 456,035</u>	<u>\$ 909</u>	<u>\$ 1,390,139</u>	<u>\$ 207,587</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

Capital assets activity for the primary government for the fiscal year ended September 30, 2019, is as follows:

Governmental activities	Beginning Balance	Increases	Reclassification/D ecreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 185,474	\$ -	\$ (1,200)	\$ 184,274
Total capital assets, not being depreciated	185,474	-	(1,200)	184,274
Capital assets, being depreciated:				
Infrastructure	18,902,380	168,715	-	19,071,095
Buildings	3,023,524	-	-	3,023,524
Vehicles	1,418,806	186,544	(134,358)	1,470,992
Equipment	1,304,145	102,594	-	1,406,739
Total capital assets, being depreciated	24,648,855	457,853	(134,358)	24,972,350
Less accumulated depreciation for:				
Infrastructure	(11,755,478)	(429,822)	-	(12,185,300)
Buildings	(1,392,997)	(62,588)	-	(1,455,585)
Vehicles	(1,171,950)	(91,436)	134,358	(1,129,028)
Equipment	(804,460)	(79,523)	-	(883,983)
Total accumulated depreciation	(15,124,885)	(663,369)	134,358	(15,653,896)
Total capital assets - being depreciated	9,523,970	(205,516)	-	9,318,454
Governmental capital assets, net	\$ 9,709,444	\$ (205,516)	\$ (1,200)	\$ 9,502,728

Business-type activities	Beginning Balance	Increases	Reclassification/D ecreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 27,500	\$ -	\$ 27,500
Total capital assets, not being depreciated	-	27,500	-	27,500
Capital assets, being depreciated:				
Infrastructure	31,312,169	204,565	-	31,516,734
Vehicles	874,562	84,101	-	958,663
Equipment	259,675	168,782	(82,992)	345,465
Total capital assets, being depreciated	32,446,406	457,448	(82,992)	32,820,862
Less accumulated depreciation for:				
Infrastructure	(12,614,655)	(907,235)	-	(13,521,890)
Vehicles	(698,228)	(44,755)	81,642	(661,341)
Equipment	(258,303)	(2,368)	-	(260,671)
Total accumulated depreciation	(13,571,186)	(954,358)	81,642	(14,443,902)
Total capital assets - being depreciated	18,875,220	(496,910)	(1,350)	18,376,960
Business-type capital assets, net	\$ 18,875,220	\$ (469,410)	\$ (1,350)	\$ 18,404,460

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

Capital assets activity for the discretely presented component units is as follows:

Component Unit	Beginning Balance	Increases	Reclassification/D eases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 83,284	\$ -	\$ -	\$ 83,284
Component Unit capital assets, net	\$ 83,284	\$ -	\$ -	\$ 83,284

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

	Depreciation Expense
Primary government	
Governmental activities:	
General government	\$ 103,753
Public safety	368,833
Public Works	122,324
Parks and recreation	68,459
Total Governmental activities	663,369
Business-type activities:	
Electrical	\$ 298,287
Water	243,137
Gas	62,801
Sewer	348,792
Utility Administration	1,341
Total Business-type activities:	954,358
Total primary government	\$ 1,617,727

Construction commitments

The City has no active construction projects as of September 30, 2019 and therefore had no construction commitments.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation and capital leases. These debt obligations are secured by either future tax revenue, water and sewer system revenue, or liens on property and equipment.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,790,000	\$ -	\$ 60,000	\$ 5,730,000	\$ 60,000
Certificates of obligation	3,820,000	-	545,000	3,275,000	565,000
Notes payable	211,589	-	83,136	128,453	85,128
Capital lease	18,927	186,544	26,493	178,978	45,628
For issuance premiums	22,982	-	11,491	11,491	-
Closure cost for transfer station	75,209	354	-	75,563	-
Compensated absences	210,270	173,918	114,869	269,319	146,006
Total Governmental Activities	\$ 10,148,977	\$ 360,816	\$ 840,989	\$ 9,668,804	\$ 901,762
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 2,113,000	\$ -	\$ 45,000	\$ 2,068,000	\$ 45,000
Notes payable	101,964	-	40,062	61,902	41,023
Capital lease	-	84,100	8,410	75,690	16,819
Compensated absences	76,998	69,494	74,530	71,962	65,912
Total Business-Type Activities	\$ 2,291,962	\$ 153,594	\$ 168,002	\$ 2,277,554	\$ 168,754
Total Primary government	\$ 12,440,939	\$ 514,410	\$ 1,008,991	\$ 11,946,358	\$ 1,070,516

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Debt (continued)

The following schedule summarizes the terms of the City's general obligation bonds, certificates of obligations, notes payable and capital leases and their corresponding allocations to the governmental and business-type activities at September 30, 2019.

Issue	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Business-Type Activities
Certificates of Obligations Combination Tax & Revenue, Series 2009	\$ 9,000,000	2030	2.5%	\$ 420,000	\$ -
Certificate of Obligation, Series 2014	2,400,000	2054	2.0%	-	2,068,000
Certificate of Obligation, Series 2014B	3,325,000	2035	2.955% - 3.765%	2,855,000	-
General Obligation Refunding Bonds, Series 2017	5,900,000	2026	2.0% - 3.5%	5,730,000	-
				<u>9,005,000</u>	<u>2,068,000</u>
Notes					
Notes, Series 2015	303,294	2020	2.0% - 4.0%	67,132	32,351
Notes, Series 2016	290,784	2021	4.0% - 5.0%	61,320	29,552
Total Notes				<u>128,453</u>	<u>61,902</u>
Total				<u>\$ 9,133,453</u>	<u>\$ 2,129,902</u>

Annual debt service requirements for the City's bonds and certificates of obligation are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 625,000	\$ 247,374	\$ 45,000	\$ 43,576	\$ 960,950
2021	650,000	226,915	45,000	42,621	964,536
2022	665,000	208,526	45,000	41,685	960,211
2023	680,000	189,720	45,000	40,804	955,524
2024	705,000	170,352	45,000	39,952	960,304
2025 - 2029	3,820,000	541,242	255,000	185,637	4,801,879
2030 - 2034	1,640,000	141,846	280,000	159,397	2,221,243
2035 - 2039	220,000	4,142	315,000	130,499	669,641
2040 - 2044	-	-	345,000	97,986	442,986
2045 - 2049	-	-	385,000	61,972	446,972
2050 - 2054	-	-	263,000	21,600	284,600
	<u>\$ 9,005,000</u>	<u>\$ 1,730,117</u>	<u>\$ 2,068,000</u>	<u>\$ 865,729</u>	<u>\$ 13,668,846</u>

General obligations bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the city. The City is not obligated in any manner for special assessment debt.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Debt (continued)

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

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 85,128	\$ 2,557	\$ 41,023	\$ 1,233
2021	43,325	516	20,879	249
	<u>\$ 128,453</u>	<u>\$ 3,073</u>	<u>\$ 61,902</u>	<u>\$ 1,482</u>

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of vehicles for \$270,644. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The capital leases have a maturity date of April 4, 2024. The future minimum lease payments are as follows:

Fiscal Year	Amount
2020	\$ 62,885
2021	56,948
2022	54,128
2023-2024	81,196
Minimum lease payments	<u>\$ 255,157</u>

The asset acquired by the capital lease is as follows:

Asset	
Vehicles	\$ 270,644
Less: accumulated depreciation	(27,974)
Total	<u>\$ 242,670</u>

Defeasance of Bonds

The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City financial statements. On September 30, 2019, the City has \$5,375,000 bonds considered defeased that were outstanding.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Debt (continued)

Operating Leases

The HEDC leases a building to provide office space. Total costs for the leases during the fiscal year ending September 30, 2019 was \$11,400. The future minimum lease payments for this lease is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 12,000
2021	7,000
	<u>\$ 19,000</u>

Note 6 - Interfund Balances and Transfers

Due to/from Other Funds

The interfund balances at September 30, 2019, were as follows.

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	Utility Fund	\$ 3,653	Debt service payments
		<u>\$ 3,653</u>	

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

Interfund Transfers

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Utility Fund	\$ 2,530,184	Utility payment for General Fund services
Utility Fund	General Fund	50,000	For miscellaneous expenses in Utility Fund
Debt Service Fund	Utility Fund	874,734	Debt service payments
		<u>\$ 3,454,918</u>	

Fund Equity

Funds restricted by enabling legislation are \$179,428, related to the Police Department special drug fund, hotel/motel taxes, and municipal court technology and security.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrns.com.

