

*ANNUAL FINANCIAL REPORT*

of the

**City of Kemah, Texas**

**For the Year Ended  
September 30, 2024**

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# City of Kemah, Texas

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September 30, 2024

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## ***INDEPENDENT AUDITOR'S REPORT***

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kemah, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kemah, Texas, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Kemah, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Emphasis of Matter***

As discussed in Note V.E. to the financial statements, due to prior year accounting corrections, the City restated beginning net position/fund balance for the governmental activities and general fund. Our opinion is not modified with respect to these matters.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits 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 budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
October 31, 2025

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

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# City of Kemah, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### September 30, 2024

As management of the City of Kemah, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

#### **Financial Highlights**

- The City's total net position for governmental activities is \$21,410,357 at September 30, 2024.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,499,958, a decrease of \$2,006,382.
- The City had an overall increase in net position of \$1,217,665.
- The City closed the year with a net pension asset of \$146,348.

#### **Overview of the Financial Statements**

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

#### **Government-Wide Statements**

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

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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, 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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

# City of Kemah, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2024

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

The governmental activities of the City include general government, municipal court, information technology, public safety, public works, communication/marketing, and advertising/tourism. The City did not present business-type activities for the current year ended.

## FUND FINANCIAL STATEMENTS

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

### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four 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, hotel/motel fund, Kemah growth fund, and capital projects fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general, capital projects, and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their respective budget.

**City of Kemah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

**Component Unit**

The City maintains the accounting and financial statements for one component unit. The Kemah Community Development Corporation, which is a discretely presented component unit, is presented alongside the government-wide statement of net position and statement of activities.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the governmental funds, schedule of changes in the net pension/OPEB liability and related ratios and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Kemah, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,410,357 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$15,313,764, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**City of Kemah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	<u>2024</u>	<u>2023</u>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
Current and		
other assets	\$ 7,798,768	\$ 8,790,473
Capital assets, net	<u>16,418,401</u>	<u>12,756,695</u>
<b>Total Assets</b>	<u>24,217,169</u>	<u>21,547,168</u>
<b>Deferred Outflows</b>	<u>301,206</u>	<u>570,123</u>
Other liabilities	1,498,812	488,227
Long-term liabilities	<u>726,284</u>	<u>501,291</u>
<b>Total Liabilities</b>	<u>2,225,096</u>	<u>989,518</u>
<b>Deferred Inflows</b>	<u>882,922</u>	<u>935,081</u>
Net Position:		
Net investment in		
capital assets	15,313,764	12,632,117
Restricted	4,156,133	3,748,445
Unrestricted	<u>1,940,460</u>	<u>3,812,130</u>
<b>Total Net Position</b>	<u>\$ 21,410,357</u>	<u>\$ 20,192,692</u>

Total current assets decreased by \$991,705, or 11%, when compared to the prior year primarily due to less cash on hand, resulting from capital improvement purchases in the current year. Total capital assets increased \$3,661,706, or 29%, primarily due to nonrecurring investments related to the Evergreen Memorial Parkway extension and the Anders Lane street projects. Total other liabilities increased \$1,010,585, or over 100%, primarily attributable to greater capital improvement payables due at the end of the current year and timing of payments subsequent to year end. Total deferred outflows decreased by \$268,917, or 47%, due to changes in annual pension and OPEB actuarial inputs. These changes are expected year to year. Total deferred inflows decreased by \$52,159, or 6%, primarily due to GASB 87 related lease payments received during the year. Total long-term liabilities increased by \$224,993, or 45%, primarily due to lease issuances during the year.

**City of Kemah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

**Statement of Activities:**

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

	<u>2024</u>	<u>2023</u>
	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 898,901	\$ 1,233,798
Grants and contributions	1,872,401	258,152
General revenues:		
Property taxes	1,023,092	895,305
Sales taxes	2,915,221	3,152,267
Hotel taxes	554,534	512,734
Mixed beverage taxes	204,523	227,855
Franchise and local taxes	223,404	258,023
Investment income	310,451	155,324
Other revenue	299,421	1,196,470
<b>Total Revenues</b>	<u>8,301,948</u>	<u>7,889,928</u>
<b>Expenses</b>		
General government	1,949,335	2,417,877
Municipal court	227,823	214,203
Information technology	299,992	239,479
Public safety	2,778,629	2,564,001
Public works	1,200,792	1,295,193
Communication & marketing	51,481	-
Advertising and tourism	568,169	318,899
Interest and fiscal charges	8,061	63
<b>Total Expenses</b>	<u>7,084,283</u>	<u>7,049,715</u>
<b>Change in Net Position</b>	1,217,665	840,213
Beginning Net Position	<u>20,192,692</u>	<u>19,352,479</u>
<b>Ending Net Position</b>	<u><u>\$ 21,410,357</u></u>	<u><u>\$ 20,192,692</u></u>

**City of Kemah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**Governmental Activities - Revenues**



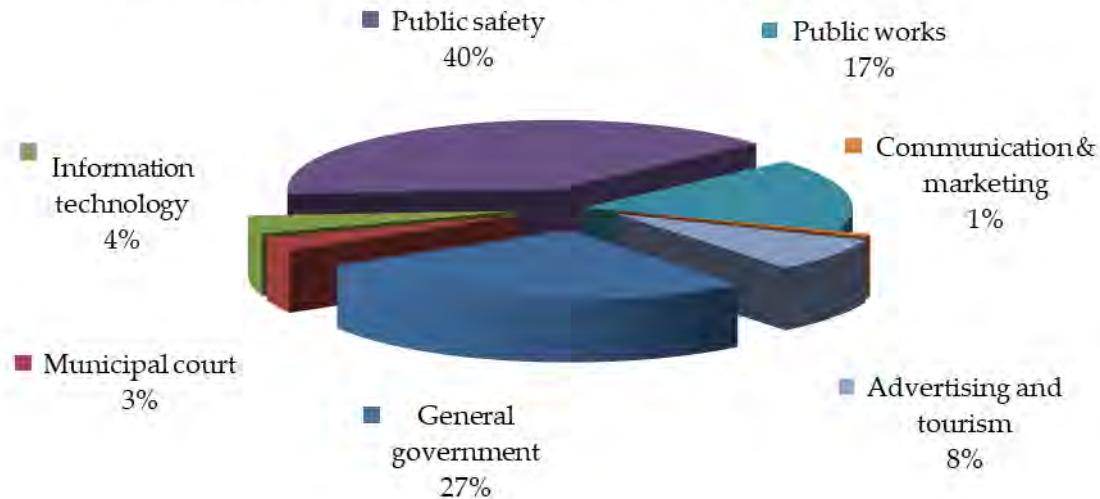
For the year ended September 30, 2024, revenues from governmental activities totaled \$8,301,948. Sales taxes, property taxes, grants and contributions, and charges for services are the City's largest revenue sources. Property taxes increased by \$127,787, or 14%, due to greater appraised property tax values in the current year and a 3.5% increase in the tax rate. Grants and contributions increased by \$1,614,249, or over 100%, primarily due to nonrecurring contribution transfers from the Kemah CDC for capital improvement projects in the current year. Charges for services decreased by \$334,897, or 27%, primarily as a result of nonrecurring building and new construction permits from Meritage Homes development in the prior year. Sales tax revenues decreased by \$237,046, or 8%, primarily due to a reduction in local purchases and a slowdown in economic activity due to Hurricane Beryl hitting the gulf coast in July 2024. In addition, hotel occupancy taxes decreased \$41,800, or 8%, and mixed beverage tax revenues decreased by \$23,332, or 10%, primarily due to a slowdown in tourism as a result of the hurricane. Franchise and local taxes decreased by \$34,619, or 13%, primarily due to a decline in local economic activity and is consistent with the decline in sales tax receipts over the course of the year. Investment income increased by \$155,127, or 100%, primarily due to the realization of higher interest rates in the current year. Other revenues decreased by \$897,049, or 75%, primarily due to nonrecurring gain on sale of land in the prior year.



