

CITY OF KEMAH, TEXAS

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

DRAFT SUBJECT TO CHANGE

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Kemah, Texas
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units and each major fund of the City of Kemah, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the preceding 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units and each major fund of the City as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of City Council
City of Kemah, Texas

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of City Contributions-Pensions, and the Schedule of Changes in Net Other Postemployment Benefit Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, and has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 6, 2021

CITY OF KEMAH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's discussion and analysis of the City of Kemah, Texas (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents information on the City's assets, liabilities and, if applicable deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. streets and sidewalks, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- * **Governmental Activities** - Most of the City's basic services are reported here, including police, public works, municipal courts, marketing, advertising, and general administration. Property taxes, sales taxes, franchise fees, fines and forfeitures finance most of these activities.
- * **Component Units** – The City includes two separate legal entities in its report – the Kemah Community Development Corporation ("KCDC") and the Kemah Public Facilities Corporation ("KPFC"). Although legally separate, these component units are included because the City is financially accountable for them. The KCDC issues separate financial statements which are available from the City.

CITY OF KEMAH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, general revenues, operating costs and general expenditures. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. The Kemah Growth Fund accounts for specific sales tax revenues for the commercial growth and stimulus of business and commercial activity.

Governmental funds are reported in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. The focus in the fund statements provides a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the City and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The City adopts an annual unappropriated budget for its General Fund. A budgetary comparison schedule is included as RSI for the General Fund. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of City of Contributions – Pensions, and the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios are included as RSI.

CITY OF KEMAH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. In the case of the governmental activities of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,035,041 as of September 30, 2020. As of September 30, 2019, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,168,378.

A portion of the City's net position reflects its net investment in capital assets (buildings, land, streets, sidewalks, and infrastructure less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position -		
	Governmental Activities		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 5,892,330	\$ 5,777,666	\$ 114,664
Capital Assets (Net of Accumulated Depreciation)	<u>12,733,389</u>	<u>12,974,470</u>	<u>(241,081)</u>
Total Assets	<u>\$ 18,625,719</u>	<u>\$ 18,752,136</u>	<u>\$ (126,417)</u>
Deferred Outflows of Resources	<u>\$ 238,029</u>	<u>\$ 406,063</u>	<u>\$ (168,034)</u>
Other Liabilities	<u>\$ 491,371</u>	<u>\$ 911,512</u>	<u>\$ 420,141</u>
Deferred Inflows of Resources	<u>\$ 337,336</u>	<u>\$ 78,309</u>	<u>\$ (259,027)</u>
Net Position:			
Net Investment in Capital Assets			
Net Investment in Capital Assets	\$ 14,055,827	\$ 13,423,535	\$ 632,292
Restricted	1,124,522	948,683	175,839
Unrestricted	<u>2,854,692</u>	<u>3,796,160</u>	<u>(941,468)</u>
Total Net Position	<u>\$ 18,035,041</u>	<u>\$ 18,168,378</u>	<u>\$ (133,337)</u>
		*	

* As Adjusted, Note 13

CITY OF KEMAH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the City's operations for the years ended September 30, 2020, and September 30, 2019. The City decreased its net position by \$133,337, accounting for a 0.7% decrease in net position. This compares with an increase in net position of \$305,758 in the prior year.

	Summary of Changes in the Statement of Activities -		
	Governmental Activities		
			Change Positive (Negative)
	2020	2019	
Revenues:			
Program Revenues -			
Charges for Services	\$ 524,060	\$ 616,697	\$ (92,637)
Capital Grants and Contributions		436	(436)
General Revenues -			
Property Taxes	695,998	653,242	42,756
Sales Taxes	2,334,980	2,794,168	(459,188)
Investment Revenues	12,755	18,184	(5,429)
Grant Revenues	22,517		22,517
Other Revenues	1,884,720	2,097,892	(213,172)
Total Revenues	<u>\$ 5,475,030</u>	<u>\$ 6,180,619</u>	<u>\$ (705,589)</u>
Expenses:			
General Government	\$ 1,319,242	\$ 1,552,278	\$ 233,036
Marketing Department	60,694		(60,694)
Municipal Courts	170,400	207,294	36,894
Information Technology Department	174,969		(174,969)
Public Works	1,102,621	1,178,949	76,328
Police & Fire Department	2,478,649	2,573,180	94,531
Advertising and Tourism	301,792	363,160	61,368
Total Expenses	<u>\$ 5,608,367</u>	<u>\$ 5,874,861</u>	<u>\$ 266,494</u>
Change in Net Position	\$ (133,337)	\$ 305,758	\$ (439,095)
Net Position, Beginning of Year	<u>18,168,378</u>	<u>17,862,620</u>	<u>305,758</u>
Net Position, End of Year	<u>\$ 18,035,041</u>	<u>\$ 18,168,378</u>	<u>\$ (133,337)</u>
		*	

* As Adjusted, Note 13

**CITY OF KEMAH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's fund balance as of the fiscal year ended September 30, 2020, was \$3,416,310, an increase of \$790,667 from the prior year.

The General Fund fund balance decreased by \$369,649, primarily due to the transfer to the Capital Projects Fund.

The Kemah Growth Fund was established during the prior year. The fund balance increased by \$286,943, primarily due to sales tax received attributable to certain commercial developments.

The Capital Projects Fund fund balance increased by \$873,373, primarily due to current year transfers from the General Fund and KCDC, which exceeded current year capital outlay costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City amended the budget during the current fiscal year to adjust revenue and expenditures to more accurately reflect anticipated activity. Actual revenue was \$901,796 less than budgeted revenue. Actual expenditures were \$285,487 less than budgeted expenditures. See budget to actual comparison for additional analysis.

CAPITAL ASSETS

Capital assets as of September 30, 2020, total \$12,733,389 (net of accumulated depreciation) and include buildings, furniture, fixtures, equipment, and vehicles as well as the streets and culverts within the City.