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

Benefits Provided

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

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

The City has approved an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

	2019	2018
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiveing benefits	22
Inactive employees entitled to, but not yet receiveing benefits	32
Active employees	70
	<hr/>
	124

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, 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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.00% and 7.90 % in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$284,348 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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 HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

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

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

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 HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2017	\$ 10,951,734	\$ 10,471,031	\$ 480,703
Changes for the year:			
Service Cost	403,972	-	403,972
Interest (on the Total Pension Liability)	740,541	-	740,541
Difference between expected and actual experience	(77,624)	-	(77,624)
Benefit payments, including refunds of employee contributions	(365,473)	(365,473)	-
Contributions – employer	-	292,165	(292,165)
Contributions – employee	-	186,628	(186,628)
Net investment income	-	(313,304)	313,304
Administrative Expense	-	(6,062)	6,062
Other	-	(318)	318
Balance at 12/31/2018	\$ 11,653,150	\$ 10,264,667	\$ 1,388,483

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 2,889,456	\$ 1,388,483	\$ 143,090

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2019, the City recognized a pension expense of \$339,532

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual economic experience	\$ -	\$ (60,304)
Changes in actuarial assumptions	2,712	-
Difference between projected and actual investment earnings	544,078	
Contributions subsequent to the measurement date	212,095	-
	<u>212,095</u>	<u>-</u>
 Total	 <u>\$ 758,885</u>	 <u>\$ (60,304)</u>

\$212,095 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

	Net deferred outflows (inflows) of resources
2020	\$ 168,300
2021	67,287
2022	62,776
2023	188,587
2024	(464)
Total	<u>\$ 486,486</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions

TMRS Supplemental Death Benefits Fund

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiveing benefits	14
Inactive employees entitled to, but not yet receiveing benefits	1
Active employees	70
	<hr/>
	85

Total OPEB Liability

The City's total OPEB liability of \$129,992 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions (continued)

TMRs Supplemental Death Benefits Fund (continued)

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2018

Methods and Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71% *
Retirees' share of benefits-related cost	\$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	RP2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate is based on the Fidelity Index's "2-Year Municipal GO AA Index" rate as of December 31, 2018.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

Changes for the year:	
Service cost	\$ 7,830
Interest on total OPEB liability	4,579
Difference between expected and actual experience	(7,045)
Changes of assumptions	(9,441)
Benefit payments	(712)
Net change in total OPEB liability	(4,789)
Total OPEB liability - beginning	134,781
Total OPEB liability - ending	<u>\$ 129,992</u>

Ending total OPEB liability is as of December 31, 2018, Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

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

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions (continued)

TMRs Supplemental Death Benefits Fund (continued)

Sensitivity Analysis

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 one percentage point lower or one percentage point higher than the current discount rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease to (2.71%)	Discount Rate (3.71%)	1% Increase to Rate (4.71%)
\$ 155,375	\$ 129,992	\$ 110,049

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$11,576.

As of September 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,001)
Changes in assumptions and other inputs	7,645	(8,042)
Contributions made subsequent to the measurement date	669	-
Total	<u>\$ 8,314</u>	<u>\$ (14,043)</u>

The \$669 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows/inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ended September 30	Net Deferred Outflows (Inflows) of Resources
2020	\$ (833)
2021	(833)
2022	(833)
2023	(833)
2024	(1,238)
Thereafter	(1,828)
Total	<u>\$ (6,398)</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions (continued)

Postemployment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the retiree healthcare plan (the "Plan"). City Council adopted a plan to pay for health benefit coverage for qualified retirees until age 65 under a single-employer defined benefit plan. To qualify for inclusion in the coverage, an individual must currently have 10 continuous years of full-time employment with the City or the sum of age plus service equals 75 and be eligible for a retirement annuity from the Texas Municipal Retirement System. When retirees become eligible for Medicare the health insurance coverage with the City discontinues. The City's regular health insurance providers underwrite the retiree's policies. A separate financial statement is not issued for the plan. Currently, the City's Plan is unfunded. That is, the City Council has not determined if a separate Trust Fund or equivalent arrangement will be established into which the City would make contributions to advance-fund the obligation. Contributions to the plan are designed to fund the plan 100% by the City on a pay as you go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits

The City subsidizes the premium rates by paying 100% of the retiree's premium for single coverage. In addition, the City will continue to pay 100% of the retiree's single premium when the retiree becomes eligible for Medicare. The retiree must pay 100% of the cost of any dependent coverage.

Participation in the Plan as of September 30, 2018 is summarized below:

Inactive employees or beneficiaries currently receiveing benefits	7
Inactive employees entitled to, but not yet receiveing benefits	-
Active employees	<u>72</u>
	<u>79</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions (continued)

Postemployment Healthcare Plan (continued)

Total OPEB Liability

The City's total OPEB Health liability of \$4,792,480 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date using the Alternative Measurement Method.

Actuarial assumptions and methods

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: September 30, 2018

Methods and Assumptions:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.83%
Actuarial Cost Method	Entry Age Normal
Retirement Age	Varies based on several factors including plan-specific retirement eligibility provisions and experience
Mortality	RP2000 Generational Combined Healthy Participate mortality tables, projected from the year 2000 using Projection Scale AA.
Health care trend rates	7.00% for the fiscal year beginning 2018, 6.50% for fiscal year beginning 2019, and then gradually decreasing to an ultimate trend rate of 4.25%. In addition, the annual trend rate is 3.25% for ages 65 and older.
Other information	Changes in assumptions and other inputs include the change in the discount rate from 3.50% as of the beginning of the measurement period to 3.83% as of September 30, 2018. This change is reflected in the Schedule of Changes in Total OPEB Liability.

Changes in the Total OPEB Liability

Changes for the Year:	
Service cost	\$ 329,940
Interest	169,845
Changes of assumptions	(193,021)
Benefit payments	(74,127)
Net change in total OPEB liability	232,637
Total OPEB liability - beginning	4,559,843
Total OPEB liability - ending	<u>\$ 4,792,480</u>

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Post Employee Benefits Other Than Pensions (continued)

Postemployment Healthcare Plan (continued)

Sensitivity of the total OPEB liability to changes in the discount rate and Healthcare Cost Trend Rate Assumptions

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 one percentage point lower or one percentage point higher than the current discount rate:

1% Decrease in Discount Rate (2.83%)	Discount Rate (3.83%)	1% Increase in Discount Rate (4.83%)
\$ 5,411,885	\$ 4,792,480	\$ 4,267,902

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 the assumed healthcare cost trend rates if that rate was one percentage point lower or one percentage point higher than the current trend rate:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 4,641,994	\$ 4,792,480	\$ 4,966,668

Postemployment Healthcare Plan (continued)

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

For the year ended September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 163,788	\$ -
Total	\$ 163,788	\$ -

The \$163,788 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2020. For the year ended September 30, 2019, the City recognized OPEB expense of \$232,637.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Commitments and Contingencies

Energy and Power Purchase Commitments

The City entered into a contract with the Lower Colorado River Authority (LCRA) on January 25, 2011, amended December 1, 2014, for the sale and purchase of electricity for the operation of the City's electric utility services. The contract will remain in force for one year. The term of this contract is automatically renewed annually unless a termination notice is timely provided. This contract may be terminated in writing by the City or the LCRA by giving 90 days written notice to the other party. The termination of this contract does not invalidate any existing purchased goods or services already commenced but not yet completed at the time of termination.

The LCRA allows the City to utilize the goods and services from contractors who were awarded or which may be awarded bids by the LCRA in the furtherance of the City's electric utility services as it allows for the best utilization of the taxpayer funds and furthers the efficient performance of the contractual obligations between the City and LCRA.

Risk Management

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

Contingent Liabilities

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

Closure Cost for Transfer Station

The City has a long-term contingent liability of \$75,563 for the cost associated with the potential closure of a solid waste transfer station controlled by the City. The liability is reasonably calculated annually based on an inflation factor supplied by the Texas Commission on Environmental Quality.

CITY OF HEMPSTEAD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - Subsequent Events

COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the COVID-19 outbreak, which disaster declaration he has subsequently extended.

The full extent of the ongoing impact of COVID-19 on the City's 2020 and 2021 fiscal years and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

Mayor and City Council Changes

In November 2020, The City appointed a new Mayor and three (3) new Councilmembers for City Council.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HEMPSTEAD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (WITH VARIANCES)

GENERAL FUND

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final budget - Positive (Negative)
Revenues				
Property taxes	\$ 1,178,000	\$ 1,178,000	\$ 1,323,838	\$ 145,838
Sales taxes	1,250,000	1,250,000	1,393,015	143,015
Hotel occupancy taxes	-	-	45,418	45,418
Franchise fees and local taxes	57,000	57,000	64,761	7,761
Licenses and permits	71,500	71,500	229,827	158,327
Fines and forfeitures	200,000	200,000	152,545	(47,455)
Charges for services	98,350	98,350	135,690	37,340
Charges for solid waste	865,000	865,000	804,704	(60,296)
Intergovernmental	60,000	60,000	63,203	3,203
Other revenue	51,500	51,500	63,370	11,870
Total revenues	3,831,350	3,831,350	4,276,371	445,021
Expenditures				
General government:				
General government:	826,771	826,771	891,690	(64,919)
Technology department	392,396	392,396	327,743	64,653
Total General Government	1,219,167	1,219,167	1,219,433	(266)
Public Safety:				
Municipal court	258,673	258,673	221,096	37,577
Fire department	46,494	46,494	68,235	(21,741)
Police department	1,850,448	1,850,448	2,183,868	(333,420)
Animal control	72,140	72,140	18,677	53,463
Total Public Safety	2,227,755	2,227,755	2,491,876	(264,121)
Public Works:				
Cemetery	134,091	134,091	161,001	(26,910)
Street department	1,092,688	1,092,688	980,918	111,770
Solid waste department	651,000	651,000	769,567	(118,567)
Inspection department	261,971	261,971	219,563	42,408
Total Public Works	2,139,750	2,139,750	2,131,049	8,701
Parks and Recreation:				
Parks department	180,683	180,683	214,658	(33,975)
Recreation department	354,705	354,705	304,787	49,918
Total Parks and Recreation	535,388	535,388	519,445	15,943
Debt Service:				
Principal	-	-	109,629	(109,629)
Interest and fiscal charges	-	-	5,466	(5,466)
Total debt service	-	-	115,095	(115,095)
Total Expenditures	6,122,060	6,122,060	6,476,898	(354,838)
Excess (deficiency) of revenues over expenditures	(2,290,710)	(2,290,710)	(2,200,527)	90,183
Other Financing Sources (Uses)				
Transfers in	-	-	2,580,184	2,580,184
Transfers out	(50,000)	(50,000)	(50,000)	-
Proceeds from sale of capital assets	-	-	65,999	65,999
Capital lease proceeds	-	-	186,544	186,544
Total other financing sources (uses)	(50,000)	(50,000)	2,782,727	2,832,727
Net change in fund balances	(2,340,710)	(2,340,710)	582,200	2,922,910
Fund balances - beginning	(369,524)	(369,524)	(369,524)	-
Fund balances - ending	\$ (2,710,234)	\$ (2,710,234)	\$ 212,676	\$ 2,922,910