**City of Kemah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended September 30, 2024, expenses for governmental activities totaled \$7,084,283. This represents a slight increase of \$34,568 from the prior year. General government expenses decreased by \$468,542, or 19%, primarily due to a decrease in insurance liability expense, legal expenses, and contract services when compared to prior year. In addition, the City recognized a decline in inspection fees due to the aforementioned Meritage Homes development activity in the prior year. Public safety expenses increased by \$214,628 or 8%, primarily due to nonrecurring emergency management and maintenance/repair costs in the current year. Information technology expenses increased by \$60,513, or 25%, primarily due to software agreement renewals during the current year. Advertising and tourism expenses increased by \$249,270, or 78%, primarily due to nonrecurring City sponsored events during the current year. In addition, The City added a communication and marketing department in the current year with costs totaling \$51,481. All remaining expenses remained relatively consistent with the previous year.

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

# **City of Kemah, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

### **September 30, 2024**

As of the end of the year the general fund reflected a fund balance of \$2,290,136. The general fund had a net decrease in fund balance for the year of \$526,580. This decrease was primarily due to greater than expected public safety expenses during the year.

At yearend the hotel/motel fund reflected a fund balance of \$1,037,604, a decrease of \$4,065 from the prior year. The decrease was primarily a result of less than anticipated revenues during the year.

At yearend Kemah growth fund reflected a fund balance of \$2,987,746, an increase of \$537,819. The increase is solely a result of current year sales tax revenue and investment income. The fund did not incur any expenditures during the year.

At yearend the capital projects fund reflected a deficit fund balance of \$1,815,528, a decrease of \$2,013,556 from the prior year. The deficit was primarily a result of capital outlays related to the Anders Road project during the year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total negative budget variance of \$488,289 in the general fund. This represents a combination of negative revenue, negative expenditure, and positive other financing sources variances of \$96,393, \$563,444, and \$171,548, respectively. The City amended the original general fund budget for fiscal year 2024 by decreasing total revenues by \$1,800 and increasing total expenditures by \$36,491. The municipal court, information technology, public safety, and debt service departmental expenditures exceeded appropriations at the legal level of budgetary control.

#### **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$16,418,401 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year include the following:

- Continued investment in 57 acre nature facility for \$401,498.
- Continued investment in Evergreen memorial parkway extension totaling \$1,291,503.
- Continued investment in widening of Anders Lane totaling \$1,989,337.
- Begin implementation of the Gulf Coast Regional Information and Dispatch (GRID) project totaling \$60,387, completed in March 2025.
- Drainage improvements totaling \$28,144.
- Engineering costs for the 7<sup>th</sup> and 8<sup>th</sup> Street drainage rehabilitation project totaling \$66,500.

# City of Kemah, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

September 30, 2024

- Planning phase costs for the Kemah 6<sup>th</sup> Street concepts project totaling \$26,289.
- Planning phase costs for the 6<sup>th</sup> Street pedestrian improvement project totaling \$21,495.
- Purchase two new vehicles through lease financing totaling \$107,041.
- Purchased seven Xerox multifunction printers through lease financing totaling \$88,738.
- Purchased two zero turn mowers totaling \$25,156.
- Purchased Kubota tractor totaling \$38,053.
- Purchased twelve laptops with docking stations totaling \$60,866.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

### **LONG-TERM DEBT**

At the end of the current year, the City had total long-term debt outstanding of \$274,606. During the year, the City entered into new lease contracts totaling \$195,779. The City also made principal repayments on leases totaling \$45,751. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Kemah and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Kemah's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City of Kemah, 1401 State Highway 146, Kemah, Texas 77565.

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## ***FINANCIAL STATEMENTS***

**City of Kemah, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2024**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Kemah CDC</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 4,933,315	\$ 3,327,761
Investments	530,902	-
Receivables, net	826,783	195,352
Lease receivables, current	105,644	-
Prepays	64,867	-
<b>Total Current Assets</b>	<b>6,461,511</b>	<b>3,523,113</b>
Due from primary government	-	358,752
Due from developer	542,360	-
Lease receivables, noncurrent	648,549	-
Net pension asset	146,348	-
Capital assets:		
Non-depreciable	6,398,260	1,022,725
Net depreciable capital assets	10,020,141	38,412
<b>Total Noncurrent Assets</b>	<b>17,755,658</b>	<b>1,419,889</b>
<b>Total Assets</b>	<b>24,217,169</b>	<b>4,943,002</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension outflows	287,718	-
OPEB outflows	13,488	-
<b>Total Deferred Outflows of Resources</b>	<b>301,206</b>	<b>-</b>

See Notes to Financial Statements.

**City of Kemah, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2024**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Kemah CDC</b>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,371,521	\$ 376,098
Unearned revenue	-	-
Compensated absences, current	64,193	-
Long-term debt due within one year	63,098	-
	<u>1,498,812</u>	<u>376,098</u>
Noncurrent liabilities:		
Due to component unit	358,752	-
OPEB liability	148,891	-
Compensated absences, noncurrent	7,133	-
Long-term debt due in more than one year	211,508	-
<b>Total Noncurrent Liabilities</b>	<u>726,284</u>	<u>-</u>
<b>Total Liabilities</b>	<u>2,225,096</u>	<u>376,098</u>
<b><u>Deferred Inflows of Resources</u></b>		
Lease related	754,193	-
Pension inflows	99,438	-
OPEB inflows	29,291	-
<b>Total Deferred Inflows of Resources</b>	<u>882,922</u>	<u>-</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	15,313,764	713,373
Restricted for:		
Police	14,574	-
Municipal court	22,128	-
Tourism	985,337	-
Economic development	2,987,746	3,853,531
Pension	146,348	-
Unrestricted	1,940,460	-
<b>Total Net Position</b>	<u><u>\$ 21,410,357</u></u>	<u><u>\$ 4,566,904</u></u>

See Notes to Financial Statements.

