

PREPARED BY:

City of South Padre Island
Finance Department
Rodrigo Gimenez,
Finance Director

City of

**SOUTH PADRE
ISLAND, TEXAS**

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

CITY OF SOUTH PADRE ISLAND, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2013

City of South Padre Island, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For The Fiscal Year Ended September 30, 2013

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**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

INTRODUCTORY SECTION



March 11, 2014

The Honorable Mayor, Council Members, and Citizens
of the City of South Padre Island, Texas:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of South Padre Island (City), Texas for the fiscal year ended September 30, 2013. This report was prepared from the books and records of the City of South Padre Island, Texas and includes the financial activities of the primary government and its component unit. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the City. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly the results of operations of the various funds of the City.

The goal of the independent audit, conducted by Long Chilton, LLP, was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is included in this document.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

Known as the Tropical Tip of Texas, the City is a tourist oriented resort community as well as a certified retirement community. The white sandy beaches of South Padre are known throughout the United States and are ranked as one of America's top 10 beaches. The City occupies approximately 2.5 square miles and serves a full time residential population of approximately 5,900.

The Town of South Padre Island was incorporated in 1973, and became the City of South Padre Island when the Home Rule Charter was adopted in 2009. The City operates under the council-manager form of government. Policy making and legislative authority are vested in a governing council consisting of the Mayor and five (5) Council members. City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing heads of various departments. The Mayor and the Council members serve three (3) year staggered terms and are elected at large.

"A Certified Retirement Community"

4601 Padre Boulevard • South Padre Island, Texas 78597 • 956.761.6456 • Fax 956.761.3888

MAJOR INITIATIVES

The WAVE transit service saw a 30% increase in ridership for the last fiscal year. The architectural and engineering phase regarding the construction of a multi-modal transportation center has begun, with the total cost of this project estimated to be \$4.5 million.

The street improvement project for fiscal year ended 2013 included full reconstruction of E. Huisache and spot repairs on Laguna and Gulf Blvd. The costs allocated during the current year were \$210,000 with an additional \$462,000 budgeted to complete the project early in the next fiscal year.

The passage of House Bill 3042 allows the City to receive an additional 1% for a total of 2% of the state's portion of the hotel motel tax. The two percent in funding is allocated for cleaning, maintenance of, and erosion control of the City's beaches. HB 3042 was authored by State Representative Rene Oliveira and State Representative Eddie Lucio, III. State Senator Eddie Lucio, Jr. sponsored the bill, which was signed by Governor Rick Perry on June 14, 2013.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The City of South Padre Island is a tourist oriented resort community. The Queen Isabella Causeway crossings are estimated to be 7,900,000 per year per the Texas Department of Transportation. In the most recent Resort Market Analysis, an estimated 5.1 million visitors come to the island annually. As a result of the City's dependence on tourism, visitor travel may reflect the swings in the national and state economy as well as the economy of northern Mexico. Despite the economic uncertainties, the City has experienced stability in revenue receipts. Stable sales tax receipts, building activity, and hotel/motel tax receipts are key indicators of the strength of the City's economic position.

Long Term Financial Planning

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. Multi-year budgeting provides a means to identify the impact of implementing new programs and projects on future budgets. The Five Year Financial Plan is the City's long range operations and capital plan. The plan includes all of the operating departments of the General Fund as well as the capital improvement funds of the City. The plan is reviewed and updated annually.

POLICIES AND PRACTICES

Internal control

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Single Audit

As a recipient of federal assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended

September 30, 2013, identified no material weaknesses of the internal control or violations of applicable laws and regulations.

OTHER INFORMATION

Independent Audit

The City is incorporated under the Laws of the State of Texas and is required to have an annual audit and prepare annual financial statements. This audit was also designed to meet the requirements of the Federal Single Audit Act as amended and the requirements of U.S. Office of Management and Budget (OMB) Circular A-133.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This was the twenty third consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

We would like to thank the Finance Department staff and the Department Directors for their diligent efforts in the preparation of the annual financial report. Also, we would like to thank the Mayor and Council Members. It is their leadership, and support of the City, that helped make the preparation of this report possible.

Sincerely,



Darla Jones, Interim City Manager



Rodrigo Gimenez, Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of South Padre Island
Texas**