CITY OF HEMPSTEAD, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

Budgetary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

	Excess Expenditures
General Fund:	
Departments:	
General government	\$ 64,919
Fire department	21,741
Police department	333,420
Cemetary	26,910
Solid waste department	118,567
Parks department	33,975
Principal	109,629
Interest and fiscal charges	5,466
Total expenditures over appropriations	<u>\$ 714,627</u>

CITY OF HEMPSTEAD, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Five Measurement Years

	2018	2017	2016	2015	2014
A. Total pension liability					
1. Service Cost	\$ 403,972	\$ 389,707	\$ 352,820	\$ 312,551	\$ 281,893
2. Interest (on the Total Pension Liability)	740,541	690,162	642,318	648,925	634,068
3. Difference between expected and actual experience	(77,624)	18,397	34,356	(403,822)	(300,406)
4. Changes of assumptions	-	-	-	52,044	-
5. Benefit payments, including refunds of employee contributions	(365,473)	(352,613)	(325,655)	(443,061)	(394,233)
6. Net change in total pension liability	701,416	745,653	703,839	166,637	221,322
7. Total pension liability – beginning	10,951,734	10,206,081	9,502,242	9,335,605	9,114,283
8. Total pension liability – ending	11,653,150	10,951,734	10,206,081	9,502,242	9,335,605
B. Plan fiduciary net position					
1. Contributions – employer	292,165	272,040	270,726	264,315	232,272
2. Contributions – employee	186,628	171,526	156,670	141,043	129,761
3. Net investment income	(313,304)	1,262,888	571,311	12,527	461,462
4. Benefit payments, including refunds of employee contributions	(365,473)	(352,613)	(325,655)	(443,061)	(394,233)
5. Administrative Expense	(6,062)	(6,554)	(6,455)	(7,631)	(4,818)
6. Other	(318)	(331)	(348)	(378)	(396)
7. Net change in plan fiduciary net position	(206,364)	1,346,956	666,249	(33,185)	424,048
8. Plan fiduciary net position – beginning	10,471,031	9,124,075	8,457,826	8,491,011	8,066,963
9. Plan fiduciary net position – ending	10,264,667	10,471,031	9,124,075	8,457,826	8,491,011
C. Net pension liability (A.9 – B.9)	\$ 1,388,483	\$ 480,703	\$ 1,082,006	\$ 1,044,416	\$ 844,594
D. Plan fiduciary net position as a percentage of the total pension liability	88.08%	95.61%	89.40%	89.01%	90.95%
E. Covered-employee payroll	\$ 3,559,224	\$ 3,430,523	\$ 3,133,394	\$ 2,820,857	\$ 2,595,211
F. Net position liability as a percentage of covered employee payroll	39.01%	14.01%	34.53%	37.02%	32.54%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF HEMPSTEAD, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Five Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contributions	\$ 284,348	\$ 287,381	\$ 271,593	\$ 279,593	\$ 252,055
Contributions in relation to the actuarially required contributions	<u>284,348</u>	<u>287,381</u>	<u>271,593</u>	<u>279,593</u>	<u>252,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,488,538	\$ 3,599,708	\$ 3,355,406	\$ 3,167,580	\$ 2,721,895
Contributions as a percentage of covered-employee payroll	8.15%	7.98%	8.09%	8.83%	9.26%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2015.

CITY OF HEMPSTEAD, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
For the Year Ended September 30, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information: There were no benefit changes during the year.

CITY OF HEMPSTEAD, TEXAS**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****TEXAS MUNICIPAL RETIREMENT SYSTEM****Last Two Measurement Years**

	2018	2017
Service cost	\$ 7,830	\$ 6,518
Interest (on the total OPEB liability)	4,579	4,413
Difference between expected and actual experience	(7,045)	-
Changes of assumptions	(9,441)	10,865
Benefit payments **	(712)	(1,029)
Net change in total OPEB liability	(4,789)	20,767
Total OPEB liability - beginning	134,781	114,014
Total OPEB liability - ending	\$ 129,992	\$ 134,781
Covered payroll	\$ 3,559,224	\$ 3,430,523
Total OPEB liability as a percentage of covered payroll	3.65%	3.93%

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

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Methods and Assumptions Used to Determine Contribution Rates:

The demographic assumptions are based on the assumptions that were developed for the defined benefit pension plan in which the City participates (TMRS). The assumptions are based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).

Assumption changes:

1. The discount rate increased from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018. This change decreased the total OPEB liability.

CITY OF HEMPSTEAD, TEXAS**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****RETIREE HEALTH CARE PLAN****Last Two Measurement Years**

	2018	2017
Service cost	\$ 329,940	\$ 345,917
Interest (on the total OPEB liability)	169,846	145,457
Changes of assumptions	(193,021)	(239,655)
Benefit payments	(74,127)	(76,234)
Net change in total OPEB liability	232,637	175,485
Total OPEB liability - beginning	4,559,843	4,384,358
Total OPEB liability - ending	\$ 4,792,480	\$ 4,559,843
Covered payroll	\$ 3,665,925	\$ 3,370,078
Total OPEB liability as a percentage of covered payroll	130.73%	135.30%

Notes to the Required Supplementary Information

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Methods and Assumptions Used to Determine Contribution Rates:

Assumption changes:

1. Changes in assumptions and other inputs include the change in the discount rate from 3.50% as of the beginning of the measurement period to 3.83% as of September 30, 2018. The discount rate increased from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018. This change decreased the total OPEB liability.
2. There were no benefits changes during the year.



SPARTAN
UTILITY SERVICES LLC

PO BOX 698
CHANDLER, TX 75758
OFFICE 903-849-2692
FAX 903-849-2160

February 8, 2021,

Mayor Dave Shelburne
Mayor
City of Hempstead
Hempstead, TX

Mayor Shelburne,

Please see below and thank you for the opportunity to help you with this.

Scope for Pole Agreements

Process

- Establish internal/external process that meets the City of Hempstead's expectations.
- Process would include the City's preference for handling of agreements from start to completion.
- Updates and milestones on agreements being negotiated.
- Operational review
- Legal review with City Attorney as needed.
- Conflict resolution on outstanding issues.

Pole Agreements

- Establish and or review pole attachment agreements with all attachers that reflect current industry standards beneficial to the City in operational, financial, and associated insurance/indemnification.
- Agreements negotiated would include assurances for the City to collect cost associated with all phases of pole attachments without any financial burden to the City.

Key Operational Processes and Specifications:

- technical specifications/requirements
- permitting process
- relocation/modifications
- transfers
- maintenance
- tree trimming
- safety inspections
- inventories/audit
- unauthorized attachments
- emergency guidelines



SPARTAN
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Financial, Insurance/Indemnification assurances included in agreement:

- updated rental rates.
- fees related to unauthorized attachments.
- insurance updates reflective of ensuring City of proper coverage.
- indemnification language which protects City, Directors, employees, and related City contractors
- bond for any fees/monies owed.
- default language which allows City to ensure agreement compliance.

Loaded Labor Rates for Gary Caraway	
Amount	Description
\$92.50 per hr.	As described in the write up (Not to exceed \$5000.00 per contract)
Reasonable Expenses	Reimbursement of any prior approved travel or meetings (airfare or overnight stay etc.)
\$55.00 per day	Per Diem (food only with an overnight stay)
\$58.0 cents per mile	Only used for meetings within a 300-mile radius of office



SPARTAN
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PO BOX 698
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FAX 903-849-2160

TASK REQUEST

CITY City of Hempstead, TX

Agreement No. 2021-1002 **Task Request No.** 1 **Date** February 8, 2021

Upon receipt of this Task Request, SPARTAN is hereby authorized to perform the work identified herein on behalf of CITY pursuant to the terms and conditions contained in the above referenced Agreement.

SCOPE OF WORK – The work will be performed in accordance with the drawings, specifications, and instructions, if any attached hereto and identified in the List of Attachments set forth herein and will be scheduled as required through the direction of CITY's Contact as identified herein.