# City of Kemah, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,949,335	\$ -	\$ -	\$ -
Municipal court	227,823	307,380	-	-
Information technology	299,992	-	-	-
Public safety	2,778,629	-	-	-
Public works	1,200,792	591,521	-	1,797,401
Communication & marketing	51,481	-	-	-
Advertising and tourism	568,169	-	75,000	-
Interest and fiscal charges	8,061	-	-	-
<b>Total Governmental Activities</b>	<u>7,084,283</u>	<u>898,901</u>	<u>75,000</u>	<u>1,797,401</u>
<b>Total Primary Government</b>	<u>\$ 7,084,283</u>	<u>\$ 898,901</u>	<u>\$ 75,000</u>	<u>\$ 1,797,401</u>
<b>Component Unit</b>				
Kemah CDC	2,074,630	-	-	-
<b>Total Component Unit</b>	<u>\$ 2,074,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### General Revenues:

Taxes  
 Property taxes  
 Sales taxes  
 Franchise and local taxes  
 Hotel taxes  
 Mixed beverage taxes  
 Investment income  
 Other revenue

### Total General Revenues

### Change in Net Position

Beginning Net Position, as previously reported  
 Error corrections  
 Beginning Net Position, as adjusted  
**Ending Net Position**

See Notes to Financial Statements.



**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>		<b>Component Unit</b>	
<b>Governmental Activities</b>		<b>Kemah CDC</b>	
\$	(1,949,335)	\$	-
	79,557		-
	(299,992)		-
	(2,778,629)		-
	1,188,130		-
	(51,481)		-
	(493,169)		-
	(8,061)		-
	(4,312,981)		-
	(4,312,981)		-
	-		(2,074,630)
	-		(2,074,630)
	1,023,092		-
	2,915,221	1,115,930	
	223,404		-
	554,534		-
	204,523		-
	310,451	227,413	
	299,421		-
	5,530,646	1,343,343	
	1,217,665	(731,287)	
	20,218,915	5,298,191	
	(26,223)		-
	20,192,692	5,298,191	
\$	21,410,357	\$	4,566,904

# City of Kemah, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General	Hotel/ Motel	Kemah Growth Fund	Capital Projects
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 840,280	\$ 1,052,169	\$ 2,839,530	\$ 201,336
Investments	530,902	-	-	-
Receivables, net	1,445,098	135,878	-	-
Prepays	12,600	52,267	-	-
Due from other funds	1,394,310	-	148,216	-
<b>Total Assets</b>	<b>\$ 4,223,190</b>	<b>\$ 1,240,314</b>	<b>\$ 2,987,746</b>	<b>\$ 201,336</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 621,941	\$ 8,497	\$ -	\$ 741,083
Due to component unit	358,752	-	-	-
Due to other funds	148,216	118,529	-	1,275,781
<b>Total Liabilities</b>	<b>1,128,909</b>	<b>127,026</b>	<b>-</b>	<b>2,016,864</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue:				
Property tax	43,901	-	-	-
Franchise fees	6,051	-	-	-
Hotel occupancy tax	-	75,684	-	-
Lease related	754,193	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>804,145</b>	<b>75,684</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Nonspendable				
Prepays	12,600	52,267	-	-
Restricted for:				
Police	14,574	-	-	-
Municipal court	22,128	-	-	-
Tourism	-	985,337	-	-
Economic development	-	-	2,987,746	-
Assigned for:				
Emergencies	530,902	-	-	-
Unassigned	1,709,932	-	-	(1,815,528)
<b>Total Fund Balances</b>	<b>2,290,136</b>	<b>1,037,604</b>	<b>2,987,746</b>	<b>(1,815,528)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,223,190</b>	<b>\$ 1,240,314</b>	<b>\$ 2,987,746</b>	<b>\$ 201,336</b>

See Notes to Financial Statements.

<b>Total Governmental Funds</b>	
<hr/>	
\$	4,933,315
	530,902
	1,580,976
	64,867
	1,542,526
\$	8,652,586
<hr/> <hr/>	

\$	1,371,521
	358,752
	1,542,526
<hr/>	
	3,272,799
<hr/>	

	43,901
	6,051
	75,684
	754,193
<hr/>	
	879,829
<hr/>	

	64,867
	14,574
	22,128
	985,337
	2,987,746
	530,902
	(105,596)
<hr/>	
	4,499,958
<hr/>	
\$	8,652,586
<hr/> <hr/>	

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# City of Kemah, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2024

<b>Fund Balances - Total Governmental Funds</b>	\$ 4,499,958
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	6,398,260
Capital assets - net depreciable	10,020,141
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax	43,901
Franchise fees	6,051
Hotel occupancy tax	75,684
Net pension asset	146,348
Advances to developers which will be repaid in a future year are recorded as a long-term receivable in the Statement of Net Position.	542,360
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension contributions	117,143
Pension investment returns	170,575
OPEB contributions	2,671
OPEB investment experience	10,817
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Pension investment experience	(88,489)
Pension assumptions	(10,949)
OPEB changes in assumptions	(29,291)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
OPEB liability	(148,891)
Compensated absences	(71,326)
Lease liabilities	(274,606)
<b>Net Position of Governmental Activities</b>	<b>\$ 21,410,357</b>

See Notes to Financial Statements.