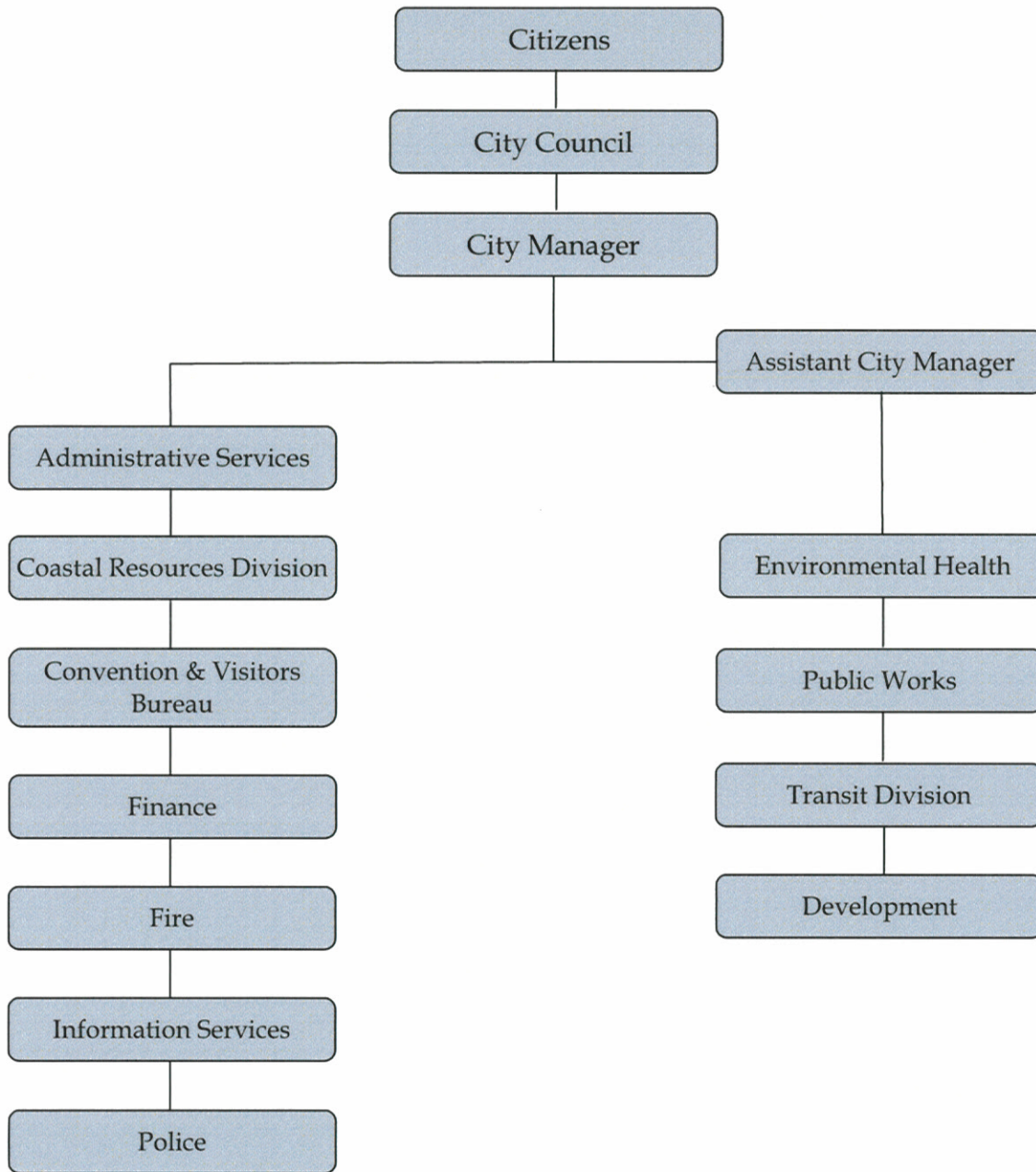
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



City of South Padre Island Organizational Chart



City of South Padre Island, Texas
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>
ROBERT N. PINKERTON JR.	MAYOR , COUNCIL MEMBER
JO ANN EVANS	MAYOR PRO TEM, COUNCIL MEMBER
SAM A. LISTI	COUNCIL MEMBER
ALITA BAGLEY	COUNCIL MEMBER
ROBERT FUDGE	COUNCIL MEMBER
ALEX AVALOS	COUNCIL MEMBER

APPOINTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>
DARLA A. JONES	INTERIM CITY MANAGER
(VACANT)	ASSISTANT CITY MANAGER
RODRIGO GIMENEZ	FINANCE DIRECTOR
SYLVIA SOLIZ	DIRECTOR OF CONVENTION AND VISITORS BUREAU
RANDY SMITH	POLICE CHIEF
MARCUS SMITH	FIRE CHIEF
MARCY NEWMAN	DIRECTOR OF PUBLIC WORKS
PAUL HOLTHUSEN, JR.	INFORMATION TECHNOLOGY MANAGER
WENDI DELGADO	ADMINISTRATIVE SERVICES DIRECTOR
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
REUBEN TREVINO	COASTAL RESOURCES MANAGER
JESSE ARRIAGA	TRANSIT DIRECTOR
SUSAN HILL	CITY SECRETARY
PAUL Y. CUNNINGHAM, JR.	CITY ATTORNEY
DAVID COLWELL	MUNICIPAL COURT JUDGE

**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of South Padre Island, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Padre Island, Texas, as of September 30, 2013, 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.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information on pages 17 through 24 and 60 through 68 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 of South Padre Island’s basic financial statements. The introductory section, the other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the City of South Padre Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of South Padre Island's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 10, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of South Padre Island (the City), we offer readers of the City's financial statements this narrative overview and analysis as of September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-7 of this report.

Financial Highlights

- The assets of the City of South Padre Island exceeded its liabilities at the close of the most recent fiscal year by \$31,488,160 (net position). Of this amount, \$6,588,837 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position for the City of South Padre Island increased by \$1,509,222 during the fiscal year.
- As of the close of the current fiscal year, the City of South Padre Island governmental funds reported combined ending fund balances of \$15,597,163. Approximately 6% of this amount, \$902,086 is available for spending at the government's discretion (unassigned fund balance). In addition 34% of this amount or \$5,248,871 is assigned (the six month reserve established by the city charter).
- At the end of the current fiscal year 60%, \$9,334,441 of the governmental funds fund balance was restricted and 1%, \$111,765 was nonspendable.
- The City of South Padre Island's total bonded debt decreased by \$475,000 during the current fiscal year. This is the result of retirement of debt during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of South Padre Island's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of South Padre Island 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, including capital assets and long-term obligations. 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 indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e. roads and drainage systems), in order to more accurately assess the overall financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of South Padre Island include general government, public safety, public works, transportation, and community service. There are no business-type activities of the City of South Padre Island.