Capital Assets At Year-End Net of Accumulated Depreciation			
Capital Assets Not Subject to Depreciation:			
Land and Land Improvements		\$	898,968
Construction in Progress			643,290
Capital Assets Subject to Depreciation:			
Buildings and Improvements			3,768,833
Park Improvements			23,219
Vehicles and Equipment			110,057
Furniture, Software and Office Equipment			28,497
Storm Water Pump Station			710,865
Streets and Culverts			6,549,660
Total Net Capital Assets		<u>\$</u>	<u>12,733,389</u>

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide a general overview of the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Kemah, 1401 State Highway 146, Kemah, Texas 77565.

**CITY OF KEMAH, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

DRAFT SUBJECT TO CHANGE

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

	Primary Government Governmental Activities	Discretely Presented Component Units
ASSETS		
Cash and Cash Equivalents	\$ 3,092,016	\$ 1,252,261
Investments	510,003	981,239
Receivables:		
Property Taxes	48,873	
Other	42,038	
Due from Component Unit	6,043	
Due From Developer	2,172,136	
Prepaid Expenditures	11,742	15,000
Net Pension Asset	9,479	
Land	898,968	1,403,725
Construction in Progress	643,290	
Capital Assets (Net of Accumulated Depreciation)	11,191,131	
TOTAL ASSETS	\$ 18,625,719	\$ 3,652,225
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	\$ 215,250	\$
Deferred Other Postemployment Benefits	22,779	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 238,029	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 18,863,748	\$ 3,652,225
LIABILITIES		
Accounts Payable	\$ 342,224	\$
Due to Other Governmental Entity	19,114	
Net Other Postemployment Benefit Plan Liability	130,033	
Due to Primary Government		6,043
TOTAL LIABILITIES	\$ 491,371	\$ 6,043
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Plan Income	\$ 336,359	\$
Deferred Other Postemployment Benefits	977	
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 337,336	\$ -0-
NET POSITION		
Net Investment in Capital Assets	\$ 14,055,827	\$ 1,403,725
Restricted for Economic Development	551,163	
Restricted for Police Programs	14,936	
Restricted for Court Security	55,193	
Restricted for Court Technology	54,405	
Restricted for Tourism	448,825	
Unrestricted	2,854,692	2,242,457
TOTAL NET POSITION	\$ 18,035,041	\$ 3,646,182

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

**CITY OF KEMAH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Expenses	Program Revenues Charges for Services
GOVERNMENTAL ACTIVITIES		
General Government	\$ 1,170,227	\$ 231,401
Marketing Department	60,694	
Municipal Court	170,400	288,231
Information Technology Department	174,969	
Public Works	1,102,621	
Police and Fire Department	2,478,649	4,428
Advertising and Tourism	301,792	
Capital Projects	149,015	
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,608,367	\$ 524,060
COMPONENT UNITS	\$ 125,154	\$ - 0 -
GENERAL REVENUES		
Property Taxes		
Sales Taxes		
Franchise Fees		
Hotel Taxes		
Mixed Beverage Taxes		
Investment Revenues		
Grant Revenues		
Intergovernmental Revenues		
Other		
Transfers		
TOTAL GENERAL REVENUES AND TRANSFERS		
CHANGE IN NET POSITION		
NET POSITION - OCTOBER 1, 2019		
NET POSITION - SEPTEMBER 30, 2020		

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
Governmental Activities	Component Units
\$ (938,826)	\$
(60,694)	
117,831	
(174,969)	
(1,102,621)	
(2,474,221)	
(301,792)	
(149,015)	
<u>\$ (5,084,307)</u>	<u>\$ - 0 -</u>
<u>\$ - 0 -</u>	<u>\$ (125,154)</u>
\$ 695,998	\$
2,334,980	951,516
252,232	
376,316	
218,634	
12,755	7,114
22,517	
170,000	
167,538	
700,000	(700,000)
<u>\$ 4,950,970</u>	<u>\$ 258,630</u>
\$ (133,337)	\$ 133,476
<u>18,168,378</u>	<u>3,512,706</u>
<u>\$ 18,035,041</u>	<u>\$ 3,646,182</u>

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

CITY OF KEMAH, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Kemah Growth Fund	Capital Projects Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,209,878	\$ 544,881	\$ 1,337,257	\$ 3,092,016
Investments	510,003			510,003
Receivables:				
Property Taxes	48,873			48,873
Other	42,038			42,038
Due from Other Funds		6,282		6,282
Due from Component Units	6,043			6,043
Prepaid Expenditures	11,742			11,742
TOTAL ASSETS	<u>\$ 1,828,577</u>	<u>\$ 551,163</u>	<u>\$ 1,337,257</u>	<u>\$ 3,716,997</u>
LIABILITIES				
Accounts Payable	\$ 211,599		\$ 14,819	\$ 226,418
Due to Other Funds	6,282			6,282
Due to Other Governmental Entity	19,114			19,114
TOTAL LIABILITIES	<u>\$ 236,995</u>	<u>\$ -0-</u>	<u>\$ 14,819</u>	<u>\$ 251,814</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	\$ 48,873	\$ -0-	\$ -0-	\$ 48,873
FUND BALANCES				
Nonspendable:				
Prepaid Expenditures	\$ 11,742			\$ 11,742
Restricted for Economic Development		551,163		551,163
Restricted for Police	14,936			14,936
Restricted for Capital Projects			1,322,438	1,322,438
Restricted for Court Security	55,193			55,193
Restricted for Court Technology	54,405			54,405
Restricted for Tourism	448,825			448,825
Assigned for Emergencies	510,003			510,003
Unassigned	447,605			447,605
TOTAL FUND BALANCES	<u>\$ 1,542,709</u>	<u>\$ 551,163</u>	<u>\$ 1,322,438</u>	<u>\$ 3,416,310</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,828,577</u>	<u>\$ 551,163</u>	<u>\$ 1,337,257</u>	<u>\$ 3,716,997</u>