# City of Kemah, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Hotel/ Motel	Kemah Growth Fund	Capital Projects
<b><u>Revenues</u></b>				
Property tax	\$ 1,023,092	\$ -	\$ -	\$ -
Sales tax	2,915,221	-	432,570	-
Franchise and local taxes	217,353	-	-	-
Hotel taxes	-	478,850	-	-
Mixed beverage taxes	204,523	-	-	-
License and permits	591,521	-	-	-
Intergovernmental	75,000	-	-	-
Fines and forfeitures	307,380	-	-	-
Investment income	160,595	43,299	105,249	1,308
Other revenue	293,324	-	-	-
<b>Total Revenues</b>	<u>5,788,009</u>	<u>522,149</u>	<u>537,819</u>	<u>1,308</u>
<b><u>Expenditures</u></b>				
Current:				
General government	1,890,855	-	-	-
Municipal court	230,662	-	-	-
Information technology	374,517	-	-	-
Public safety	3,029,535	-	-	-
Public works	884,769	-	-	-
Communication & marketing	52,315	-	-	-
Advertising and tourism	-	526,214	-	-
Capital outlay	-	-	-	2,014,864
Debt Service:				
Principal	45,751	-	-	-
Interest and fiscal charges	8,061	-	-	-
<b>Total Expenditures</b>	<u>6,516,465</u>	<u>526,214</u>	<u>-</u>	<u>2,014,864</u>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	(728,456)	(4,065)	537,819	(2,013,556)
<b><u>Other Financing Sources (Uses)</u></b>				
Lease issuance	195,779	-	-	-
Sale of assets	6,097	-	-	-
<b>Total Other Financing Sources</b>	<u>201,876</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(526,580)	(4,065)	537,819	(2,013,556)
Beginning fund balances, as previously reported	2,842,939	1,041,669	2,449,927	198,028
Error corrections	(26,223)	-	-	-
Beginning fund balances, as adjusted	2,816,716	1,041,669	2,449,927	198,028
<b>Ending Fund Balances</b>	<u>\$ 2,290,136</u>	<u>\$ 1,037,604</u>	<u>\$ 2,987,746</u>	<u>\$ (1,815,528)</u>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$	1,023,092
	3,347,791
	217,353
	478,850
	204,523
	591,521
	75,000
	307,380
	310,451
	293,324
	<hr/>
	6,849,285
	<hr/>

1,890,855
230,662
374,517
3,029,535
884,769
52,315
526,214
2,014,864

45,751
8,061
<hr/>
9,057,543
<hr/>

(2,208,258)

195,779
6,097
<hr/>
201,876
<hr/>
(2,006,382)

6,532,563
(26,223)

6,506,340
<hr/>
\$ 4,499,958
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# City of Kemah, 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, 2024**

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

Net changes in fund balances - total governmental funds	\$ (2,006,382)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,502,904
Depreciation expense	(638,599)
Capital contributions from CDC	1,797,401

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Franchise fees	6,051
Hotel/motel taxes	75,684

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

Compensated absences	(24,066)
Pension expense	94,552
OPEB expense	(7,282)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation)

provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of deferred costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Lease issuance	(195,779)
Principal payments	45,751

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.

	(432,570)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,217,665</b>

See Notes to Financial Statements.

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**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting Entity**

The City of 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.

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 Kemah Community Development Corporation and the Kemah Public Facilities Corporation meet the criteria for inclusion in the City’s financial statement as component units.

**Discretely Presented Component Units**

Kemah Community Development Corporation (“KCDC”)

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, 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

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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 but does not maintain a majority representation on the Board. The assets are managed by the Board of Directors. The financial records are maintained by City. Separate financial statements are not issued on the KCDC.

#### **Blended Component Units**

##### Kemah Public Facilities Corporation ("KPFC")

The Kemah Public Facilities Corporation 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.

#### **C. Basis of Presentation Government-Wide and Fund Financial Statements**

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.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

**General Fund**

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 and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, information technology, advertising and tourism, and public works. This fund is considered to be a major fund.

**Kemah Growth Fund**

The Kemah Growth Fund is used to account for specific sales tax revenues for the commercial growth and stimulus of business and commercial activity. This fund is considered to be a major fund.

**Hotel Motel Fund**

The hotel/motel fund is used to account for specific tax revenues and expenses generated by tourism. This fund is considered to be a major fund.

**Capital Projects Fund**

The capital projects fund is used to account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. This fund is considered to be a major fund.

**D. Measurement Focus and Basis of Accounting**

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

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

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.

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.

**E. Budgetary Information**

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

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits 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.

Deposits

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.

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.

The City records its investment in certificates of deposit at acquisition costs.

**2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**4. 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.

**5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.



**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**6. 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:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Buildings	40 years
Furniture and fixtures	3-20 years
Machinery and equipment	5-20 years
Vehicles	5 years
Roads and sidewalks	10 years
Streets and culverts	30 years
Infrastructure	10-45 years
Right-to-use assets	3-7 years
Other assets	10 years

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred*

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

*inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property tax, franchise fees, hotel occupancy taxes, and lease related revenue. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

#### **8. Pensions**

For purposes of measuring the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **9. Other Postemployment Benefits**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDBF) fund, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

# **City of Kemah, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

### **September 30, 2024**

Additionally, the City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

#### **10. Net Position Flow Assumption**

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

#### **11. Fund Balance Flow Assumptions**

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

#### **12. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The governing body (City Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**13. 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 employment. Unused vacation pay can be carried over, but only up to 240 hours. Upon termination, any unused vacation time is paid.

**14. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, bond premiums, leases payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, 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. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of leases 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, lease transactions are recorded as other

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

financing sources and as capital outlay expenditures in the general 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. As of September 30, 2024, the City did not hold any long-term debt obligations.

**15. Leases**

Lessee: The City is a lessee for noncancellable leases of vehicles and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for noncancellable leases of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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

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

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

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

#### **16. 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 and 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.

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

Amounts reported as *program revenues* include 1) fines and forfeitures, 2) licenses and permits, 3) grant proceeds.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Expenditures in Excess of Appropriations**

The original budget is adopted by the City Council prior to the beginning of the fiscal year for all governmental funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Transfers of appropriations between departments require the approval of the City Council.

Expenditures exceeded appropriations at the legal level of control as follows:

General Fund

Municipal court	\$	5,745
Information technology		187,129
Public safety		493,859
Principal		45,751
Interest		8,061

Hotel/Motel Fund

Advertising and tourism	\$	50,985
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**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**B. Deficit Fund Balance**

The capital projects fund ended the year with a deficit fund balance of \$1,815,528. This deficit will be replenished through transfers from other funds.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2024, the primary government had the following investments:

<b>Investment Type</b>	<b>Value</b>	<b>Weighted Average Maturity (Years)</b>
External investment pools	\$ 4,360,655	0.13
Certificate of deposits (investments)	530,902	0.08
Total fair value	<u>\$ 4,891,557</u>	
Portfolio weighted average maturity		0.12

As of September 30, 2024, the discretely presented component unit had the following investments:

<b>Investment Type</b>	<b>Value</b>	<b>Weighted Average Maturity (Years)</b>
External investment pools	\$ 3,248,531	0.13
Total fair value	<u>\$ 3,248,531</u>	
Portfolio weighted average maturity		0.13

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and



# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City requires all deposits with financial institutions be collateralized in an amount equal to 102 percent of uninsured balances. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