Location Hempstead, TX

CITY Contact Mayor Dave Shelburne **Phone** 346-312-7009

Project Description Pole Attachment Audit

Project ID/Work Order No. N/A

Item No	Task Description
1	Pole Attachment Audit - Plan, schedule, and perform a complete pole attachment audit of the City of Hempstead's power grid. All data will be collected electronically and a compatible file format will be delivered to each utility when completed.
	Pricing: \$4.92 per pole per attaching company. Invoicing will be based on City of Hempstead's contracts with attaching companies.

SCHEDULE – The work will commence by Before the end of 2021

INVOICES – All invoices will be sent to CITY contact at _____

Address: _____

TERM OF TASK Six (6) months

LIST OF ATTACHMENTS CITY and SPARTAN agree that the following described Attachments, if any, are incorporated herein in their entirety.

- A. Attachment 1 (Contract Negotiations)
- B. _____
- C. _____



SPARTAN
UTILITY SERVICES LLC

PO BOX 698
CHANDLER, TX 75758
OFFICE 903-849-2692
FAX 903-849-2160

**SPARTAN HEREBY ACKNOWLEDGES
ACCEPTANCE OF THIS TASK REQUEST**

BY: _____

NAME: Thomas K Carpenter

TITLE: Vice President

DATE: _____

**THIS TASK REQUEST IS ISSUED ON BEHALF OF
CITY (FINAL APPROVAL/AUTHORIZATION)**

BY: _____

NAME: _____

TITLE: _____

DATE: _____



City of Hempstead

1125 Austin Street • Hempstead, Texas 77445 • Tel: 979-826-2486 • Fax: 979-826-6703

RESOLUTION NO. 21-_____

APPOINTMENTS TO THE HEMPSTEAD PLANNING AND ZONING COMMISSION

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEMPSTEAD,
TEXAS:**

That Barbara Bezub and Joe Ayala be appointed to the Hempstead Planning and Zoning Commission with a term of office from April 5, 2021 through April 5, 2024.

PASSED AND APPROVED this the 5th day of April, A.D., 2021.

APPROVED:

Dave Shelburne, Mayor

ATTEST:

Barbara Haffelfinger, City Secretary

RESOLUTION AUTHORIZING SIGNATORIES

A RESOLUTION BY THE CITY COUNCIL OF CITY OF HEMPSTEAD DESIGNATING AUTHORIZED SIGNATORIES FOR CONTRACTUAL DOCUMENTS AND DOCUMENTS FOR REQUESTING FUNDS PERTAINING TO THE TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (TXCDBG) CONTRACT NUMBER 7220034.

WHEREAS, the City of Hempstead has received a 2020 Texas Community Development Block Grant award to provide Planning Studies; and

WHEREAS, it is necessary to appoint persons to execute contractual documents and documents requesting funds from the Texas Department of Agriculture, and;

WHEREAS, an original signed copy of the TxCDBG Depository/Authorized Signatories Designation Form (Form A202) is to be submitted with a copy of this Resolution, and;

WHEREAS, the City of Hempstead acknowledges that in the event that an authorized signatory of the City changes (elections, illness, resignations, etc.) the City must provide TxCDBG with the following:

- a resolution stating who the new authorized signatory is (not required if this original resolution names only the title and not the name of the signatory); and
- a revised TxCDBG *Depository/ Authorized Signatories Designation Form (Form A202)*.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF HEMPSTEAD, TEXAS, AS FOLLOWS:

The Mayor and City Secretary are authorized to execute contractual and environmental review documents between the Texas Department of Agriculture and the City for the 2020 Texas Community Development Block Grant Program.

The Mayor, Mayor Pro-Tem, and City Secretary are authorized to execute the *State of Texas Purchase Voucher* and *Request for Payment Form* documents required for requesting funds approved in the 2020 Texas Community Development Block Grant Program.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF HEMPSTEAD, TEXAS,
on _____, 2021.

APPROVED:

Dave Shelburne, Mayor

Name – Please Print

ATTEST:

City Secretary

Name – Please Print

09/01/2020

Information Regarding Civil Rights Resolutions for 2020 CDBG Grants

The individual items in the TxCDBG Civil Rights Resolutions are policies all grant recipients must adopt at City Council or Commissioner's Court. The policies are outlined in the Housing and Urban Development federal regulations and enforced by the Texas Department of Agriculture as the pass-through agency for grant implementation.

The components of the Civil Rights Resolutions are explained below:

1. Citizen Participation Plan and Grievance Procedures (Form A1013)
 - This policy enacts procedures for citizens to file complaints or grievances regarding services provided in the community's TxCDBG project.
 - If your community has a certain percentage of non-English speakers, then the procedures must also be provided to the community in that identified language.
2. Section 3 Policy (Form A1002)
 - This policy enacts steps for your community to follow to provide job training, employment, and contracting opportunities to lower income residents or businesses that self-identify as Section 3 in the community.
3. Excessive Force Policy (Form A1003)
 - This policy enacts a plan to prohibit use of excessive force against any individual engaged in non-violent civil rights demonstrations.
4. Section 504 Policy and Grievance Procedures (Form A1004)
 - This policy states no individual with handicaps shall be excluded from participation or subject to discrimination in any program or activity of this grant.
 - The policy also enacts procedures to file complaints or grievances for any person who believes she or he is subjected to discrimination.
5. Limited English Proficiency (LEP) Standards and Plan (Form A1010)
 - This plan identifies if your community has a certain percentage of non-English speakers
 - If the Census data indicates that a significant portion of the community population speaks English less than very well, your community must provide language assistance to ensure meaningful access to services in federally assisted programs and activities
 - Activities which should be made accessible to LEP persons include:
 - Public Notices and hearings regarding applications for grant funding, amendments to project activities, and completion of grant-funded projects;
 - Publications regarding environmental reviews, civil rights, and other program requirements; and
 - Other program documents as needed.
6. Fair Housing Policy (Exhibit 1015)
 - This policy enacts an agreement for the community to affirmatively further fair housing choice and plan at least one activity during the grant contract period. The activity for the community is declaring April as Fair Housing Month and running a public notice on Fair Housing in the local paper.
7. Code of Conduct Policy
 - This policy enacts procedures intended to serve as guidelines for the procurement of supplies, equipment, construction services and professional services for the TxCDBG program.
 - The policy outlines procedures to mitigate conflicts of interest so as to prevent an unfair competitive advantage or the existence of conflicting roles that might impair the performance of the TxCDBG contract.
 - The regulations related to conflict of interest and nepotism may be found at the Texas Government Code Chapter 573, Texas Local Government Code Chapter 171, Uniform Grant Management Standards by Texas Comptroller, 24 CFR 570.489(g) &(h), and 2 CFR 200.318.

Resolution Regarding Civil Rights

The City of Hempstead, Texas

Whereas, the City of Hempstead, Texas, (hereinafter referred to as "City of Hempstead") has been awarded TxCDBG funding through a TxCDBG grant from the Texas Department of Agriculture (hereinafter referred to as "TDA");

Whereas, the City of Hempstead, in accordance with Section 109 of the Title I of the Housing and Community Development Act (24 CFR 6); the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107); and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and for construction contracts greater than \$10,000, must take actions to ensure that no person or group is denied benefits such as employment, training, housing, and contracts generated by the CDBG activity, on the basis of race, color, religion, sex, national origin, age, or disability;

Whereas, the City of Hempstead, in consideration for the receipt and acceptance of federal funding for the Contract, agrees to comply with all federal rules and regulations including those rules and regulations governing citizen participation and civil rights protections;

Whereas, the City of Hempstead, in accordance with Section 3 of the Housing and Urban Development Act of 1968, as amended, and 24 CFR Part 135, is required, to the greatest extent feasible, to provide training and employment opportunities to lower income residents and contract opportunities to businesses in the TxCDBG project area;

Whereas, the City of Hempstead, in accordance with Section 104(1) of the Housing and Community Development Act, as amended, and State's certification requirements at 24 CFR 91.325(b)(6), must adopt an excessive force policy that prohibits the use of excessive force against non-violent civil rights demonstrations;

Whereas, the City of Hempstead, in accordance with Executive Order 13166, must take reasonable steps to ensure meaningful access to services in federally assisted programs and activities by persons with limited English proficiency (LEP) and must have an LEP plan in place specific to the locality and beneficiaries for each TxCDBG project;

Whereas, the City of Hempstead, in accordance with Section 504 of the Rehabilitation Act of 1973, does not discriminate on the basis of disability and agrees to ensure that qualified individuals with disabilities have access to programs and activities that receive federal funds;

Whereas, the City of Hempstead, in accordance with Section 808(e)(5) of the Fair Housing Act (42 USC 3608(e)(5)) that requires HUD programs and activities be administered in a manner affirmatively to further the policies of the Fair Housing Act, agrees to conduct at least one activity during the contract period to affirmatively further fair housing; and

Whereas, the City of Hempstead, agrees to maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEMPSTEAD, TEXAS, THAT THE CITY OF HEMPSTEAD ADOPTS THE FOLLOWING:

1. Citizen Participation Plan and Grievance Procedures (Form A1013);
2. Section 3 Policy (Form A1002);
3. Excessive Force Policy (Form A1003);
4. Section 504 Policy and Grievance Procedures (Form A1004);

09/01/2020

5. Limited English Proficiency (LEP) Standards (Form A1010);
6. Fair Housing Policy (Form 1015); and
7. Code of Conduct Policy.

Passed and approved this _____ day of _____, 2021.