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

CITY OF KEMAH, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balance - Governmental Funds \$ 3,416,310

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

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 12,733,389

Portions of the change in net pension asset/liability and net other postemployment benefit plan asset/liability that are not immediately recognized as pension expense are recorded as deferred outflows/inflows of resources. (89,828)

Advances to Developers which will be repaid in a future year are recorded as a long-term receivable in the Statement of Net Position. 2,172,136

Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 48,873

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Compensated Balances	\$ (115,806)	
Net Other Post Employment Benefit Liability	<u>(130,033)</u>	<u>(245,839)</u>

Total Net Position - Governmental Activities \$ 18,035,041

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

CITY OF KEMAH, TEXAS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Kemah Growth Fund	Capital Projects Fund	Total
REVENUES				
Property Taxes and Penalties	\$ 688,142	\$	\$	\$ 688,142
Sales Taxes	2,614,709	284,436		2,899,145
Franchise Fees	252,232			252,232
Hotel Taxes	376,316			376,316
Mixed Beverage Taxes	218,634			218,634
Permits and Licenses	231,401			231,401
Fines and Forfeitures	292,659			292,659
Investment Revenues	7,757	2,507	2,491	12,755
Grant Revenues	22,517			22,517
Intergovernmental Revenues	170,000			170,000
Other	167,538			167,538
TOTAL REVENUES	<u>\$ 5,041,905</u>	<u>\$ 286,943</u>	<u>\$ 2,491</u>	<u>\$ 5,331,339</u>
EXPENDITURES				
General Government	\$ 988,907	\$	\$	\$ 988,907
Marketing Department	60,995			60,995
Municipal Court	164,655			164,655
Information Technology Department	171,709			171,709
Public Works	648,317			648,317
Police and Fire Department	2,357,516			2,357,516
Advertising and Tourism	301,792			301,792
380 Sales Tax Grant	18,128			18,128
Capital Outlay	99,535		429,118	528,653
TOTAL EXPENDITURES	<u>\$ 4,811,554</u>	<u>\$ - 0 -</u>	<u>\$ 429,118</u>	<u>\$ 5,240,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 230,351</u>	<u>\$ 286,943</u>	<u>\$ (426,627)</u>	<u>\$ 90,667</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	\$ (600,000)	\$ - 0 -	\$ 1,300,000	\$ 700,000
NET CHANGE IN FUND BALANCES	\$ (369,649)	\$ 286,943	\$ 873,373	\$ 790,667
FUND BALANCE - OCTOBER 1, 2019	<u>1,912,358</u>	<u>264,220</u>	<u>449,065</u>	<u>2,625,643</u>
FUND BALANCE - SEPTEMBER 30, 2020	<u>\$ 1,542,709</u>	<u>\$ 551,163</u>	<u>\$ 1,322,438</u>	<u>\$ 3,416,310</u>

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

CITY OF KEMAH, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balance - Governmental Funds	\$ 790,667
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues and penalties when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>	7,856
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(620,719)
<p>The changes in the net pension asset as well as deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements. Compensated absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recorded in the statement of Activities.</p>	(37,781)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>	379,638
<p>Governmental funds report sales tax receipts attributable to certain commercial developments as revenues. However, in the Statement of Net Position, these sales tax receipts are reported as decreases in the long-term receivable.</p>	(564,165)
<p>Governmental funds do not account for an increase of decrease in accrued compensated absences. However, in the Statement of Activities, the change is recorded as part of the current year expense.</p>	<u>(88,833)</u>
Change in Net Position - Governmental Activities	<u>\$ (133,337)</u>

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

**CITY OF KEMAH, TEXAS
COMPONENT UNIT BALANCE SHEET
SEPTEMBER 30, 2020**

	KCDC
ASSETS	
Cash and Cash Equivalents	\$ 1,252,261
Investments	981,239
Prepaid Costs	15,000
TOTAL ASSETS	\$ 2,248,500
LIABILITIES	
Due to Primary Government	\$ 6,043
FUND BALANCE	
Nonspendable:	
Prepaid Costs	\$ 15,000
Unassigned	2,227,457
TOTAL FUND BALANCES	\$ 2,242,457
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,248,500

* The KPFC has a zero fund balance at year-end.

Reconciliation to the Government-wide Statement of Net Position

Fund Balance	\$ 2,242,457
Adjustment for land - KPFC	1,308,000
Adjustment for land - KCDC	95,725
Net Position for Discretely Presented Component Units	\$ 3,646,182

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

CITY OF KEMAH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	KCDC
REVENUES	
City Sales Taxes	\$ 951,516
Investment Revenues	7,114
TOTAL REVENUES	\$ 958,630
EXPENDITURES	
Service Operations:	
Administrative	\$ 95,950
380 Sales Tax Grants	6,043
Development/Promotions	23,161
TOTAL EXPENDITURES	\$ 125,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 833,476
OTHER FINANCING SOURCES (USES)	
Transfers (To)From Primary Government	\$ (700,000)
NET CHANGE IN FUND BALANCE	133,476
FUND BALANCE - OCTOBER 1, 2019	2,108,981
FUND BALANCE - SEPTEMBER 30, 2020	\$ 2,242,457

* The KPEC has a zero fund balance at year-end.

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

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1. CREATION OF CITY

The City of Kemah, Texas (the “City”) was incorporated on March 22, 1965, under the provisions of the State of Texas. The City operates under a Council-Mayor form of government and provides the following services as authorized by general law; public safety, maintenance and improvements to highways and streets, public improvements, and general administrative services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The City is a political subdivision of the State of Texas governed by an elected board. The Governmental Accounting Standards Board (“GASB”) has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the City is considered a primary government and is not a component unit of any other government. Additionally, the KCDC and KPFC meet the criteria for inclusion in the City’s financial statement as component units.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB. Based on these considerations, the City’s basic financial statements include the Kemah Community Development Corporation (KCDC), as a component unit of the City. The KCDC was incorporated on October 9, 1998, as a not-for-profit corporation for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. The KCDC may issue bonds on behalf of the City for the Corporation’s public purpose. The KCDC is managed by a Board of Directors consisting of seven members who serve two-year terms. The City Council has sole authority to appoint the Directors of KCDC. The assets are managed by the Board of Directors. The financial records are maintained by City. Copies of the financial statements for KCDC may be obtained from the City Secretary’s office.