### **LOGIC**

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC was created by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses the amortized cost valuation technique, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value. Accordingly, the fair value of the position in LOGIC are the same as the value of LOGIC shares. LOGIC is rated AAAM by Standard & Poor's. There were no limitations or restrictions on withdrawals.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**B. Receivables**

1. The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Hotel/Motel</u>	<u>Total</u>
Property taxes	\$ 43,901	\$ -	\$ 43,901
Sales tax	586,055	-	586,055
Franchise tax	27,160	-	27,160
Mixed beverage tax	33,789	-	33,789
Hotel/motel tax	-	135,878	135,878
Lease	754,193	-	754,193
<b>Total</b>	<u><u>\$ 1,445,098</u></u>	<u><u>\$ 135,878</u></u>	<u><u>\$ 1,580,976</u></u>

2. The following comprise receivable balances of the discretely presented component unit at year end:

	<u>Kemah CDC</u>
Sales tax	\$ 195,352
<b>Total</b>	<u><u>\$ 195,352</u></u>

3. The City is a lessor of a contract in which the City received lease payments from Clear Channel Outdoor, Inc. for the use of land. The term of the agreement is for 20 years and began on November 5, 2014. During the year, the City received \$43,805 of principal payments from the lessee. The balance as of the year ended 2024 was \$679,748.

The annual principal and interest payments to be received are as follows:

<u>Year Ending,</u>	<u>Lease Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 56,131	\$ 15,119
2026	61,243	13,757
2027	62,657	12,343
2028	64,104	10,896
2029	65,585	9,415
2030-2034	370,028	23,747
<b>Total</b>	<u><u>\$ 679,748</u></u>	<u><u>\$ 85,277</u></u>

The City is a lessor of a contract in which the City received lease payments from the Kemah Visitor Center for the use of land. The term of the agreement is for 5 years and began on April 1, 2021. During the year, the City received \$49,050 of principal payments from the lessee. The balance as of the year ended 2024 was \$74,445.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The annual principal and interest payments to be received are as follows:

<b>Year Ending,</b>	<b>Lease Receivable</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 49,513	\$ 487
2026	24,932	68
<b>Total</b>	<b>\$ 74,445</b>	<b>\$ 555</b>

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 2,206,968	\$ -	\$ -	\$ 2,206,968
Construction in process	346,305	3,844,987	-	4,191,292
Total capital assets not being depreciated	<u>2,553,273</u>	<u>3,844,987</u>	<u>-</u>	<u>6,398,260</u>
Capital assets, being depreciated:				
Buildings and improvements	6,449,698	-	-	6,449,698
Park and street improvements	12,213,419	158,344	-	12,371,763
Furniture, equipment, and software	2,823,493	101,195	-	2,924,688
Right-to-use assets	121,574	195,779	-	317,353
Total capital assets being depreciated	<u>21,608,184</u>	<u>455,318</u>	<u>-</u>	<u>22,063,502</u>
Less accumulated depreciation				
Buildings and improvements	2,501,100	206,204	-	2,707,304
Park and street improvements	6,430,872	291,850	-	6,722,722
Furniture, equipment, and software	2,471,483	104,211	-	2,575,694
Right-to-use assets	1,307	36,334	-	37,641
Total accumulated depreciation	<u>11,404,762</u>	<u>638,599</u>	<u>-</u>	<u>12,043,361</u>
Net capital assets being depreciated	<u>10,203,422</u>	<u>(183,281)</u>	<u>-</u>	<u>10,020,141</u>
<b>Total Capital Assets</b>	<b>\$ 12,756,695</b>	<b>\$ 3,661,706</b>	<b>\$ -</b>	<b>\$ 16,418,401</b>

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

Depreciation was charged to governmental functions as follows:

General government	\$	105,371
Information technology		7,304
Public safety		65,299
Public works		418,670
Advertising and tourism		41,955
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$</b>	<b>638,599</b>

A summary of changes in the Kemah CDC capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Retirements</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land and improvements	\$ 1,022,725	\$ -	\$ -	\$ 1,022,725
Total capital assets not being depreciated	1,022,725	-	-	1,022,725
Capital assets, being depreciated:				
Park improvements	55,681	-	-	55,681
Total capital assets being depreciated	55,681	-	-	55,681
Less accumulated depreciation				
Park improvements	6,133	11,136	-	17,269
Total accumulated depreciation	6,133	11,136	-	17,269
Net capital assets being depreciated	49,548	(11,136)	-	38,412
<b>Total Capital Assets</b>	<b>\$ 1,072,273</b>	<b>\$ (11,136)</b>	<b>\$ -</b>	<b>\$ 1,061,137</b>

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the general fund to liquidate governmental activities debts.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Long-term debt obligations:					
Lease liabilities	\$ 124,578	\$ 195,779	\$ (45,751)	\$ 274,606	\$ 63,098
<b>Total Governmental Activities</b>	<b>\$ 124,578</b>	<b>\$ 195,779</b>	<b>\$ (45,751)</b>	<b>\$ 274,606</b>	<b>\$ 63,098</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 211,508</b>	

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

Long-term debt at year end was comprised of the following debt issues:

	<b>Governmental Activities</b>
<b>Lease Liabilities:</b>	
Lease for use of Canon copier; with a term of 63 months; monthly payments of \$272.50; optional renewal period; 0.88% interest	\$ 2,173
Lease for use of Xerox copier; with a term of 63 months; monthly payments of \$1,570; optional renewal period; 4.29% interest	82,107
Lease for use of Enterprise vehicles; with a terms of 48 & 60 months; monthly payments from \$754-\$994; optional renewal period; 4.29% interest	190,326
<b>Total Long-term Liabilities</b>	<b>\$ 274,606</b>

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Lease Liabilities

<b>Year ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 63,098	\$ 10,506
2025	63,591	7,833
2026	65,518	5,051
2027	57,217	2,388
2028	25,182	410
	<b>\$ 274,606</b>	<b>\$ 26,188</b>

The City entered into leases to finance copiers and vehicles. The property is classified as right-to-use assets with a total carrying value as of yearend for governmental activities of \$279,712.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**E. Other Long-term Liabilities**

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 47,260	\$ 66,600	\$ (42,534)	\$ 71,326	\$ 64,193
<b>Total Governmental Activities</b>	<u>\$ 47,260</u>	<u>\$ 66,600</u>	<u>\$ (42,534)</u>	<u>\$ 71,326</u>	<u>\$ 64,193</u>
<b>Long-term Liabilities Due in More than One Year</b>				<u>\$ 7,133</u>	

**F. Restricted Net Position**

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was \$4,156,133. Of which, \$1,022,039 is restricted by enabling legislation.