Signature of Elected Official
City of Hempstead

Printed Name of Elected Official

**CITY OF HEMPSTEAD
CITIZEN PARTICIPATION PLAN
TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

Note to Grant Recipients regarding Limited English Proficiency (LEP) requirements:

In accordance with federal law, if there is a significant number of the population who are non-English speaking residents and are affected by the TxCDBG project, such citizens should have "meaningful access" to all aspects of the TxCDBG project. To provide 'meaningful access', Grant Recipients may need to provide interpreter services at public hearings or provide non-English written materials that are routinely provided in English. Examples of such vital documents include Citizen Participation notices (e.g., complaint procedures, hearing notices) civil rights notices, and any other published notice that may allow an eligible person with limited English proficiency to participate in discussing proposed CDBG activities.

For more information, see LEP.gov.

COMPLAINT PROCEDURES

These complaint procedures comply with the requirements of the Texas Department of Agriculture's Texas Community Development Block Grant (TxCDBG) Program and Local Government Requirements found in 24 CFR §570.486 (Code of Federal Regulations). Citizens can obtain a copy of these procedures at the City of Hempstead offices, 1125 Austin St, Hempstead, TX 77445, (979) 826-2486 during regular business hours.

Below are the formal complaint and grievance procedures regarding the services provided under the TxCDBG project.

1. A person who has a complaint or grievance about any services or activities with respect to the TxCDBG project, whether it is a proposed, ongoing, or completed TxCDBG project, may during regular business hours submit such complaint or grievance, in writing to the Mayor, at City of Hempstead at 1125 Austin St. Hempstead TX 77445, or may call (979) 826-2486.
2. A copy of the complaint or grievance shall be transmitted by the Mayor to the entity that is the subject of the complaint or grievance and to the City Attorney within five (5) working days after the date of the complaint or grievance was received.
3. The Mayor shall complete an investigation of the complaint or grievance, if practicable, and provide a timely written answer to person who made the complaint or grievance within ten (10) days.
4. If the investigation cannot be completed within ten (10) working days per 3. above, the person who made the grievance or complaint shall be notified, in writing, within fifteen (15) days where practicable after receipt of the original complaint or grievance and shall detail when the investigation should be completed.
5. If necessary, the grievance and a written copy of the subsequent investigation shall be forwarded to the TxCDBG for their further review and comment.
6. If appropriate, provide copies of grievance procedures and responses to grievances in both English and Spanish, or other appropriate language.

TECHNICAL ASSISTANCE

When requested, the City shall provide technical assistance to groups that are representative of persons of low- and moderate-income in developing proposals for the use of TxCDBG funds. The City, based upon the specific needs of the community's residents at the time of the request, shall determine the level and type of assistance.

PUBLIC HEARING PROVISIONS

For each public hearing scheduled and conducted by the City, the following public hearing provisions shall be observed:

1. Public notice of all hearings must be published at least seventy-two (72) hours prior to the scheduled hearing. The public notice must be published in a local newspaper. Each public notice must include the date, time, location, and topics to be considered at the public hearing. A published newspaper article can also be used to meet this requirement so long as it meets all content and timing requirements. Notices should also be prominently posted in public buildings and distributed to local Public Housing Authorities and other interested community groups.
2. When a significant number of non-English speaking residents are a part of the potential service area of the TxCDBG project, vital documents such as notices should be published in the predominant language of these non-English speaking citizens.
3. Each public hearing shall be held at a time and location convenient to potential or actual beneficiaries and will include accommodation for persons with disabilities. Persons with disabilities must be able to attend the hearings and the City must make arrangements for individuals who require auxiliary aids or services if contacted at least two days prior to the hearing.
4. A public hearing held prior to the submission of a TxCDBG application must be held after 5:00 PM on a weekday or at a convenient time on a Saturday or Sunday.
5. When a significant number of non-English speaking residents can be reasonably expected to participate in a public hearing, an interpreter should be present to accommodate the needs of the non-English speaking residents.

The City shall comply with the following citizen participation requirements for the preparation and submission of an application for a TxCDBG project:

1. At a minimum, the City shall hold at least one (1) public hearing to prior to submitting the application to the Texas Department of Agriculture.
2. The City shall retain documentation of the hearing notice(s), a listing of persons attending the hearing(s), minutes of the hearing(s), and any other records concerning the proposed use of funds for three (3) years from closeout of the grant to the state. Such records shall be made available to the public in accordance with Chapter 552, Texas Government Code.
3. The public hearing shall include a discussion with citizens as outlined in the applicable TxCDBG application manual to include, but is not limited to, the development of housing and community development needs, the amount of funding available, all eligible activities under the TxCDBG program, and the use of past TxCDBG contract funds, if applicable. Citizens, with particular emphasis on persons of low- and moderate-income who are residents of slum and blight areas, shall be encouraged to submit their views and proposals regarding community development and housing needs. Citizens shall be made aware of the location where they may submit their views and proposals should they be unable to attend the public hearing.

09/01/2020

4. When a significant number of non-English speaking residents can be reasonably expected to participate in a public hearing, an interpreter should be present to accommodate the needs of the non-English speaking residents.

The City must comply with the following citizen participation requirements in the event that the City receives funds from the TxCDBG program:

1. The City shall also hold a public hearing concerning any substantial change, as determined by TxCDBG, proposed to be made in the use of TxCDBG funds from one eligible activity to another again using the preceding notice requirements.
2. Upon completion of the TxCDBG project, the City shall hold a public hearing and review its program performance including the actual use of the TxCDBG funds.
3. When a significant number of non-English speaking residents can be reasonably expected to participate in a public hearing, for either a public hearing concerning substantial change to the TxCDBG project or for the closeout of the TxCDBG project, publish notice in both English and Spanish, or other appropriate language, and provide an interpreter at the hearing to accommodate the needs of the non-English speaking residents.
4. The City shall retain documentation of the TxCDBG project, including hearing notice(s), a listing of persons attending the hearing(s), minutes of the hearing(s), and any other records concerning the actual use of funds for a period of three (3) years three (3) years from closeout of the grant to the state. Such records shall be made available to the public in accordance with Chapter 552, Texas Government Code.

Dave Shelburne, Mayor

Date

09/01/2020

**LA CIUDAD DE HEMPSTEAD
PLAN DE PARTICIPACIÓN CIUDADANA
PROGRAMA DE TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

Nota a los receptores de subvención en relación a requisitos de Dominio Limitado del inglés:

De acuerdo con la ley federal hay un número significativo de población que son residentes y que no hablan inglés y son afectados por el proyecto TxCDBG, estos ciudadanos deben tener "acceso significativo" a todos los aspectos del proyecto TxCDBG. Para proporcionar "acceso significativo", receptores de la subvención pueden ser utilizados para proporcionar servicios de interpretación en las audiencias públicas o proporcionar materiales no escritos en inglés que se proporcionan de manera rutinaria en inglés.

Para obtener más información, consulte LEP.gov.

PROCEDIMIENTOS DE QUEJA

Estos procedimientos de queja cumplen con los requisitos del Departamento de Programa de Agricultura de Texas Community Development Block Grant (TxCDBG) y los requisitos del gobierno local de Texas se encuentran en 24 CFR §570.486 (Código de Regulaciones Federales). Los ciudadanos pueden obtener una copia de estos procedimientos en la Ciudad de dirección postal City of Hempstead, 1125 Austin St, Hempstead, TX 77445, (979) 826-2486, en horario de oficina.

A continuación se presentan los procedimientos formales de quejas y quejas relativas a los servicios prestados en el marco del proyecto TxCDBG.

1. Una persona que tiene una queja o reclamación sobre cualquiera de los servicios o actividades en relación con el proyecto TxCDBG, o si se trata de una propuesta, en curso o determinado proyecto TxCDBG, pueden durante las horas regulares presentar dicha queja o reclamo, por escrito a la Mayor, a City of Hempstead, 1125 Austin St, Hempstead, TX 77445, (979) 826-2486.
2. Una copia de la queja o reclamación se transmitirá por el alcalde a la entidad que es encargada de la queja o reclamación y al Abogado de la Ciudad dentro de los cinco (5) días hábiles siguientes a la fecha de la queja o día que la reclamación fue recibida.
3. El alcalde deberá cumplir una investigación de la queja o reclamación, si es posible, y dará una respuesta oportuna por escrito a la persona que hizo la denuncia o queja dentro de los diez (10) días.
4. Si la investigación no puede ser completada dentro de los diez (10) días hábiles anteriormente, la persona que hizo la queja o denuncia será notificada, por escrito, dentro de los quince (15) días cuando sea posible después de la entrega de la queja original o quejas y detallará cuando se deberá completar la investigación.
5. Si es necesario, la queja y una copia escrita de la investigación posterior se remitirán a la TxCDBG para su posterior revisión y comentarios.
6. Se proporcionará copias de los procedimientos de queja y las respuestas a las quejas, tanto en inglés y español, u otro lenguaje apropiado.

ASISTENCIA TÉCNICA

Cuando lo solicite, la Ciudad proporcionará asistencia técnica a los grupos que son representantes de las personas de bajos y moderados ingresos en el desarrollo de propuestas para el uso de los fondos TxCDBG. La Ciudad, en base a las necesidades específicas de los residentes de la comunidad en el momento de la solicitud, deberá determinar el nivel y tipo de asistencia.