The Kemah Public Facilities Corporation (KPFC) also meets the above criteria and is a component unit of the City. The KPFC was incorporated on October 5, 2001, as a non-profit corporation. The KPFC was created under the Texas Public Facility Act to finance, refinance or otherwise provide the costs of public facilities in the City. The KPFC is managed by a Board of Directors made up of the Mayor and Council Members of the City of Kemah. Separate financial statements are not issued on the KPFC. This fund has a zero-fund balance at year-end.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the City’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain total revenue and expense of the government-wide Statement of Activities.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The City's fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The City has three governmental funds and considers them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, general revenues, costs and general expenditures.

Kemah Growth Fund – to account for specific sales tax revenues for the commercial growth and stimulus of business and commercial activity.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The City uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The City considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

All City infrastructure assets with a useful life of at least two years and a total cost of \$5,000; infrastructure assets with a useful life of at least two years and a total cost of \$10,000 such as roads and sidewalks and other capital assets with a total cost of \$10,000 or more (including installation costs, if any, and associated professional fees) shall be capitalized and depreciated using no salvage value and the straight line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Furniture and Fixtures	3-20
Machinery and Equipment	5-20
Vehicles	5
Roads and Sidewalks	10
Streets and Culverts	30
Infrastructure	10-45
Other Assets	10

Program Revenues

In the Statement of Activities, program revenues include fines and forfeitures, licenses and permits, and grant proceeds.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, such leave may be accumulated to the following year; however, at no time may unused sick leave be paid in monetary compensation either during employment or upon termination. Vacation pay accrues and becomes payable after one year of

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

employment. Unused vacation pay can be carried over, but only up to 240 hours. Upon termination, any unused vacation time is paid. At September 30, 2020, total amounts accrued for vacation leave was \$115,806.

Budgeting

In compliance with governmental accounting principles, the City Council annually adopts an unappropriated budget for the General Fund. The General Fund budget was amended during the current fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – and Actual – General Fund presents the original and revised budget amounts, if revised compared to the actual amounts of revenues and expenditures for the current year.

Pension and Other Postemployment Benefits

Employees of the City participate in the TMRS defined benefit pension plan and the TMRS Group-Term Life Insurance plan. Further information is provided in Notes 7 and 8.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the City. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The City does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has not adopted a formal policy regarding the assignment of fund balances. See Note 6 for more detail.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Revenue Recognition - Property Taxes

Property taxes considered available by the City and included in revenue included taxes collected during the year and taxes collected after year end which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the City does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Accounting Estimates

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

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. MAINTENANCE TAX

During the year ended September 30, 2020, the City levied an ad valorem maintenance tax rate of \$0.202838 per \$100 of assessed valuation, which resulted in a tax levy of \$688,489 on the adjusted assessed property valuation of approximately \$338,796,294. At the balance sheet date, the City recorded taxes receivable of \$48,873 in the General Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents include petty cash on hand and deposit accounts.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the City of securities eligible under the laws of Texas to secure the funds of the City, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the City's and KCDC's deposits was \$5,835,519 and the bank balance was \$4,945,273. The City was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 1,209,878	\$ 510,003	\$ 1,719,881
CAPITAL PROJECTS FUND	1,337,257		1,337,257
KEMAH GROWTH FUND	544,881		544,881
COMPONENT UNIT	<u>1,252,261</u>	<u>981,239</u>	<u>2,233,500</u>
TOTAL DEPOSITS	<u>\$ 4,344,277</u>	<u>\$ 1,491,242</u>	<u>\$ 5,835,519</u>

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the City's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council.

Texas statutes include specifications for and limitations applicable to the City and its authority to purchase investments as defined in the Public Funds Investment Act. The City has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The City's investment policy may be more restrictive than the Public Funds Investment Act.

As of September 30, 2020, the City had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	\$ 510,003	\$ 510,003
<u>COMPONENT UNIT</u>		
Certificates of Deposit	981,239	981,239
TOTAL INVESTMENTS	\$1,491,242	\$1,491,242

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or covered by pledged securities for any amounts exceeding FDIC coverage.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash of the Kemah Growth Fund is restricted for activities of commercial growth and stimulus of business and commercial activity. All cash and investments of the Component Units are restricted for activities of each specific component unit.

NOTE 5. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended September 30, 2020.

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 898,968	\$	\$	\$ 898,968
Construction in Progress	1,299,098	379,638	1,035,446	643,290
Total Capital Assets Not Being Depreciated	\$ 2,198,066	\$ 379,638	\$ 1,035,446	\$ 1,542,258
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 5,085,519	\$ 42,144	\$	\$ 5,127,663
Park Improvements	690,712			690,712
Vehicles and Equipment	1,660,508			1,660,508
Furniture, Software and Office Equipment	774,470	13,869		788,339
Storm Water Pump Station	1,229,410			1,229,410
Street and Culverts	10,419,341	979,433		11,398,774
Total Capital Assets Subject to Depreciation	\$ 19,859,960	\$ 1,035,446	\$ - 0 -	\$ 20,895,406
Less Accumulated Depreciation				
Buildings and Improvements	\$ 1,214,955	\$ 143,875	\$	\$ 1,358,830
Park Improvements	618,383	49,110		667,493
Vehicles and Equipment	1,493,105	57,346		1,550,451
Furniture, Software and Office Equipment	738,395	21,447		759,842
Storm Water Pump Station	456,906	61,639		518,545
Street and Culverts	4,561,812	287,302		4,849,114
Total Accumulated Depreciation	\$ 9,083,556	\$ 620,719	\$ - 0 -	\$ 9,704,275
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 10,776,404	\$ 414,727	\$ - 0 -	\$ 11,191,131
Total Capital Assets, Net of Accumulated Depreciation	\$ 12,974,470	\$ 794,365	\$ 1,035,446	\$ 12,733,389

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5. CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation categorized by department at September 30, 2020, is as follows:

General Government	\$ 149,729
Police Department	39,892
Public Works	<u>431,098</u>
Total	<u>\$ 620,719</u>

The following is a summary of changes in the capital assets of the KCDC for the year ended September 30, 2020.