**G. Interfund Transactions**

The compositions of interfund balances to/from as of the year ended September 30, 2024 were as follows:

	<b>Due To (Payable Fund):</b>			
<b>Due From (Receivable Fund):</b>	<b>General</b>	<b>Hotel/ Motel</b>	<b>Capital Projects</b>	<b>Total</b>
General fund	\$ -	\$ 118,529	\$ 1,275,781	\$ 1,394,310
Kemah growth fund	148,216	-	-	148,216
	<u>\$ 148,216</u>	<u>\$ 118,529</u>	<u>\$ 1,275,781</u>	<u>\$ 1,542,526</u>

Amounts recorded as interfund receivables and payables are considered to be temporary loans and will be repaid during the following fiscal year.

During the year, the CDC contributed \$75,000 to governmental activities to help manage collection of hotel revenues and library book inventory. Amounts due to the CDC from the primary government totaled \$358,752 at year end primarily for sales tax collected.

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 other entities in the Texas Municipal League's Intergovernmental Risk Pools. 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.

**B. Contingent Liabilities**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No such liabilities were recorded as of year end.

**C. Contracts/Agreements**

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.

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

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

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 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 \$337,815 in sales tax revenues from the shopping center. As of September 30, 2024, the City has a remaining receivable due from the developer of \$542,360.

**D. Pension Plans**

**Texas Municipal Retirement System**

**1. Plan Description**

The City of Kemah, Texas participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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



**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**2. 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 three payments 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2022</u>	<u>Plan Year 2023</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees covered by benefit terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	62
Active employees	36
Total	135

**3. 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 actuary, using the Entry Age

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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 of Kemah, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Kemah, Texas were 6.25% and 6.45% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$160,032, and equaled the required contributions.

#### **4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

The Total Pension Liability (Asset) in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 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 MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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, 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 estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real Return	12.0%	8.10%
Real Estate	12.0%	5.80%
Absolute Return	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

### Discount Rate

The discount rate used to measure the Total Pension Liability (Asset) 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.

### Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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:

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

1% Decrease	Current Single Rate	1% Increase
5.75%	6.75%	7.75%
\$ 833,981	\$ (146,348)	\$ (944,896)

**Changes in the Net Pension Liability (Asset)**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
<b>Balance at 12/31/22</b>	\$ 6,722,140	\$ 6,452,005	\$ 270,135
Changes for the year:			
Service cost	345,755	-	345,755
Interest	453,852	-	453,852
Difference between expected and actual experience	(116,072)	-	(116,072)
Changes of assumptions	(18,500)	-	(18,500)
Contributions – employer	-	155,550	(155,550)
Contributions – employee	-	182,388	(182,388)
Net investment income	-	748,365	(748,365)
Benefit payments, including refunds of emp. contributions	(342,570)	(342,570)	-
Administrative expense	-	(4,751)	4,751
Other changes	-	(34)	34
Net changes	322,465	738,948	(416,483)
<b>Balance at 12/31/23</b>	<b>\$ 7,044,605</b>	<b>\$ 7,190,953</b>	<b>\$ (146,348)</b>

**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.tmr.com](http://www.tmr.com).

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2024, the City recognized pension expense of \$65,475.

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
<b>Primary Government:</b>		
Difference between projected and actual investment earnings	\$ 170,575	\$ -
Differences between expected and actual economic experience	-	(88,489)
Change in assumptions	-	(10,949)
Contributions subsequent to the measurement date	117,143	-
<b>Total</b>	<b>\$ 287,718</b>	<b>\$ (99,438)</b>

The primary government reported \$117,143, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2024	\$ (25,993)
2025	27,232
2026	132,474
2027	(62,576)
2028	-
Thereafter	-
	<b>\$ 71,137</b>

### **Other Postemployment Benefits**

#### **1. TMRS Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 City may

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

#### **Employees covered by benefit terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	12
Active employees	36
<b>Total</b>	<b>78</b>

The City's retiree contribution rates to the TMRS SDBF for the years ended 2022, 2023, and 2024 are as follows:

<b>Plan/ Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2022	0.12%	0.12%	100.0%
2023	0.11%	0.11%	100.0%
2024	0.14%	0.14%	100.0%

The Retiree's contributions to the TMRS SDBF for the years ended 2024, 2023 and 2022 were \$3,461, \$2,951 and \$5,096, respectively, which equaled the required contributions each year.

#### **Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

# City of Kemah, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

#### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77%
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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

#### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease 2.77%	Current Single Rate 3.77%	1% Increase 4.77%
\$ 180,402	\$ 148,891	\$ 124,902

**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Changes in the Total OPEB Liability:**

	<u>Total OPEB Liability</u>
<b>Balance at 12/31/22</b>	\$ 129,292
Changes for the year:	
Service Cost	4,169
Interest	5,263
Difference between expected and actual experience	4,227
Changes of assumptions	8,806
Benefit payments	(2,866)
Net changes	19,599
<b>Balance at 12/31/23</b>	<u>\$ 148,891</u>

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$10,741.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
<b>Primary Government:</b>		
Difference between expected and actual experience	\$ 10,817	\$ -
Changes in assumptions	-	(29,291)
Contributions subsequent to measurement date	2,671	-
<b>Total</b>	<u>\$ 13,488</u>	<u>\$ (29,291)</u>

The primary government reported \$2,671, as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.



**City of Kemah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended December 31:</b>		
2024	\$	173
2025		(10,088)
2026		(8,559)
2027		-
2028		-
Thereafter		-
	\$	<u>(18,474)</u>

**E. Restatement**

Due to prior year accounting corrections, the City restated its net position/beginning fund balance for the governmental activities and general fund. The restatement of beginning net position/fund balance is as follows:

	<b>Governmental Activities</b>	<b>General Fund</b>
Prior year ending net position/fund balance, as reported	\$ 20,218,915	\$ 2,842,939
Corrections to accrued liabilities	(38,390)	(38,390)
Corrections to franchise taxes	12,167	12,167
Restated beginning net position/fund balance	<u>\$ 20,192,692</u>	<u>\$ 2,816,716</u>

**F. Subsequent Events**

There were no material subsequent events through October 31, 2025, the date the financial statements were issued.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Kemah, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