DISPOSICIONES AUDIENCIA PÚBLICA

Para cada audiencia pública programada y llevada a cabo por la Ciudad, se observarán las disposiciones siguientes de audiencias públicas:

1. Aviso público de todas las audiencias deberá publicarse al menos setenta y dos (72) horas antes de la audiencia programada. El aviso público deberá publicarse en un periódico local. Cada aviso público debe incluir la fecha, hora, lugar y temas a considerar en la audiencia pública. Un artículo periodístico publicado también puede utilizarse para cumplir con este requisito, siempre y cuando cumpla con todos los requisitos de contenido y temporización. Los avisos también deben ser un lugar prominente en los edificios públicos y se distribuyen a las autoridades locales de vivienda pública y otros grupos interesados de la comunidad.
2. Cuando se tenga un número significativo de residentes que no hablan inglés serán una parte de la zona de servicio potencial del proyecto TxCDBG, documentos vitales como las comunicaciones deben ser publicados en el idioma predominante de estos ciudadanos que no hablan inglés.
3. Cada audiencia pública se llevará a cabo en un momento y lugar conveniente para los beneficiarios potenciales o reales e incluirá alojamiento para personas con discapacidad. Las personas con discapacidad deben poder asistir a las audiencias y la Ciudad debe hacer los arreglos para las personas que requieren ayudas o servicios auxiliares en caso de necesitarlo por lo menos dos días antes de la audiencia pública.
4. Una audiencia pública celebrada antes de la presentación de una solicitud TxCDBG debe hacerse después de las 5:00 pm en un día de semana o en un momento conveniente en sábado o domingo.
5. Cuando un número significativo de residentes que no hablan inglés se registra para participar en una audiencia pública, un intérprete debe estar presente para dar cabida a las necesidades de los residentes que no hablan inglés.

La Ciudad deberá cumplir con los siguientes requisitos de participación ciudadana para la elaboración y presentación de una solicitud para un proyecto TxCDBG:

1. Como mínimo, la Ciudad deberá tener por lo menos un (1) audiencia pública antes de presentar la solicitud al Departamento de Agricultura de Texas.
2. La Ciudad conservará la documentación de la convocatoria(s) audiencia, un listado de las personas que asistieron a la audiencia(s), acta de la vista(s), y cualquier otra documentación relativa a la propuesta de utilizar los fondos para tres (3) años a partir de la liquidación de la subvención para el Estado. Dichos registros se pondrán a disposición del público, de conformidad con el Capítulo 552, Código de Gobierno de Texas.

3. La audiencia pública deberá incluir una discusión con los ciudadanos como se indica en el manual correspondiente de aplicación TxCDBG, pero no se limita a, el desarrollo de las necesidades de vivienda y desarrollo comunitario, la cantidad de fondos disponibles, todas las actividades elegibles bajo el programa TxCDBG y el uso de fondos últimos contratos TxCDBG, en su caso. Los ciudadanos, con especial énfasis en las personas de bajos y moderados ingresos que son residentes de las zonas de tugurios y tizón, se fomentará a presentar sus opiniones y propuestas sobre el desarrollo de la comunidad y las necesidades de vivienda. Los ciudadanos deben ser conscientes de la ubicación en la que podrán presentar sus puntos de vista y propuestas en caso de que no pueda asistir a la audiencia pública.
4. Cuando un número significativo de residentes que no hablan inglés se registra para participar en una audiencia pública, un intérprete debe estar presente para dar cabida a las necesidades de los residentes que no hablan inglés.

La Ciudad debe cumplir con los siguientes requisitos de participación ciudadana en el caso de que la Ciudad recibe fondos del programa TxCDBG:

1. La Ciudad celebrará una audiencia pública sobre cualquier cambio sustancial, según lo determinado por TxCDBG, se propuso que se hará con el uso de fondos TxCDBG de una actividad elegible a otro utilizando de nuevo los requisitos de notificación
2. Una vez finalizado el proyecto TxCDBG, la Ciudad celebrará una audiencia pública y revisará el desempeño del programa incluyendo el uso real de los fondos TxCDBG.
3. Cuando un número significativo de residentes que no hablan inglés se puede registra para participar en una audiencia pública, ya sea para una audiencia pública sobre el cambio sustancial del proyecto TxCDBG o para la liquidación del proyecto TxCDBG, publicará un aviso en inglés y español u otro idioma apropiado y se proporcionara un intérprete en la audiencia para dar cabida a las necesidades de los residentes.
4. La Ciudad conservará la documentación del proyecto TxCDBG, incluyendo aviso de audiencia(s), un listado de las personas que asistieron a la audiencia(s), acta de la vista(s), y cualquier otro registro concerniente al uso real de los fondos por un período de a tres (3) años a partir de la liquidación del proyecto al estado.

Dichos registros se pondrán a disposición del público, de conformidad con el Capítulo 552, Código de Gobierno de

Dave Shelburne, Alcalde de la ciudad

Fecha

SECTION 3 POLICY

In accordance with 12 U.S.C. 1701u, (Section 3), the City of Hempstead agrees to implement the following steps, which, to the *greatest extent feasible*, will provide job training, employment, and contracting opportunities for Section 3 residents and Section 3 businesses of the areas in which the program/project is being carried out.

- A. Introduce and pass a resolution adopting this plan as a policy to strive to attain goals for compliance to Section 3 regulations by increasing opportunities for employment and contracting for Section 3 residents and businesses.
- B. Assign duties related to implementation of this plan to the designated Civil Rights Officer.
- C. Notify Section 3 residents and business concerns of potential new employment and contracting opportunities as they are triggered by TxCDBG grant awards through the use of: Public Hearings and related advertisements; public notices; bidding advertisements and bid documents; notification to local business organizations such as the Chamber(s) of Commerce or the Urban League; local advertising media including public signage; project area committees and citizen advisory boards; local HUD offices; regional planning agencies; and all other appropriate referral sources. Include Section 3 clauses in all covered solicitations and contracts.
- D. Maintain a list of those businesses that have identified themselves as Section 3 businesses for utilization in TxCDBG funded procurements, notify those businesses of pending contractual opportunities, and make this list available for general Grant Recipient procurement needs.
- E. Maintain a list of those persons who have identified themselves as Section 3 residents and contact those persons when hiring/training opportunities are available through either the Grant Recipient or contractors.
- F. Require that all Prime contractors and subcontractors with contracts over \$100,000 commit to this plan as part of their contract work. Monitor the contractors' performance with respect to meeting Section 3 requirements and require that they submit reports as may be required by HUD or TDA to the Grant Recipient.
- G. Submit reports as required by HUD or TDA regarding contracting with Section 3 businesses and/or employment as they occur; and submit reports within 20 days of federal fiscal year end (by October 20) which identify and quantify Section 3 businesses and employees.
- H. Maintain records, including copies of correspondence, memoranda, etc., which document all actions taken to comply with Section 3 regulations.

As officers and representatives of the City of Hempstead, we the undersigned have read and fully agree to this plan, and become a party to the full implementation of this program.

Dave Shelburne, Mayor

Date

Excessive Force Policy

In accordance with 24 CFR 91.325(b)(6), the City of Hempstead hereby adopts and will enforce the following policy with respect to the use of excessive force:

1. It is the policy of the City of Hempstead to prohibit the use of excessive force by the law enforcement agencies within its jurisdiction against any individual engaged in non-violent civil rights demonstrations;
2. It is also the policy of the City of Hempstead to enforce applicable State and local laws against physically barring entrance to or exit from a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction; and
3. The City of Hempstead will introduce and pass a resolution adopting this policy.

As officers and representatives of City of Hempstead, we the undersigned have read and fully agree to this plan, and become a party to the full implementation of this program.

Signature

Mayor

Date

09/01/2020

Section 504 Policy Against Discrimination Based on Handicap and Grievance Procedures

In accordance with 24 CFR Section 8, Nondiscrimination based on Handicap in federally assisted programs and activities of the Department of Housing and Urban Development, Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), and Section 109 of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5309), City of Hempstead hereby adopts the following policy and grievance procedures:

1. Discrimination prohibited. No otherwise qualified individual with handicaps in the United States shall, solely by reason of his or her handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance from the Department of Housing and Urban Development (HUD).
2. City of Hempstead does not discriminate on the basis of handicap in admission or access to, or treatment or employment in, its federally assisted programs and activities.
3. City of Hempstead's recruitment materials or publications shall include a statement of this policy in 1. above.
4. City of Hempstead shall take continuing steps to notify participants, beneficiaries, applicants and employees, including those with impaired vision or hearing, and unions or professional organizations holding collective bargaining or professional agreements with the recipients that it does not discriminate on the basis of handicap in violation of 24 CFR Part 8.
5. For hearing and visually impaired individuals eligible to be served or likely to be affected by the TxCDBG program, City of Hempstead shall ensure that they are provided with the information necessary to understand and participate in the TxCDBG program.
6. Grievances and Complaints
 - a. Any person who believes she or he has been subjected to discrimination on the basis of disability may file a grievance under this procedure. It is against the law for City of Hempstead to retaliate against anyone who files a grievance or cooperates in the investigation of a grievance.
 - b. Complaints should be addressed to the Mayor, 1125 Austin St, Hempstead, TX, 77445 or call (979) 826-2486, who has been designated to coordinate Section 504 compliance efforts.
 - c. A complaint should be filed in writing or verbally, contain the name and address of the person filing it, and briefly describe the alleged violation of the regulations.
 - d. A complaint should be filed within thirty (30) working days after the complainant becomes aware of the alleged violation.
 - e. An investigation, as may be appropriate, shall follow a filing of a complaint. The investigation will be conducted by the Mayor. Informal but thorough investigations will afford all interested persons and their representatives, if any, an opportunity to submit evidence relevant to a complaint.
 - f. A written determination as to the validity of the complaint and description of resolution, if any, shall be issued by Mayor, and a copy forwarded to the complainant with fifteen (15) working days after the filing of the complaint where practicable.