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	<u>\$ 95,725</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 95,725</u>

The following is a summary of changes in the capital assets of the KPFC for the year ended September 30, 2020.

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	<u>\$ 1,308,000</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,308,000</u>
Capital Assets Subject to Depreciation				
Parking Lot	<u>\$ 35,249</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 35,249</u>
Less Accumulated Depreciation				
Parking Lot	<u>\$ 35,249</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 35,249</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,308,000</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,308,000</u>

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6. FUND BALANCES - GENERAL FUND

As of October 1, 2009, the City assigned \$508,727, plus interest earnings to be used solely for emergencies that may arise in the future. As of September 30, 2020, the amount of the fund balance assigned for emergencies is \$510,003.

During the current fiscal year, the City collected \$376,316 in hotel occupancy taxes. These funds can only be used to directly enhance and promote tourism and the convention and hotel industry. The City expended \$411,115 in such endeavors and earned \$1,877 in interest on these funds. At September 30, 2020, \$448,825 remains restricted for tourism expenditures.

The City collects fees restricted for improving court security and court technology on certain fines in the municipal court. At year end, \$55,193 was restricted for court security and \$54,405 was restricted for court technology.

The City also occasionally receives contra-band collections from the state for seizures made in the City. These funds must be spent on items that assist the police departments' narcotics division. At year end, \$14,936 of contra-band collections was restricted for the police department.

The City established the Kemah Growth Fund to attract quality commercial growth and stimulate business and commercial activity. The City has restricted sales tax revenues derived from certain commercial developments for use in attracting beneficial economic growth. At year-end, \$551,163.

NOTE 7. PENSION PLAN

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. 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 (CAFR) that can be obtained from TMRS' website at www.TMRS.com. All eligible employees of the City are required to participate in TMRS. TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within options available in the state statutes governing TMRS.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7. PENSION PLAN (Continued)

Benefits Provided

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% of the member’s deposits and interest.

Vesting and Retirement Eligibility

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. TMRS members vest after five years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave their deposits with TMRS, earn interest on the deposits, and upon reaching age 60, apply for and receive a monthly retirement payment. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms: At December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	34
Active employees	35
Total	90

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 the City is determined annually by the 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.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7. PENSION PLAN (Continued)

Contributions (Continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the current fiscal year. The contribution rates for the City were 7.12% and 7.11% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$154,053 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions: inflation 2.50% per year, overall payroll growth 2.55% per year and an investment rate of return 6.75%, net of pension plan investment expense, including inflation. Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimate of real rates of return for each major asset class in the fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	36.20%
Core Fixed Income	10.00%	12.30%
Non-Core Fixed Income	20.00%	18.70%
Real Estate	10.00%	8.50%
Real Return	10.00%	11.00%
Absolute Return	10.00%	8.70%
Private Equity	5.00%	2.90%
Cash Equivalents	0.00%	1.70%
Total	<u>100.00%</u>	

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 by 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 KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2018	\$ 5,286,183	\$ 4,871,944	\$ 414,239
Changes for the year:			
Service Costs	318,367		318,367
Interest (on the Total Pension Liability)	361,152		361,152
Difference between expected and actual experience	(12,548)		(12,548)
Changes of assumptions	(5,718)		(5,718)
Benefit payments, including refunds of employee contributions	(189,945)	(189,945)	
Contributions - employer		169,146	(169,146)
Contributions - employee		166,063	(166,063)
Net investment income		754,146	(754,146)
Administrative Expense		(4,256)	4,256
Other		(128)	128
Balances of December 31, 2019	<u>\$ 5,757,491</u>	<u>\$ 5,766,970</u>	<u>\$ (9,479)</u>

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

	1%	Current	1%
	Decrease	Discount Rate	Increase
	5.75%	6.75%	7.75%
Net Pension Liability/(Asset)	<u>\$ 843,170</u>	<u>\$ (9,479)</u>	<u>\$ (705,103)</u>

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7. PENSION PLAN (Continued)

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 from TMRS’ website at www.TMRS.com.

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

For the measurement year ending December 31, 2019, the City’s pension expense was \$184,175.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,646	\$ 63,280
Changes in actuarial assumptions		4,177
Difference between projected and actual investment earnings	289,283	459,968
Contributions by the City subsequent to the measurement date	112,387	
Total	\$ 406,316	\$ 527,425

\$112,387 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to December 31, 2019 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (75,609)
2021	(80,168)
2022	7,338
2023	(85,057)
	<u>\$ (233,496)</u>

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description – Group Term Life Insurance Program

The City also participates in TMRS’ defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect to provide. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 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 other postemployment benefit (“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).

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee’s entire career. The contribution rates for the City were 0.18%, 0.16% and 0.17% for the calendar years ended December 31, 2020, 2019, and 2018, respectively. The City’s contribution for the retirees to the TMRS SBDF for the fiscal years ended September 30, 2020, 2019 and 2018 were \$3,836, \$3,614 and \$3,743, respectively, which equaled the required contributions each year. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled but not yet receiving benefits	9
Active employees	35
Total	63

Actuarial Methods and Assumptions Used for GASB Calculations

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued)

The assumptions are summarized below:

Inflation - 2.5% per year

Salary Increases - 3.5% to 11.5% including inflation

Investment Rate of Return (Discount Rate) - 2.75% based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019

Retirees' Share of benefit related costs - \$-0-

Administrative expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates were based on the following:

Service retirees – 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.