### GENERAL FUND

For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 1,016,588	\$ 1,016,588	\$ 1,023,092	\$ 6,504
Sales tax	2,922,500	2,922,500	2,915,221	(7,279)
Franchise and local taxes	248,700	248,700	217,353	(31,347)
Mixed beverage taxes	210,000	210,000	204,523	(5,477)
License and permits	740,500	740,500	591,521	(148,979)
Intergovernmental	75,000	75,000	75,000	-
Fines and forfeitures	312,100	312,100	307,380	(4,720)
Investment income	121,614	121,614	160,595	38,981
Other revenue	239,200	237,400	293,324	55,924
<b>Total Revenues</b>	<b>5,886,202</b>	<b>5,884,402</b>	<b>5,788,009</b>	<b>(96,393)</b>
<b>Expenditures</b>				
Current:				
General government	1,972,794	1,972,794	1,890,855	81,939
Municipal court	224,917	224,917	230,662	(5,745) *
Information technology	190,388	187,388	374,517	(187,129) *
Public safety	2,541,176	2,535,676	3,029,535	(493,859) *
Public works	901,927	946,927	884,769	62,158
Communication & marketing	85,328	85,319	52,315	33,004
Debt service:				
Principal	-	-	45,751	(45,751) *
Interest and fiscal charges	-	-	8,061	(8,061) *
<b>Total Expenditures</b>	<b>5,916,530</b>	<b>5,953,021</b>	<b>6,516,465</b>	<b>(563,444)</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(30,328)</b>	<b>(68,619)</b>	<b>(728,456)</b>	<b>(659,837)</b>

# City of Kemah, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2) GENERAL FUND*

For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ 85,328	\$ 85,328	\$ -	\$ (85,328)
Transfers (out)	(55,000)	(55,000)	-	55,000
Lease issuance	-	-	195,779	195,779
Sale of assets	-	-	6,097	6,097
<b>Total Other Financing Sources</b>				
<b>(Uses)</b>	<b>30,328</b>	<b>30,328</b>	<b>201,876</b>	<b>171,548</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (38,291)</b>	<b>(526,580)</b>	<b>\$ (488,289)</b>
Beginning fund balance			2,816,716	
<b>Ending Fund Balance</b>			<b>\$ 2,290,136</b>	

### Notes to Required Supplementary Information

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

# City of Kemah, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL KEMAH GROWTH FUND*

For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Sales tax	\$ 277,500	\$ 432,570	\$ 155,070
Investment income	137,214	105,249	(31,965)
<b>Total Revenues</b>	<b>414,714</b>	<b>537,819</b>	<b>123,105</b>
<b>Net Change in Fund Balance</b>	<b>\$ 414,714</b>	<b>537,819</b>	<b>\$ 123,105</b>
Beginning fund balance		2,449,927	
<b>Ending Fund Balance</b>		<b>\$ 2,987,746</b>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Kemah, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOTEL/MOTEL FUND

For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Hotel taxes	\$ 514,000	\$ 514,000	\$ 478,850	\$ (35,150)
Investment income	39,765	39,765	43,299	3,534
<b>Total Revenues</b>	<b>553,765</b>	<b>553,765</b>	<b>522,149</b>	<b>(31,616)</b>
<b><u>Expenditures</u></b>				
Advertising and tourism	468,437	475,229	526,214	(50,985) *
<b>Total Expenditures</b>	<b>468,437</b>	<b>475,229</b>	<b>526,214</b>	<b>(50,985)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(85,328)	(85,328)	-	85,328
<b>Total Other Financing Sources</b>	<b>(85,328)</b>	<b>(85,328)</b>	<b>-</b>	<b>85,328</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (6,792)</b>	<b>(4,065)</b>	<b>\$ 2,727</b>
Beginning fund balance			1,041,669	
<b>Ending Fund Balance</b>			<b>\$ 1,037,604</b>	

### Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level of control.

# City of Kemah, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total pension liability				
Service cost	\$ 345,755	\$ 337,024	\$ 296,349	\$ 260,889
Interest	453,852	427,580	394,443	384,742
Differences between expected and actual experience	(116,072)	(52,782)	70,649	(196,419)
Changes of assumptions	(18,500)	-	-	-
Benefit payments, including refunds of participant contributions	(342,570)	(311,388)	(270,324)	(376,114)
<b>Net change in total pension liability</b>	<b>322,465</b>	<b>400,434</b>	<b>491,117</b>	<b>73,098</b>
<b>Total pension liability - beginning</b>	<b>6,722,140</b>	<b>6,321,706</b>	<b>5,830,589</b>	<b>5,757,491</b>
<b>Total pension liability - ending (a)</b>	<b>7,044,605</b>	<b>6,722,140</b>	<b>6,321,706</b>	<b>5,830,589</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 155,550	\$ 154,877	\$ 140,777	\$ 144,123
Contributions - members	182,388	180,089	156,917	141,897
Net investment income	748,365	(507,132)	798,733	438,338
Benefit payments, including refunds of participant contributions	(342,570)	(311,388)	(270,324)	(376,114)
Administrative expenses	(4,751)	(4,380)	(3,688)	(2,833)
Other	(34)	5,227	25	(109)
<b>Net change in plan fiduciary net position</b>	<b>738,948</b>	<b>(482,707)</b>	<b>822,440</b>	<b>345,302</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,452,005</b>	<b>6,934,712</b>	<b>6,112,272</b>	<b>5,766,970</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 7,190,953</b>	<b>\$ 6,452,005</b>	<b>\$ 6,934,712</b>	<b>\$ 6,112,272</b>
<b>Fund's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (146,348)</b>	<b>\$ 270,135</b>	<b>\$ (613,006)</b>	<b>\$ (281,683)</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 102.08%	 95.98%	 109.70%	 104.83%
<b>Employee payroll</b>	<b>\$ 2,605,536</b>	<b>\$ 2,572,706</b>	<b>\$ 2,241,671</b>	<b>\$ 2,027,107</b>
<b>Fund's net position as a percentage of employee payroll</b>	<b>-5.62%</b>	<b>10.50%</b>	<b>-27.35%</b>	<b>-13.90%</b>