The government-wide financial statements include not only the City of South Padre Island itself (known as the primary government), but also a legally separate Economic Development Corporation for which the City of South Padre Island is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements. The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Padre Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City are considered governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as non-major funds and are presented as summary data.

Because the focus of governmental fund level statements 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. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

The City of South Padre Island maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Hotel/Motel Fund, the Convention Centre Fund, the Transportation Fund and the Beach Nourishment Fund all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Governmental Accounting Standard Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009, which was effective for the fiscal year ending September 30, 2011. This new statement was intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 has changed how fund balance is reported. The hierarchy of five possible classifications is as follows.

Non spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. **Restricted:** fund balances that are constrained by external parties, constitutional provisions or enabling legislation; **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (the city council); **Assigned:** fund balances that contained self-imposed constraints of the government to be used for a particular purpose (the city manager has the authority to assign funds for specific purposes); and **Unassigned:** fund balance of the general fund that has not been constrained for any particular purpose.

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

Other information. In addition to the basic financial statements and accompanying notes, The City of South Padre Island adopts an annual appropriated budget for its General Fund, certain Special Revenue Funds, and its Debt Service Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

The following table reflects a summary of Net Position compared to the prior year (in thousands):

	Total Governmental Activities 2013	Total Governmental Activities 2012- Restated*
<u>ASSETS</u>		
Current and other assets	\$ 16,887	\$14,824
Capital assets	25,477	26,714
Total assets	42,364	41,538
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred amount on refunding	280	303
Total deferred outflows of resources	280	303
<u>LIABILITIES</u>		
Current liabilities	923	1,883
Non-current liabilities	10,233	9,979
	11,156	11,862
<u>NET POSITION</u>		
Net Investment in capital assets	15,534	18,201
Restricted	9,366	6,080
Unrestricted	6,588	5,698
Total net position	\$31,488	\$29,979

*As a result of implementing GASBS Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65 *Items Previously Reported as Assets and Liabilities*, the City restated beginning net position in the government-wide Statement of Activities, resulting in capitalized bond issue costs of \$275,541 being removed from the 2012 Governmental Activities assets and net position, and portions of long term debt were reclassified as a deferred outflow of resources. Note T to the financial statements discloses other items of net position which were restated, resulting in a net decrease to 2012 net position of \$110,738.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of South Padre Island, assets and deferred outflows of resources exceeded liabilities by \$31,488,160 at the close of the most recent fiscal year.

A large portion of the City’s net position (49%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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 capital assets themselves cannot be used to liquidate these liabilities.

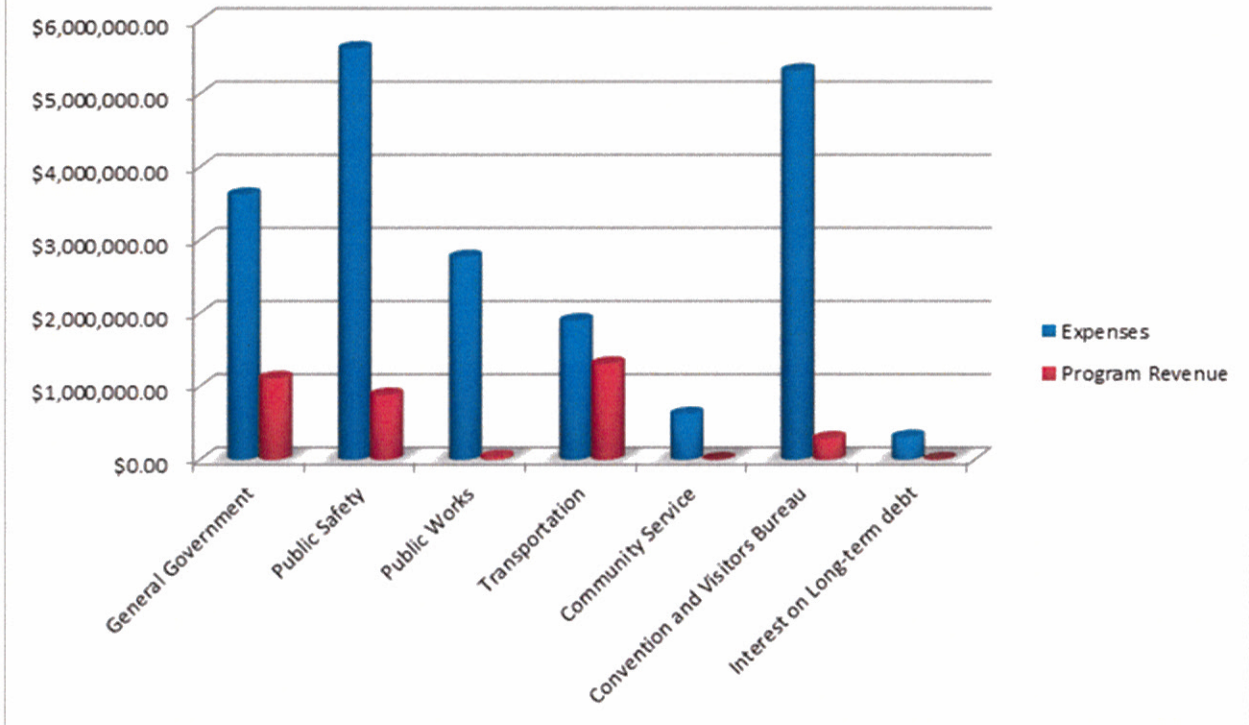
Changes in Net Position. Governmental activities increased the City's net position by \$1,509,222. Total revenues increased approximately \$821,000. This includes increases in sales tax (7.7% or \$151,077) property tax (1.33% or \$86,301), hotel motel tax (5.95% or \$367,221) and hotel motel beach maintenance tax (51.31% or \$557,652). Expenses during the fiscal period increased by \$1,196,427.