Disabled retirees – 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions discussed below. The discount rate reflects the long-term rate of return funding valuation assumption of 3.31%. The TMRS SDBF is treated as an unfunded OPEB plan because the SDBF covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2019. As of December 31, 2019, the discount rate used in the development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018.

Change in Total OPEB Liability for measurement year ended December 31, 2019 are as follows:

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances of December 31, 2018	\$ 95,595
Changes for the year:	
Service Costs	4,982
Interest on Total OPEB Liability	3,630
Differences between expected and actual experience	3,453
Changes in assumptions or other inputs	22,847
Benefit payments	<u>(474)</u>
Net changes	<u>\$ 34,438</u>
Balances of December 31, 2019	<u>\$ 130,033</u>

For the measurement year ending December 31, 2019, the City recognized OPEB expense was \$13,204.

Sensitivity Analysis - The following presents the net OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	<u>\$ 162,244</u>	<u>\$ 130,033</u>	<u>\$ 105,985</u>

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,818	\$ 1,563
Changes in assumptions and other inputs	23,013	5,241
Contributions by the City subsequent to the measurement date	<u>2,775</u>	
Total	<u>\$ 28,606</u>	<u>\$ 6,804</u>

DRAFT SUBJECT TO CHANGE

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to December 31, 2019 will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021, in the amount of \$2,775. Other amounts reported as deferred outflows and deferred inflows of resources related to other postemployment benefits will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 4,592
2021	4,592
2022	4,575
2023	3,143
2024	2,125
	<u>\$ 19,027</u>

NOTE 9. RISK ASSESSMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, mobile equipment, law enforcement, crime coverage, errors and omissions and workers compensation coverage. The City, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. AGREEMENT FOR DEVELOPMENT AND OPERATION OF PUBLIC PARK

On December 7, 2009, the City entered into the Agreement with the County of Galveston for development and operation of a public park located in the M. Muldoon League. The City agrees to build and construct public park recreational amenities and landscaping (Improvements) as conceptualized in that one certain Master Plan dated May 11, 2007. The Improvements will also be constructed within time parameters agreed to by both parties and in accordance with mutually agreed upon plans and specifications. The Improvements constructed by City shall belong to and remain the property of City during the full term of this Agreement. The term of this agreement is 30 years as of the commencement date.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 11. 380 AGREEMENT WITH DEVELOPER

The City desires to further the public interest and welfare and to induce the investment of private resources in productive business enterprises located in certain areas of the City in order to result in new economic development in the City, generation of sales tax revenues and provide new jobs, which will have a direct and positive economic benefit to the City.

To accomplish this, the City has entered into an economic development incentive agreement (the “Agreement”) with Kemah Investment Partners, LLC (the “Developer”) to have the City create by ordinance a new City grant program for funding this infrastructure under Chapter 380, Texas Local Government Code.

The Developer intends to build, lease and operate a new shopping center containing approximately 76,000 square feet of retail stores on a certain tract of land consisting of approximately 11.723 acres within the City. The Developer also agrees to design and construct a two-lane roadway extending from 518 East to the rear of the proposed buildings, which will be dedicated to the City upon completion.

Under the agreement, the City shall be obligated to pay a performance rebate payment, in the amount of \$3,000,000 to the Developer, after the shopping center becomes operational, which is defined in the agreement as at least ninety percent (90%) of the square footage of the shopping center is 1.) leased, 2.) open to the public for business, and 3.) has received a certificate of occupancy. This amount was paid in fiscal year ending September 30, 2018. In return, the Developer guarantees annual sales tax revenue from the shopping center up to the amount of the performance threshold, from the time that the shopping center becomes operational until the total sales tax revenues from the shopping center equal \$3,000,000. Once the total sales tax revenues from the shopping center equal \$3,000,000, the Developer’s guarantee shall automatically terminate, and this agreement shall automatically terminate. During the current year, the City received \$266,678 in sales tax revenues from the shopping center. As of September 30, 2020, the City has recorded a receivable of \$2,172,136.

NOTE 12. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

CITY OF KEMAH, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 13. PRIOR PERIOD ADJUSTMENT

The City adjusted its government-wide financial statements restating its construction in progress balance to include costs expensed in the prior year. As a result, beginning net position was restated as follows:

Net Position - October 1, 2019	\$ 17,590,043
Effect of Adjustment - Construction in Progress	<u>578,335</u>
Net Position - October 1, 2019, As Adjusted	<u>\$ 18,168,378</u>

DRAFT SUBJECT TO CHANGE

CITY OF KEMAH, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

DRAFT SUBJECT TO CHANGE

CITY OF KEMAH, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes and Penalties	\$ 682,084	\$ 682,084	\$ 688,142	\$ 6,058
Sales Taxes	2,901,168	2,901,168	2,614,709	(286,459)
Franchise Fees	266,100	266,100	252,232	(13,868)
Hotel Taxes	520,400	520,400	376,316	(144,084)
Mixed Beverage Taxes	255,000	255,000	218,634	(36,366)
Permits and Licenses	179,700	179,700	231,401	51,701
Fines and Forfeitures	420,500	420,500	292,659	(127,841)
Investment Revenues	10,500	10,500	7,757	(2,743)
Grant Revenues			22,517	22,517
Intergovernmental Revenues	100,000	170,000	170,000	
Other	238,249	538,249	167,538	(370,711)
TOTAL REVENUES	\$ 5,573,701	\$ 5,943,701	\$ 5,041,905	\$ (901,796)
EXPENDITURES				
General Government	\$ 1,376,540	\$ 1,013,978	\$ 988,907	\$ 25,071
Marketing Department		93,852	60,995	32,857
Information Technology Department		177,506	171,709	5,797
Public Works	851,254	786,404	648,317	138,087
Police and Fire Department	2,734,275	2,506,294	2,357,516	148,778
Municipal Court	175,210	177,007	164,655	12,352
Advertising and Tourism	322,000	322,000	301,792	20,208
380 Sales Tax Grant	20,000	20,000	18,128	1,872
Capital Outlay			99,535	(99,535)
TOTAL EXPENDITURES	\$ 5,479,279	\$ 5,097,041	\$ 4,811,554	\$ 285,487
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	\$ 94,422	\$ 846,660	\$ 230,351	\$ (616,309)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	\$ - 0 -	\$ (600,000)	\$ (600,000)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 94,422	\$ 246,660	\$ (369,649)	\$ (616,309)
FUND BALANCE - OCTOBER 1, 2019	1,912,358	1,912,358	1,912,358	
FUND BALANCE - SEPTEMBER 30, 2020	\$ 2,006,780	\$ 2,159,018	\$ 1,542,709	\$ (616,309)