12/31/2019		12/31/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
\$	318,367	\$	301,318	\$	288,131	\$	268,427	\$	230,065	\$	220,535
	361,152		339,230		310,163		279,741		253,802		231,348
	(12,548)		(107,692)		12,012		16,704		(8,654)		(42,521)
	(5,718)		-		-		-		131,805		-
	(189,945)		(243,300)		(129,247)		(118,791)		(96,491)		(90,225)
	471,308		289,556		481,059		446,081		510,527		319,137
	5,286,183		4,996,627		4,515,568		4,069,487		3,558,960		3,239,823
	5,757,491		5,286,183		4,996,627		4,515,568		4,069,487		3,558,960
\$	169,146	\$	161,733	\$	142,557	\$	107,719	\$	99,882	\$	66,906
	166,063		159,067		150,741		143,984		132,547		129,450
	754,146		(148,298)		582,763		257,906		5,425		193,311
	(189,945)		(243,300)		(129,247)		(118,791)		(96,491)		(90,225)
	(4,256)		(2,863)		(3,018)		(2,911)		(3,304)		(2,018)
	(128)		(151)		(152)		(157)		(163)		(166)
	895,026		(73,812)		743,644		387,750		137,896		297,258
	4,871,944		4,945,756		4,202,112		3,814,362		3,676,466		3,379,208
\$	5,766,970	\$	4,871,944	\$	4,945,756	\$	4,202,112	\$	3,814,362	\$	3,676,466
\$	(9,479)	\$	414,239	\$	50,871	\$	313,456	\$	255,125	\$	(117,506)
	100.16%		92.16%		98.98%		93.06%		93.73%		103.30%
\$	2,372,330	\$	2,272,381	\$	2,153,445	\$	2,056,914	\$	1,893,535	\$	1,843,935
	-0.40%		18.23%		2.36%		15.24%		13.47%		-6.37%

# City of Kemah, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Actuarially determined employer contributions	\$ 160,032	\$ 156,583	\$ 156,241	\$ 129,853
Contributions in relation to the actuarially determined contribution	160,032	156,583	156,241	129,853
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 2,626,268	\$ 2,616,721	\$ 2,564,228	\$ 2,005,987
Employer contributions as a percentage of covered-employee	6.09%	5.98%	6.09%	6.47%

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

#### Valuation Date:

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

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).  Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

#### Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 154,207	\$ 151,343	\$ 158,582	\$ 134,608	\$ 107,717	\$ 91,881
<u>154,207</u>	<u>151,343</u>	<u>158,582</u>	<u>134,608</u>	<u>107,717</u>	<u>91,881</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,165,828	\$ 2,125,598	\$ 2,265,071	\$ 2,144,497	\$ 2,054,563	\$ 1,909,971
7.12%	7.12%	7.00%	6.28%	5.24%	4.81%

# City of Kemah, Texas

## ***SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN***

**Years Ended:**

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total OPEB liability				
Service cost	\$ 4,169	\$ 7,975	\$ 7,622	\$ 5,068
Interest	5,263	3,497	3,393	3,637
Differences between expected and actual experience	4,227	9,334	5,003	2,688
Changes of assumptions	8,806	(76,050)	6,796	26,009
Benefit payments, including refunds of participant contributions	(2,866)	(3,087)	(2,018)	(608)
<b>Net change in total OPEB liability</b>	<u>19,599</u>	<u>(58,331)</u>	<u>20,796</u>	<u>36,794</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 129,292</u>	<u>\$ 187,623</u>	<u>\$ 166,827</u>	<u>\$ 130,033</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 148,891</u></u>	<u><u>\$ 129,292</u></u>	<u><u>\$ 187,623</u></u>	<u><u>\$ 166,827</u></u>
 <b>Covered-employee payroll</b>	 \$ 2,605,536	 \$ 2,572,706	 \$ 2,241,671	 \$ 2,027,107
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	5.71%	5.03%	8.37%	8.23%

### **Notes to schedule:**

- <sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- <sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> <sup>1</sup>
\$ 4,982	\$ 5,226	\$ 4,307
3,630	3,314	3,170
3,453	(2,345)	-
22,847	(7,867)	8,749
(474)	(454)	(431)
<u>34,438</u>	<u>(2,126)</u>	<u>15,795</u>
<u>\$ 95,595</u>	<u>\$ 97,721</u>	<u>\$ 81,926</u>
<u>\$ 130,033</u>	<u>\$ 95,595</u>	<u>\$ 97,721</u> <sup>2</sup>
\$ 2,372,330	\$ 2,272,381	\$ 2,153,445
5.48%	4.21%	4.54%

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***OTHER SUPPLEMENTARY  
INFORMATION***

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# City of Kemah, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUND*

For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Intergovernmental revenue	\$ 2,090,000	\$ -	\$ (2,090,000)
Investment income	1,233	1,308	75
<b>Total Revenues</b>	<b>2,091,233</b>	<b>1,308</b>	<b>(2,089,925)</b>
<b><u>Expenditures</u></b>			
Capital outlay	3,375,000	2,014,864	1,360,136
<b>Total Expenditures</b>	<b>3,375,000</b>	<b>2,014,864</b>	<b>1,360,136</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	55,000	-	(55,000)
<b>Total Other Financing Sources (Uses)</b>	<b>55,000</b>	<b>-</b>	<b>(55,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,228,767)</b>	<b>(2,013,556)</b>	<b>\$ (784,789)</b>
Beginning fund balance		198,028	
<b>Ending Fund Balance</b>		<b>\$ (1,815,528)</b>	

### Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**City of Kemah, Texas**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**September 30, 2024**

	<b>Kemah Community Development Corporation</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 3,327,761
Receivables, net	195,352
Due from primary government	358,752
<b>Total Assets</b>	<b>\$ 3,881,865</b>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	\$ 376,098
<b>Total Liabilities</b>	<b>376,098</b>
<b><u>Fund Balances</u></b>	
Restricted for: Economic development	3,505,767
<b>Total Fund Balance</b>	<b>3,505,767</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,881,865</b>

See Notes to Financial Statements.

# City of Kemah, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNIT

September 30, 2024

<b>Fund Balance</b>	\$ 3,505,767
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**Adjustments for the Statement of Net Position:**

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	1,022,725
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Capital assets - net depreciable	38,412
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<b>Net Position of the Discretely Presented Component Unit</b>	<b>\$ 4,566,904</b>
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See Notes to Financial Statements.

# City of Kemah, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2024

	Kemah Community Development Corporation
<b><u>Revenues</u></b>	
Sales tax	\$ 1,115,930
Investment income	227,413
<b>Total Revenues</b>	<b>1,343,343</b>
<b><u>Expenditures</u></b>	
Current:	
Community service	270,670
<b>Total Expenditures</b>	<b>270,670</b>
<b>Revenue Over (Under) Expenditures</b>	<b>1,072,673</b>
<b><u>Other Financing Sources (Uses)</u></b>	
Transfers (out)	(1,792,824)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,792,824)</b>
<b>Net Change in Fund Balance</b>	<b>(720,151)</b>
Beginning fund balance	4,225,918
<b>Ending Fund Balance</b>	<b>\$ 3,505,767</b>

See Notes to Financial Statements.

# City of Kemah, Texas

## ***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES***

**For the Year Ended September 30, 2024**

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

Net changes in fund balance	\$ (720,151)
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There were no adjustments made in the current year

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation	(11,136)
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<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b><u>\$ (731,287)</u></b>
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See Notes to Financial Statements.

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