	Total Governmental Activities 2013	Total Governmental Activities 2012 – Restated*
Program Revenues:		
Charges for Services	\$ 1,386,217	\$ 1,528,332
Operating Grants & Contributions	954,301	1,074,032
Capital Grants & Contributions	1,277,434	1,296,789
General Revenues:		
Property Tax	6,598,351	6,512,050
Sales Tax	2,116,649	1,965,572
Franchise Tax	819,865	806,646
Hotel Motel Tax	6,534,215	6,166,994
Hotel Motel Beach Mtn. Tax	1,644,572	1,086,920
Mixed Beverage Tax	218,657	205,562
Interest & Other	97,986	184,400
Total Revenues	21,648,247	20,827,297
Program Expenses:		
General Government	3,616,084	3,262,899
Public Safety	5,617,282	5,329,647
Public Works	2,766,161	2,928,951
Transportation	1,898,136	1,275,542
Community Service	621,036	119,300
Convention and Visitors Bureau	5,313,518	5,556,513
Interest on long-term debt	306,808	469,746
Total Expenses	20,139,025	18,942,598
Increase (decrease) in net position	1,509,222	1,884,699
Beginning Net Position	29,978,938	28,094,239
Ending Net Position	\$31,488,160	\$29,978,938

*Due to the implementation of GASB Statement No. 65, the removal of deferred charges for issuance costs previously capitalized and any related amortization resulted in a reduction in 2012 beginning net position of \$200,902 and an increase in interest on long term debt of \$74,639 for 2012. Other adjustments resulted from items as disclosed in Note T to the financial statements, which resulted in a net decrease in interest on long term debt for 2012 in the amount of \$90,166.

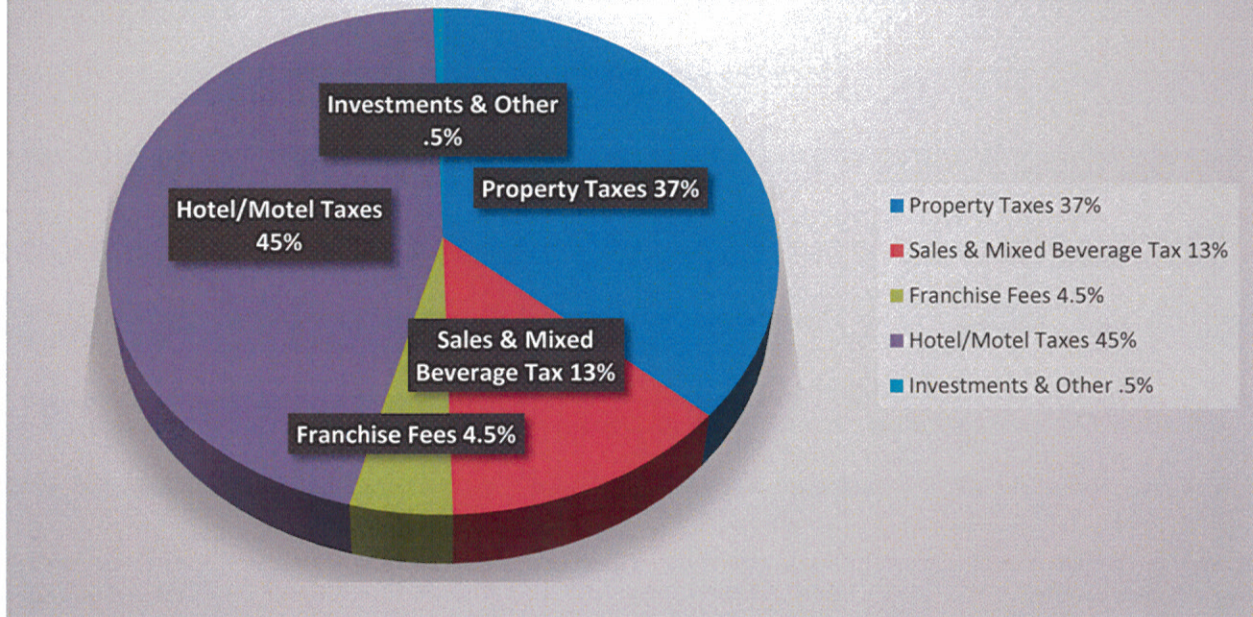
The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; public works; transportation; community service and interest on long-term debt.