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Date December 31, 2019	Measurement Date December 31, 2018
Total Pension Liability		
Service Cost	\$ 318,367	\$ 301,318
Interest (on the Total Pension Liability)	361,152	339,230
Difference between expected and actual experience	(12,548)	(107,692)
Changes of assumptions	(5,718)	
Benefit payments, including refunds of employee contributions	<u>(189,945)</u>	<u>(243,300)</u>
Net change in total pension liability	\$ 471,308	\$ 289,556
Total pension liability, beginning	<u>5,286,183</u>	<u>4,996,627</u>
Total pension liability, ending (a)	<u>\$ 5,757,491</u>	<u>\$ 5,286,183</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 169,146	\$ 161,733
Contributions - employee	166,063	159,067
Net investment income	754,146	(148,298)
Benefit payments, including refunds of employee contributions	(189,945)	(243,300)
Administrative Expense	(4,256)	(2,863)
Other	<u>(128)</u>	<u>(151)</u>
Net Change in plan fiduciary net position	\$ 895,026	\$ (73,812)
Plan Fiduciary net position, beginning	<u>4,871,944</u>	<u>4,945,756</u>
Plan Fiduciary net position, ending (b)	<u>\$ 5,766,970</u>	<u>\$ 4,871,944</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (9,479)</u>	<u>\$ 414,239</u>
Plan fiduciary net position as a percentage of the total pension liability	100.16%	92.16%
Covered-employee payroll	\$ 2,372,330	\$ 2,272,381
Net pension liability as a percentage of covered employee payroll	-0.40%	18.23%

A full 10-year schedule will be displayed as it becomes available.

See accompanying independent auditor's report.

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
\$ 288,131	\$ 268,427	\$ 230,065	\$ 220,535
310,163	279,741	253,802	231,348
12,012	16,704	(8,654)	(42,521)
		131,805	
<u>(129,247)</u>	<u>(118,791)</u>	<u>(96,491)</u>	<u>(90,225)</u>
\$ 481,059	\$ 446,081	\$ 510,527	\$ 319,137
<u>4,515,568</u>	<u>4,069,487</u>	<u>3,558,960</u>	<u>3,239,823</u>
<u>\$ 4,996,627</u>	<u>\$ 4,515,568</u>	<u>\$ 4,069,487</u>	<u>\$ 3,558,960</u>
\$ 142,557	\$ 107,719	\$ 99,882	\$ 66,906
150,741	143,984	132,547	129,450
582,763	257,906	5,425	193,311
(129,247)	(118,791)	(96,491)	(90,225)
(3,018)	(2,911)	(3,304)	(2,018)
<u>(152)</u>	<u>(157)</u>	<u>(163)</u>	<u>(166)</u>
\$ 743,644	\$ 387,750	\$ 137,896	\$ 297,258
<u>4,202,112</u>	<u>3,814,362</u>	<u>3,676,466</u>	<u>3,379,208</u>
<u>\$ 4,945,756</u>	<u>\$ 4,202,112</u>	<u>\$ 3,814,362</u>	<u>\$ 3,676,466</u>
<u>\$ 50,871</u>	<u>\$ 313,456</u>	<u>\$ 255,125</u>	<u>\$ (117,506)</u>
98.98%	93.06%	93.73%	103.30%
\$ 2,153,445	\$ 2,056,914	\$ 1,893,535	\$ 1,843,935
2.36%	15.24%	13.47%	-6.37%

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2020	\$ 154,207	\$ 154,207	\$ -0-	\$ 2,165,828	7.12%
2019	\$ 151,343	\$ 151,343	\$ -0-	\$ 2,125,598	7.12%
2018	\$ 158,582	\$ 158,582	\$ -0-	\$ 2,265,071	7.00%
2017	\$ 134,608	\$ 134,608	\$ -0-	\$ 2,144,497	6.28%
2016	\$ 107,717	\$ 107,717	\$ -0-	\$ 2,054,563	5.24%
2015	\$ 91,881	\$ 91,881	\$ -0-	\$ 1,909,971	4.81%

* A full 10-year schedule will be displayed as it becomes available.

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Does Not Apply
Inflation	2.5%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	2.75% based on Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2018
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB 68.
Mortality Rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year ser-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Date	Measurement Date	Measurement Date
	December 31,	December 31,	December 31,
	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 4,982	\$ 5,226	\$ 4,307
Interest (on the Total OPEB Liability)	3,630	3,314	3,170
Difference between expected and actual experience	3,453	(2,345)	
Changes of assumptions or other inputs	22,847	(7,867)	8,749
Benefit payments*	(474)	(454)	(431)
Net change in total OPEB liability	\$ 34,438	\$ (2,126)	\$ 15,795
Total OPEB liability, beginning	95,595	97,721	81,926
Total OPEB liability, ending	<u>\$ 130,033</u>	<u>\$ 95,595</u>	<u>\$ 97,721</u>
OPEB Covered-employee payroll	\$ 2,372,330	\$ 2,272,381	\$ 2,153,445
Net OPEB liability as a percentage of covered employee payroll	5.48%	4.21%	4.54%

A full 10-year schedule will be displayed as it becomes available.