- g. The Section 504 coordinator shall maintain the files and records of the City of Hempstead relating to the complaint files.
- h. The complainant can request a reconsideration of the case in instances where he or she is dissatisfied with the determination/resolution as described in f. above. The request for reconsideration should be made to the City of Hempstead within ten working days after the receipt of the written determination/resolution.
- i. The right of a person to a prompt and equitable resolution of the complaint filed hereunder shall not be impaired by the person's pursuit of other remedies such as the filing of a Section 504 complaint with the U.S. Department of Housing and Urban Development. Utilization of this grievance procedure is not a prerequisite to the pursuit of other remedies.
- j. These procedures shall be construed to protect the substantive rights of interested persons, to meet appropriate due process standards and assure that the City of Hempstead complies with Section 504 and HUD regulations.

Dave Shelburne, Mayor

Date

A1010**Over 5% Limited English Proficiency Plan - 7220034**

Name of Grantee:	City of Hempstead
Community Population:	6,694
LEP Population:	911 individuals 13.6%
Languages spoken: 1) By more than 5% of the eligible population or beneficiaries and has more than 50 in number; or 2) By more than 5% of the eligible population or beneficiaries but has less than 50 or less in number; or 3) By more than 1,000 individuals in the eligible population in the market area or among current beneficiaries	Spanish

Program activities to be accessible to LEP persons:

<input checked="" type="checkbox"/>	Public Notices and hearings regarding applications for grant funding, amendments to project activities, and completion of grant-funded project
<input checked="" type="checkbox"/>	Publications regarding TxCDBG application, grievance procedures, <i>complaint procedures, complaint procedures, answers to complaints, notices, notices of rights and disciplinary action</i> , and other vital hearings, documents, and program requirements
<input checked="" type="checkbox"/>	Other program documents: Documents available in Spanish for directly assisted beneficiaries, if applicable.

Resources available to Grant Recipient:

<input checked="" type="checkbox"/>	Translation services: available upon request
<input checked="" type="checkbox"/>	Interpreter services: available upon request with prior notice
	Other resources: _____

Language Assistance to be provided:

<input checked="" type="checkbox"/>	Translation (oral and/or written) of advertised notices and vital documents for: <u>Public hearing, Complaint and Grievance, Equal Opportunity, Policy of Non-discrimination Based on Disability Status and Fair Housing</u> notices are available in Spanish. Other CDBG required program notices are available in <u>Spanish upon request.</u>
<input checked="" type="checkbox"/>	Referrals to community liaisons proficient in the language of LEP persons: <u>Spanish-speaking liaisons are available upon request.</u>
<input checked="" type="checkbox"/>	Public meetings conducted in multiple languages: <u>Available upon request with two days advance notice.</u>
<input checked="" type="checkbox"/>	Notices to recipients of the availability of LEP services: <u>Included in translated notices.</u>
	Other services: _____

Signature - Chief Elected Official or Civil Rights Officer

Date

09/01/2020

Fair Housing Policy

In accordance with Fair Housing Act, the City of Hempstead hereby adopts the following policy with respect to the Affirmatively Furthering Fair Housing:

1. City of Hempstead agrees to affirmatively further fair housing choice for all seven protected classes (race, color, religion, sex, disability, familial status, and national origin).
2. City of Hempstead agrees to plan at least one activity during the contract term to affirmatively further fair housing.
3. City of Hempstead will introduce and pass a resolution adopting this policy.

As officers and representatives of City of Hempstead, we the undersigned have read and fully agree to this plan, and become a party to the full implementation of this program.

Signature

Mayor

Date

Code of Conduct Policy of the City of Hempstead

As a Grant Recipient of a TxCDBG contract, City of Hempstead shall avoid, neutralize, or mitigate actual or potential conflicts of interest so as to prevent an unfair competitive advantage or the existence of conflicting roles that might impair the performance of the TxCDBG contract or impact the integrity of the procurement process.

For procurement of goods and services, no employee, officer, or agent of the City of Hempstead shall participate in the selection, award, or administration of a contract supported by TxCDBG funds if he or she has a real or apparent conflict of interest. Such a conflict could arise if the employee, officer, or agent; any member of his/her immediate family; his/her partner; or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

No officer, employee, or agent of the City of Hempstead shall solicit or accept gratuities, favors or anything of monetary value from contractors or firms, potential contractors or firms, or parties to sub-agreements, except where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements.

For all other cases, no employee, agent, consultant, officer, or elected or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or subrecipients which are receiving TxCDBG funds, that has any CDBG function/responsibility, or is in a position to participate in a decision-making process or gain inside information, may obtain a financial interest or benefit from the TxCDBG activity.

The conflict-of-interest restrictions and procurement requirements identified herein shall apply to a benefitting business, utility provider, or other third-party entity that is receiving assistance, directly or indirectly, under a TxCDBG contract or award, or that is required to complete some or all work under the TxCDBG contract in order to meet the National Program Objective.

Any person or entity including any benefitting business, utility provider, or other third-party entity that is receiving assistance, directly or indirectly, under a TxCDBG contract or award, or that is required to complete some or all work under the TxCDBG contract in order to meet a National Program Objective, that might potentially receive benefits from TxCDBG awards may not participate in the selection, award, or administration of a contract supported by CDBG funding.

Any alleged violations of these standards of conduct shall be referred to the City of Hempstead Attorney. Where violations appear to have occurred, the offending employee, officer or agent shall be subject to disciplinary action, including but not limited to dismissal or transfer; where violations or infractions appear to be substantial in nature, the matter may be referred to the appropriate officials for criminal investigation and possible prosecution.

Passed and approved this ____ day of _____, 2021.

Mayor, City of Hempstead

These procedures are intended to serve as guidelines for the procurement of supplies, equipment, construction services and professional services for the Texas Community Development Block Grant (TxCDBG) Program. The regulations related to conflict of interest and nepotism may be found at the Texas Government Code Chapter 573, Texas Local Government Code Chapter 171, Uniform Grant Management Standards by Texas Comptroller, 24 CFR 570.489(g) &(h), and 2 CFR 200.318

09/01/2020

PROCLAMATION OF APRIL AS FAIR HOUSING MONTH

WHEREAS Title VIII of the Civil Rights Act of 1968, as amended, prohibits discrimination in housing and declares it a national policy to provide, within constitutional limits, for fair housing in the United States; and

WHEREAS The principle of Fair Housing is not only national law and national policy, but a fundamental human concept and entitlement for all Americans; and

WHEREAS The National Fair Housing Law, during the month of April, provides an opportunity for all Americans to recognize that complete success in the goal of equal housing opportunity can only be accomplished with the help and cooperation of all Americans.

NOW, THEREFORE, WE, the City Council of the City of Hempstead, do proclaim April as Fair Housing Month in City of Hempstead and do hereby urge all the citizens of this locality to become aware of and support the Fair Housing law.

Passed and adopted by the City Council of the City of Hempstead, Waller County, State of Texas, on the _____ day of _____, 2021.

APPROVED:

Mayor

ATTEST:

City Secretary

AMENDMENT TO DIGITAL BILLBOARD DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DIGITAL BILLBOARD DEVELOPMENT AGREEMENT (this "Amendment"), dated to be effective this ____ day of _____ 2021 (the "Effective Date"), is made and entered into by and between CLEAR CHANNEL OUTDOOR, LLC, a Delaware limited liability company ("Clear Channel"), and CITY OF HEMPSTEAD, TEXAS, a Texas home rule municipality ("City").

RECITALS

A. Clear Channel and City (collectively, the "Parties" and each, individually, a "Party") have entered into the following agreement: Digital Billboard Development Agreement, effective December 7, 2020 (as it may have been amended, the "Agreement").

B. Pursuant to the Agreement, Clear Channel is developing a digital billboard on a site in the City of Hempstead.

C. The Parties desire to amend and modify certain terms of the Agreement as provided herein.

AGREEMENTS

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Except as otherwise defined herein, capitalized terms used in this Amendment shall have the meanings assigned to such terms in the Agreement.

2. The Agreement shall be in effect commencing on the Effective Date for a term ("Term") that is Twenty-Five (25) years following the Contribution Commencement Date.

3. Paragraph 5 of the Agreement is hereby deleted in its entirety and replaced with the following:

5. Community Benefit Contribution. In accordance with Section 8.5-5 of the Code, Clear Channel shall pay to the City an annual community benefit contribution in the amounts set forth below, payable commencing on the first day of the month following the date the Digital Billboard is fully operational, capable of displaying digital advertising and connected to a permanent power supply, and provided that all final non-appealable permits and approvals have been received (the "Contribution Commencement Date"), and annually thereafter on each anniversary of the Contribution Commencement Date during the Term as long as the Digital Billboard is operated with digital display faces (the "Community Benefit Contribution"), and shall fully or partially cease in the event one or both Digital Billboard display faces are not operated with digital faces.