Government-wide Program Expenses and Revenues - Governmental Activities



General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. Hotel Motel Taxes are the largest source of general governmental revenues, followed by Property Tax and Sales & Mixed Beverage Tax.

Government-wide Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of South Padre Island's governmental funds reported combined ending fund balances of \$15,597,163 an increase of \$3,102,566 in comparison with the prior year. Approximately 6%, or \$902,086, constitutes unassigned fund balance, which is available for spending at the government's discretion. 34% or \$5,248,871 constitutes assigned fund balance. This portion is the six month reserve required by City Charter. 60% or \$9,334,441 of the total fund balance is restricted. This portion is the amount of the fund that is subject to externally enforceable legal restrictions such as imposed by creditors, grantors, laws or regulations or imposed by law through constitutional provisions or enabling legislation. 1% or \$111,765 of the fund balance is nonspendable; in this case all of the \$111,765 consists of prepaid expenses.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$909,253 while total fund balance reached \$6,213,825. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.4% of total general fund expenditures, while total fund balance represents 57.42% of that same amount.

The fund balance of the City General Fund decreased by \$164,810 during the current fiscal year:

- In comparison with last year, the total actual expenditures increased by \$947,154 mainly due to transfers for Gulf Blvd and other street paving projects in the amount of \$700,000.
- Revenues increased \$28,190.

Nonproperty taxes for both the Hotel Motel and Convention Centre funds, increased by 5.95% or \$367,000 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$35,414 while the Convention Centre fund increased its expenditures by \$598,098 mainly due to professional services associated with the Convention Centre renovation project.

The Transportation fund didn't have significant variances in fund balance. A total of \$64,199 was spent in architectural services for the future Transit Multimodal facility.

The fund balance of the Beach Nourishment fund increased by \$676,748 based on additional funding received from interlocal agreements with Cameron County for nourishment projects for a total of \$670,000.

General Fund budgetary highlights

The original budget of the General Fund was amended thirteen times during fiscal year 2013. Expenditures were increased by \$912,191. Of this amount, \$500,000 was for the Gulf Boulevard and Huisache Street paving projects and \$100,000 was to fund the Gulf Boulevard Paid Parking Project. In addition \$50,000 was budgeted for demolition of old City Hall and \$39,000 was taken out of fund balance to fund the anti-litter beach campaign.

General Fund budget variances

During the year, revenues were \$121,148 higher than budgeted. This was primarily due to an increase of \$252,388 of non-property taxes which includes an increase of \$209,733 in Sales Tax and an increase of \$17,790 in Mixed Beverage tax. Fines and Forfeitures revenue increased by \$51,681 over budget.

Total expenditures were \$569,898 less than what was budgeted. All operating and capital outlay expenditures of the general fund departments came in under budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2013 amounts to \$25,477,206 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, streets and construction in progress. Additional information on capital assets can be found in Note G. Capital asset balances are as follows:

**Capital Assets, Net of Accumulated Depreciation
September 30**

	Total Governmental Activities 2013	Total Governmental Activities 2012
Land	\$ 1,497,793	\$ 1,497,793
Construction in progress	64,198	4,766,421
Buildings	16,265,519	12,718,020
Improvements	2,122,063	2,350,415
Furniture and equipment	3,057,222	2,781,985
Infrastructure	2,470,411	2,599,703
Total net position	<u>\$25,477,206</u>	<u>\$26,714,337</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,425,000. The table below reflects the outstanding debt at September 30. Additional information can be found in Note J. The City's outstanding bonds underlying rating is "AA-" by Standard and Poor's Rating Service and Aa2 Moody's rating.

Outstanding Debt		September 30	
	Total Governmental Activities	Total Governmental Activities	
	2013	2012	
General Obligation Bonds	\$7,425,000	\$7,640,000	
Tax Anticipation Notes	0	260,000	
	\$7,425,000	\$7,900,000	

The City of South Padre Island's total bonded debt decreased by \$475,000 during the current fiscal year. This decrease is the result of paying off the Tax Notes and paying \$215,000 principal on the General Obligation 2005 series bonds.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

Certified property tax values for the City decreased by \$20,573,052 or .767% from the preceding year and council adopted the effective tax rate of 0.254384 cents per hundred. The tax rate has been split with .227828 per hundred for maintenance and operations and .026556 per hundred for the debt service fund for the retirement of the general obligation bonds.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 4601 Padre Blvd., South Padre Island, Texas 78597.

City of South Padre Island, Texas
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government Total	Component Unit
	Governmental Activities	Unit
ASSETS		
Cash and cash equivalents	\$ 9,016,837	\$ 774,805
Investments	5,178,997	-
Receivables, net	1,229,215	169,986
Due from other governments	1,350,571	-
Prepaid expenses	111,765	290,182
Loans receivable	-	89,988
Capital assets, net		
Non-depreciable assets	1,561,991	905,692
Depreciable assets	23,915,215	5,842,976
 TOTAL ASSETS	 42,364,591	 8,073,629
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	280,279	-
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 280,279	 -
 LIABILITIES		
Accounts payable	623,429	69,224
Other liabilities	253,130	1,467
Unearned revenues	46,694	-
Non-current liabilities		
Due within one year	1,216,644	190,000
Due in more than one year	9,016,813	4,397,112
 TOTAL LIABILITIES	 11,156,710	 4,657,803
 NET POSITION		
Net investment in capital assets	15,534,981	2,161,556
Restricted		
Debt service	339,434	555,034
Capital projects	2,636,575	-
Transportation	287,934	-
Beach maintenance	790,655	-
Municipal court	52,316	-
Criminal justice	3,644	-
Hurricane recovery	181,185	-
Parks and recreation	3,920	-
Hotel/motel taxes	5,068,679	-
Unrestricted	6,588,837	699,236
 TOTAL NET POSITION	 \$ 31,488,160	 \$ 3,415,826