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

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS-TEXAS MUNICIPAL
RETIREMENT SYSTEM – NET OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2020	\$ 3,836	\$ 3,836	\$ -0-	\$ 2,165,828	0.18%
2019	\$ 3,614	\$ 3,614	\$ -0-	\$ 2,125,598	0.17%
2018	\$ 3,743	\$ 3,743	\$ -0-	\$ 2,265,071	0.17%
2017	\$ 3,111	\$ 3,111	\$ -0-	\$ 2,144,497	0.15%
2016	\$ 2,618	\$ 2,618	\$ -0-	\$ 2,054,563	0.13%
2015	\$ 2,292	\$ 2,292	\$ -0-	\$ 1,909,971	0.12%

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.
Actuarial Cost Method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset Valuation Method	10-year, smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

DRAFT SUBJECT TO CHANGE

CITY OF KEMAH, TEXAS
SCHEDULE OF EXPENDITURES BY DEPARTMENT
- BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Administration			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
ADMINISTRATION				
Personnel	\$ 544,885	\$ 332,371	\$ 225,700	\$ 106,671
Professional Fees:				
Legal	95,000	85,000	129,993	(44,993)
Delinquent Tax Attorney			1,608	(1,608)
Audit	25,000	25,000	33,500	(8,500)
Other Professional Fees	88,000	88,000	40,623	47,377
Community Center	105,969	104,969	75,368	29,601
Dues and Subscriptions	9,000	4,000	8,725	(4,725)
Grant Expense			930	(930)
Insurance	175,566	150,284	115,389	34,895
Maintenance and Repairs	67,435	57,000	61,475	(4,475)
Supplies and Materials	50,931	3,100	7,828	(4,728)
Training	13,095	10,095	3,284	6,811
Utilities	50,500	48,000	44,199	3,801
Other Operations Costs	473,159	428,159	542,077	(113,918)
Capital Outlay			65,336	(65,336)
TOTAL ADMINISTRATION	<u>\$ 1,698,540</u>	<u>\$ 1,335,978</u>	<u>\$ 1,356,035</u>	<u>\$ (20,057)</u>

	Marketing			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
MARKETING				
Personnel	\$ - 0 -	\$ 77,023	\$ 45,914	\$ 31,109
Insurance		9,079	4,853	4,226
Training		1,500	181	1,319
Other Operations Costs		6,250	10,047	(3,797)
TOTAL MARKETING	<u>\$ - 0 -</u>	<u>\$ 93,852</u>	<u>\$ 60,995</u>	<u>\$ 32,857</u>

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF EXPENDITURES – BY DEPARTMENT
- BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Municipal Court			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
MUNICIPAL COURT				
Personnel	\$ 72,666	\$ 74,458	\$ 80,831	\$ (6,373)
Professional Fees:				
Legal	27,600	27,600	18,975	8,625
Delinquent Collection Fees	35,000	35,000	27,774	7,226
Insurance	13,879	13,884	15,182	(1,298)
Supplies	236	236		236
Technology Costs	7,500	7,500	6,937	563
Training	2,600	2,600	849	1,751
Other Operations Costs	15,729	15,729	14,107	1,622
TOTAL MUNICIPAL COURT	<u>\$ 175,210</u>	<u>\$ 177,007</u>	<u>\$ 164,655</u>	<u>\$ 12,352</u>

	Information Technology			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
INFORMATION TECHNOLOGY				
Personnel	\$ - 0 -	\$ 94,263	\$ 78,513	\$ 15,750
Insurance		18,727	5,378	13,349
Maintenance		15,435	7,084	8,351
Supplies		37,331	37,692	(361)
Other Operations Costs		11,750	43,042	(31,292)
TOTAL INFORMATION TECHNOLOGY	<u>\$ - 0 -</u>	<u>\$ 177,506</u>	<u>\$ 171,709</u>	<u>\$ 5,797</u>

See accompanying independent auditor's report.

CITY OF KEMAH, TEXAS
SCHEDULE OF EXPENDITURES – BY DEPARTMENT
- BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Public Works Department			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
PUBLIC WORKS				
Personnel	\$ 337,118	\$ 304,776	\$ 262,877	\$ 41,899
Dues and Subscriptions	400	400		400
Insurance	131,636	114,128	83,204	30,924
Maintenance and Repairs	63,000	63,000	61,074	1,926
Supplies and Materials	10,000	10,000	14,542	(4,542)
Solid Waste Disposal	140,000	135,000	124,507	10,493
Storm Water Management	20,000	20,000	7,024	12,976
Training	5,000	5,000	215	4,785
Utilities	85,000	85,000	63,254	21,746
Other Operations Costs	59,100	49,100	31,620	17,480
Capital Outlay			34,199	(34,199)
TOTAL PUBLIC WORKS	<u>\$ 851,254</u>	<u>\$ 786,404</u>	<u>\$ 682,516</u>	<u>\$ 103,888</u>

	Police and Fire Department			
	Original	Final	Actual	Variance
	Budget	Amended Budget		Positive (Negative)
POLICE AND FIRE DEPARTMENT				
Personnel - Police	\$ 1,977,192	\$ 1,819,115	\$ 1,834,363	\$ (15,248)
Personnel - Fire	90,111	90,111	26,428	63,683
Dues and Subscriptions	750	750	237	513
Insurance	447,472	400,068	279,835	120,233
Maintenance	25,000	25,000	42,333	(17,333)
Supplies	27,500	7,500	6,775	725
Training	15,000	15,000	10,944	4,056
Other Operations Costs	116,250	113,750	127,221	(13,471)
Capital Outlay	35,000	35,000	29,380	5,620
TOTAL POLICE AND FIRE DEPARTMENT	<u>\$ 2,734,275</u>	<u>\$ 2,506,294</u>	<u>\$ 2,357,516</u>	<u>\$ 148,778</u>

See accompanying independent auditor's report.

DRAFT SUBJECT TO CHANGE