Years 1 – 5	at the rate of \$15,000.00 per year, paid annually.
Years 6 – 10	at the rate of \$16,500.00 per year, paid annually.
Years 11 – 15	at the rate of \$18,000.00 per year, paid annually.
Years 16 – 20	at the rate of \$19,500.00 per year, paid annually.
Years 21 – 25	at the rate of \$21,000.00 per year, paid annually.

4. Except as amended or modified hereby, all other terms of the Agreement shall remain unaltered and in full force and effect.

5. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which when taken together shall constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the Effective Date.

CLEAR CHANNEL:

CLEAR CHANNEL OUTDOOR, LLC, a Delaware limited liability company

By: _____
Name: Bryan Parker
Title: EVP, Real Estate & Public Affairs

CITY:

CITY OF HEMPSTEAD, TEXAS, a Texas home rule municipality

By: _____
Name: Dave Shelburne
Title: Mayor

CONSULTING LETTER OF AGREEMENT

This Agreement is made on the 23rd day of March, 2021 by and between the following parties: Alan Younts, whose address is 235 Hogan Lane, Hempstead, Texas 77445, hereafter called "Younts" and the City of Hempstead, Texas whose address is 1125 Austin Street, Hempstead, Texas 77445, hereafter called "Client". The Parties agree on the following terms and conditions:

NOW, THEREFORE, for good and valuable compensation paid, including mutual promises contained herein and the obligations herein made and undertaken, the Parties, intending to be legally bound, covenant and agree as follows:

1 TERM OF AGREEMENT

1.1 By this Agreement, the Client engages Younts as an Independent Contractor to perform financial consulting services on a non-exclusive basis, and Younts accepts engagement to perform the services enumerated in the attached "Exhibit A" to this Agreement at his discretion. This agreement will commence on the 23rd day of March, 2021 and continue for a period of 12 months (the "Term"), unless terminated in accordance with Section 5 of this Agreement. If neither party terminates the contract, the contract shall automatically renew for a period of twelve months under the same terms and conditions.

2 COMPENSATION

2.1 Basic Compensation. As compensation for all services rendered under this Agreement, Younts shall be paid a monthly rate of Two Thousand (\$2,000) dollars. The client shall be billed as satisfactory services are rendered, with payment due within 30 days from receipt of bill.

2.2 Travel. By agreement, Younts will come to such other location as may be requested by the Client. Younts will, to the best of his ability, schedule personal visits to the Client as soon as practicable upon the Client's request. There will be no travel costs associated with on-site services. If the Client requests travel to a location outside the City of Hempstead, travel costs will be reimbursed at the current IRS business mileage rate.

3 DUTIES

3.1 Duties. Younts is to act as a consultant in the Client's financial regulatory compliance. The services that can be provided are enumerated in Exhibit "A," attached hereto. The services shall be provided at the Client's office and/or the principle office of Younts, with information necessary to allow Younts to provide required services being provided to Younts either electronically or in hard copy by the Client.

3.2 Representations by Younts. Younts represents to the Client that he is qualified to perform the work enumerated in Exhibit A and has a working knowledge of all aspects of financial regulations of government entities in the State of Texas. If there is an area in which Younts is not proficient, he will endeavor to obtain accurate and timely information prior to rendering an opinion. Younts will not charge the Client for any efforts to determine whether he can render an opinion without first obtaining the Client's approval. If Younts is unable to render an opinion, he will notify the Client that he is unable to render an opinion and recommend that the Client have the matter reviewed by a second, more specialized consultant. Younts agrees that he will always act in good faith toward the client and work to achieve the best result for the client.

3.3 Limitations of Services. However, the client recognizes that Younts will be basing his opinion solely on the information provided to him by the client and its employees. Younts shall not be held responsible for the consequences of any work that is erroneous due to false information provided to him by the Client. **AT ALL TIMES, THE ULTIMATE RESPONSIBILITY FOR THE ACCURACY OF ANY REGULATORY FILING RESTS WITH THE CLIENT.** The services provided by Younts under this contract do not obviate the need for the client to have a periodic independent audit.

4 PROPERTY RIGHTS OF PARTIES

4.1 Trade Secrets. During the term of this Agreement, Younts will have continued access to and become familiar with various trade secrets, regularly used in the operation of the business of the Client. Younts shall not disclose any such trade secrets, directly or indirectly, nor use them in any way, either during the term of this Agreement or at any time thereafter, except as required in the course of this Agreement. All files, records, documents, drawings, specifications, equipment, and similar items relating to the business of the Client whether or not prepared by Younts, shall remain the exclusive property of Client and will either be destroyed or returned to the client at the end of the contractual period as requested by the client.

5 TERMINATION

5.1 Termination of Agreement. This Agreement may be terminated by either party, with or without cause, upon thirty days written notice to the other party.

5.2 Circumstances Resulting in Termination. This Agreement shall terminate on the death or permanent disability of Younts, in addition to the terms specified in paragraph 5.1.

6 GENERAL PROVISIONS

6.1 Notices. All notices or other communications required under this Agreement may be effected either by personal delivery in writing or by certified mail, return receipt requested. Notice shall be deemed to have been given when delivered or mailed to the parties at their respective addresses as set forth above or when mailed to the last address provided in writing to the other party by the addressee.

6.2 Entirety of Agreement. This Agreement supersedes all other agreements, either oral or in writing, between the parties to this Agreement, with respect to the services to be provided by Younts to the Client. This Agreement contains the entire understanding of the parties and all of the covenants and agreements between the parties with respect to performance of this agreement.

6.3 Law Governing Agreement. The parties acknowledge that the subject matter of this Agreement is related to the State of Texas and agree that the rights and duties of the parties to this Agreement shall be governed by and construed by the laws of the State of Texas, to the extent applicable. The County of Performance is Waller.

6.4 Waiver of Breach or Violation Not Deemed Continuing. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach of any provision of this Agreement.

6.5 Paragraph Headings. The paragraph headings contained in this Agreement are for convenience only and shall in no manner be construed as a part of this Agreement.

6.6 Legal Construction. In case anyone or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been included in this Agreement.

6.7 Modification. This Agreement shall not be amended, modified, or altered in any manner except in a writing signed by both parties.

6.8 Time of Essence. Time is of the essence of this Agreement.

6.9 Relation of the Parties. The Parties agree that Younts is an Independent Contractor of the Client and, as such, is not considered to be an agent or employee of the Client. Younts and the Client agree that Younts and any and all of his subcontractors, agents, or employees are not covered under any City insurance policy, including, but not limited to, the City's liability, property or casualty, or workers' insurance policies.

6.10 Assignment. This Agreement may not be assigned by either party without the written consent of the other party.

6.11 No Waiver of Immunity. No party hereto waives or relinquishes any immunity or defense on behalf of itself, its officers, trustees, employees, and agents, as a result of execution of this Agreement and performance of the covenants contained herein.

6.12 No Third-Party Beneficiaries. There are no third-party beneficiaries to this Agreement.

The Parties have made and executed this Agreement on the dates stated below.

Client Date

Alan Younts Date

Exhibit “A”

Agreed upon contractual duties that **CAN** be provided by Alan Younts. There are other duties that can be added that are important to the Client but yet unknown to Younts.

1. *Financial Statement Analysis (includes monthly review of detailed general ledger)*
2. *Bank Reconciliation assistance*
3. *Bookkeeping support*
4. *Internal Control Analysis and Review*
5. *Prepare monthly journal entries to get client to modified accrual basis*
6. *Fixed Asset Review*
7. *Debt Service Review (worksheets prepared for audit report)*
8. *Assist client to be prepared for preliminary audit phase*
9. *Assist client to be prepared for final audit phase*
10. *Assist client in preparing annual financial audit report (start to finish)*
11. *Attend City Council meetings to present financial position*
12. *Assist client in budget preparation including review of effective tax rate calculation.*
13. *Assist client in budgetary line-item transfers.*
14. *Fund policy compliance. Setting financial goals to achieve 60-90 days of “rainy day funds”*
15. *Setting goals for financial transparency page for City website to include:*
 - a. *Debt information and worksheet including repayment schedules*
 - b. *Annual proposed and adopted budgets.*
 - c. *Annual financial audit reports.*
 - d. *Monthly check registers*
 - e. *Historical tax rates by fiscal year*
16. *Unlimited email or phone questions (no extra cost to Client)*

Immediate priorities:

1. *Receive 2019 final audit report and all adjusting entries. Assist client in making 2019 entries into financial system. Reconcile financial system records to 2019 independent audit report.*
2. *Reconcile 2020 beginning financial system balance sheet balances to ending 2019 audited balance sheet balances including fund balance.*
3. *Begin preparing journal entries for 2020 audit report (assist client in getting balances to modified accrual basis for external auditors) This task alone should save the City thousands of dollars in extra audit fees. The goal would be for the City to only incur the audit fee and not pay extra consulting fees as in the past.*
4. *Assist the client in contracting an auditor for 2020 and 2021 and work with external auditor and Client in setting goals for 2020 audit completion.*
5. *Assist Client in maximizing CARES ACT allocation and the American Rescue Plan Act of 2021 allocation. There are items in these allocations that can potentially benefit the City General Fund and City Utility Funds.*