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

City of South Padre Island, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

<u>Functions/Programs</u>	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:			
General government	\$ 3,616,084	\$ 156,108	\$ 19,955
Public safety	5,617,282	881,900	-
Public works	2,766,161	31,246	-
Transportation	1,898,136	30,000	934,346
Community service	621,036	-	-
Convention and visitors bureau	5,313,518	286,963	-
Interest on long-term debt	306,808	-	-
Total governmental activities	20,139,025	1,386,217	954,301
Component unit:			
Economic development services	416,454	1,300	13,253
Interest expense	203,870	-	-
Total component unit	\$ 620,324	\$ 1,300	\$ 13,253

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales tax
- Franchise taxes
- Hotel motel taxes
- Hotel motel beach maintenance taxes
- Mixed beverage taxes
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues, special items, and transfers
- Change in net assets

Net position - beginning, as restated

Net position - ending

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

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government Total	Component Unit
Capital Grants and Contributions	Governmental Activities	
\$ 934,404	\$ (2,505,617)	\$ -
-	(4,735,382)	-
-	(2,734,915)	-
343,030	(590,760)	-
-	(621,036)	-
-	(5,026,555)	-
-	(306,808)	-
<u>1,277,434</u>	<u>(16,521,073)</u>	<u>-</u>
248,456	-	(153,445)
-	-	(203,870)
<u>\$ 248,456</u>	<u>\$ -</u>	<u>\$ (357,315)</u>
	5,843,915	-
	754,436	-
	2,116,649	705,550
	819,865	-
	6,534,215	-
	1,644,572	-
	218,657	-
	38,830	3,952
	59,156	5,319
	<u>18,030,295</u>	<u>714,821</u>
	1,509,222	357,506
	<u>29,978,938</u>	<u>3,058,320</u>
	<u>\$ 31,488,160</u>	<u>\$ 3,415,826</u>

City of South Padre Island, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Hotel Motel Fund	Convention Centre Fund	Transportation Grant Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$1,778,746	\$1,718,779	\$3,011,081	\$ -	\$ 1,401,209	\$ 1,107,022	\$ 9,016,837
Investments	4,527,794	-	-	-	651,203	-	5,178,997
Receivables (net of allowance for uncollectibles)							
Taxes	300,377	-	-	-	-	33,797	334,174
Accounts	500,205	240,937	124,250	-	22,039	7,610	895,041
Due from other governments	-	-	-	476,755	-	873,816	1,350,571
Due from other funds	284,955	-	-	-	-	-	284,955
Prepaid items	55,701	21,776	26,224	4,286	-	3,778	111,765
	<u>\$7,447,778</u>	<u>\$1,981,492</u>	<u>\$3,161,555</u>	<u>\$ 481,041</u>	<u>\$ 2,074,451</u>	<u>\$ 2,026,023</u>	<u>\$17,172,340</u>
LIABILITIES							
Accounts payable	\$ 622,969	\$ 446	\$ 14	\$ -	\$ -	\$ -	\$ 623,429
Due to other funds	-	-	-	188,821	-	96,134	284,955
Other liabilities	187,179	-	-	-	-	-	187,179
Unearned revenues - other	20,786	-	25,908	-	-	-	46,694
	<u>830,934</u>	<u>446</u>	<u>25,922</u>	<u>188,821</u>	<u>-</u>	<u>96,134</u>	<u>1,142,257</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	268,920	-	-	-	-	29,901	298,821
Unavailable revenue - other	134,099	-	-	-	-	-	134,099
	<u>403,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,901</u>	<u>432,920</u>
FUND BALANCE							
Nonspendable	55,701	21,776	26,224	4,286	-	3,778	111,765
Restricted	-	1,959,270	3,109,409	287,934	2,074,451	1,903,377	9,334,441
Assigned	5,248,871	-	-	-	-	-	5,248,871
Unassigned	909,253	-	-	-	-	(7,167)	902,086
	<u>6,213,825</u>	<u>1,981,046</u>	<u>3,135,633</u>	<u>292,220</u>	<u>2,074,451</u>	<u>1,899,988</u>	<u>15,597,163</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
	<u>\$7,447,778</u>	<u>\$1,981,492</u>	<u>\$3,161,555</u>	<u>\$ 481,041</u>	<u>\$ 2,074,451</u>	<u>\$ 2,026,023</u>	<u>\$17,172,340</u>

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

City of South Padre Island, Texas
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 September 30, 2013

Fund balances of governmental funds	\$ 15,597,163
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,477,206
Some liabilities, including bonds payable (\$7,725,783) and capital leases (\$1,566,230) are not due in the current period and therefore not reported in the funds.	(9,292,013)
Deferred outflows of resources are related to amounts deferred on refundings of long term debt and are not reported in the funds.	280,279
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(814,660)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	432,920
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(65,949)
Liabilities for net pension obligations are not due in the current period and therefore are not reported in the funds.	<u>(126,786)</u>

Net position of governmental activities	<u>\$ 31,488,160</u>
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The notes of the financial statements are an integral part of this statement.

City of South Padre Island, Texas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	General Fund	Hotel Motel Fund	Convention Centre Fund	Transportation Grant Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 5,903,445	\$ -	\$ -	\$ -	\$ -	\$ 762,903	\$ 6,666,348
Nonproperty taxes	3,155,171	4,233,791	2,300,424	-	408,373	1,236,199	11,333,958
Fees and services	499,126	74,226	212,737	-	-	-	786,089
Fines and forfeitures	440,087	-	-	-	-	15,213	455,300
Licenses and permits	150,583	-	-	-	-	-	150,583
Intergovernmental	19,954	-	-	1,277,376	670,000	264,404	2,231,734
Miscellaneous	79,174	5,669	12,504	54,567	15	7,060	158,989
Total revenues	10,247,540	4,313,686	2,525,665	1,331,943	1,078,388	2,285,779	21,783,001
EXPENDITURES							
Current							
General government	3,121,933	-	-	-	-	82,575	3,204,508
Public safety	4,796,701	-	-	-	-	157,824	4,954,525
Public works	1,795,938	-	-	-	-	283,801	2,079,739
Transportation	-	-	-	1,104,987	-	-	1,104,987
Community service	-	-	-	-	401,640	16,512	418,152
Convention and visitors bureau	-	3,455,372	1,858,146	-	-	-	5,313,518
Capital outlay	907,275	-	87,726	255,629	-	340,730	1,591,360
Debt service							
Principal retirement - bonds	-	-	-	-	-	475,000	475,000
Principal retirement - capital lease	152,636	-	1,750	3,158	-	2,376	159,920
Interest	41,719	-	174	314	-	259,509	301,716
Administrative charges	5,490	-	441	536	-	(7,367)	(900)
Total expenditures	10,821,692	3,455,372	1,948,237	1,364,624	401,640	1,610,960	19,602,525
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	(574,152)	858,314	577,428	(32,681)	676,748	674,819	2,180,476
Other financing sources (uses)							
Sale of capital assets	-	-	-	-	-	22,777	22,777
Lease proceeds	806,663	-	26,243	37,900	-	28,507	899,313
Transfers in	379,179	-	-	50,000	-	726,500	1,155,679
Transfers out	(776,500)	(96,405)	-	-	-	(282,774)	(1,155,679)
Total other financing sources (uses)	409,342	(96,405)	26,243	87,900	-	495,010	922,090
Net change in fund balances	(164,810)	761,909	603,671	55,219	676,748	1,169,829	3,102,566
Fund balance -- beginning	6,378,635	1,219,137	2,531,962	237,001	1,397,703	730,159	12,494,597
Fund balance -- ending	\$ 6,213,825	\$ 1,981,046	\$ 3,135,633	\$ 292,220	\$ 2,074,451	\$ 1,899,988	\$ 15,597,163

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

City of South Padre Island, Texas
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2013

Net change in fund balances --total governmental funds	\$ 3,102,566
 Amounts reported for <i>governmental activities</i> in the statement of activities	
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. The effect of removing capital outlays (\$1,591,360) and including depreciation (\$2,744,714), in the current period is to decrease net position.	(1,153,354)
In the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.	(83,778)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	634,920
The increase in compensated absences payable of \$3,228 during the year is reported as an increase to expenditures in the statement of activities but not in the governmental funds. The amortization of bond premiums (\$22,528), as well as amortization of deferred outflows of resources of \$23,357, are expenditures in the statement of activities but not in the governmental funds. The net effect of including the amortization of deferred outflows of resources, bond premiums and the change in compensated absences is to decrease net position.	(4,057)
The change in Net Pension Obligation during the year is reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds.	(8,846)
Some revenues (\$73,753 change in deferred revenue) and expenses reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. Interest expense (\$5,164) in the statement of activities differs from the amount reported in governmental funds due to the change in accrued interest.	(78,917)
Capital lease proceeds are recorded as other financing sources in the governmental funds while they are recorded as a long term debt in the statement of net position.	<u>(899,312)</u>
Change in net position of governmental activities	<u>\$ 1,509,222</u>

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

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**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

**NOTES TO FINANCIAL
STATEMENTS**

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of South Padre Island, Texas (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. *Reporting Entity*

The City of South Padre Island, Texas (the City), created in 1973, operates under the direction of a Mayor and five Council Members, elected by the voters of the City. It provides judicial, law enforcement, fire protection, public improvements, building and zoning administration, tourism, general administrative and health services to the City. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended component units – Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City of South Padre Island does not include any blended component units.

Discretely presented component units – The discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

South Padre Island Economic Development Corporation (EDC): of the seven-member board of directors, five are appointed by the City Council and two are appointed by the board itself. The EDC is authorized to administer the distribution of the proceeds of any development bonds issued and the proceeds of certain development sales taxes received on behalf of the City. The EDC's operational and capital budget must be approved by the Council Members of the City.

Effective fiscal year ending 2012, the component unit no longer includes the Birding and Nature Center activity.

The financial statement information included in the component unit column in the government-wide financial statements and the component unit section included in the other supplementary information constitutes the EDC's annual financial report. Additional financial information can be obtained at City Hall:

South Padre Island Economic Development Corporation
4601 Padre Boulevard, P. O. Box 3410
South Padre Island, Texas 78597

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. *Government-Wide and Fund Financial Statements*

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position, a statement of financial position and the statement of activities, a statement of results of operations. These statements report information on all the activities of the reporting entity. Generally, the effect of interfund activity has been eliminated from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which primarily rely on fees and charges. The City of South Padre Island, Texas does not include any business-type activities.

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

In addition to and apart from the government-wide financial statements, fund financial statements are presented for the governmental funds. In each of these financial statements major funds are presented in separate columns.

3. *Measurement Focus, Basis of Accounting and Basis of Presentation*

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*; consistent with the presentation of proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Restricted resources will be used before unrestricted resources when all requirements to relieve the restriction have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences and claims and judgments are recognized only when payment is made.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. *Measurement Focus, Basis of Accounting and Basis of Presentation – Continued*

The City reports the following fund types and related major governmental funds:

The *general fund* is the primary operating fund. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The special revenue funds reported as major funds are:

Hotel/Motel Fund is used to account for local occupancy tax collections. This fund is used to account for that portion of collections used for tourism, advertising and promotion.

Convention Centre Fund is used to account for the portion of local occupancy tax collections used for Convention Centre operations.

Transportation Grant Fund is used to account for the grant proceeds and expenditures that pertain to the Wave bus program.

Beach Nourishment Funds was established to account for nourishment efforts on the beach.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The government considers property taxes as available if they are collected within 60 days after year end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports unearned revenue on its balance sheet/statement of net position. Unearned revenues arise when a potential revenue does not meet both the “*measurable*” and “*available*” criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet/statement of net position and revenue is recognized.

4. *Assets, Deferred Inflows of Resources and Net Position, Liabilities, Deferred Outflows of Resources*

a. Cash and Cash Equivalents

Cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

b. Short-Term Interfund Receivables and Payables/Internal Balances

Short-term lending/borrowing between funds that result in amounts outstanding at the end of the fiscal year are referred to as “due to/from other funds”. “Due to/from other funds” represent the current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

c. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

d. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2013 are recorded as prepaid items, in both governmental and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Assets, Deferred Inflows of Resources and Net Position, Liabilities, Deferred Outflows of Resources - Continued*

e. Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are reflected at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the governmental activities column of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements; however, it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on the governmental activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 – 40 years
Equipment	5 – 15 years
Infrastructure	15 – 40 years
Vehicles	3 – 7 years

f. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as non-current liabilities. No expenditure is reported for these amounts. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no accrual is recorded for compensated absences that are dependent on the performance of future services by employees or when payments are dependent on future events outside the control of the employer and employees. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement. Compensated absences are reported in the governmental funds only if they have matured.

City employees are granted varying amounts of vacation and sick leave. In the event of termination or retirement, an employee is reimbursed up to 30 days of accumulated vacation and up to 90 days of accumulated sick leave. Sick leave earned after October 1, 1997 will be reimbursed at 50 percent of the earned sick leave. Sick leave accumulated before October 1, 1997 will be reimbursed at 100 percent of the earned sick leave.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Assets, Deferred Inflows of Resources and Net Position, Liabilities, Deferred Outflows of Resources - Continued*

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except bond insurance costs are reported as expense in the period incurred. Bond insurance costs are considered as prepaid items.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

h. Bond Discounts/Issue Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period.

i. Comparative Data

Partially comparative total data for the prior year have been presented in the government-wide financial statements.

j. Estimates

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

k. Income Taxes

South Padre Island Economic Development Corporation is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. Annually, the organization files Form 990, Income Tax Return of Tax Exempt Organizations.

l. Interfund Transfers

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

m. Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Assets, Deferred Inflows of Resources and Net Position, Liabilities, Deferred Outflows of Resources – Continued*

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council Members. Committed amounts cannot be released without formal action from the council.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

In the instance when restricted, committed, assigned or unassigned resources are available for use, it is the government's policy to use the highest level of restricted, committed or assigned resources first, then unassigned resources as they are needed.

n. Net Position

The City's net position is classified as follows:

Net investments: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

o. Deferred Outflows and Inflows of Resources

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the City's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the City's acquisition of net position applicable to a future reporting period.

The City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City has an accounting loss on refunding bonds which is a deferred resource outflow and also has unavailable revenues from property taxes which are deferred resource inflows under this standard.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Information*

In establishing budgetary data reflected in the financial statements, the City follows these procedures:

- a. The City Manager establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures by fund, function and activity and the means of financing them.
- c. Public hearings and workshops (including department heads) are conducted at the City Hall to obtain taxpayer and elected officials' comments.
- d. Prior to October 1, the budget is legally adopted by the City Council.
- e. Revisions that alter budgets at the department level within a fund must be approved by the Council Members. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types reflect these revisions. Actual expenditures and transfers may not legally exceed budget appropriations at the department level.
- f. Formal budgetary integration is employed as a management control device during the year for the General, certain Special Revenue and Debt Service Funds.
- g. Annual appropriated budgets are adopted for the General, certain Special Revenue and Debt Service Funds. All annual appropriations lapse at year-end to the extent they have not been expended or encumbered.

The City prepares its budget on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP).

During fiscal year 2013, various transfers of appropriations were made for the Governmental Funds. The original and final amended budget are presented in the Required Supplementary Information for the General Fund and major Special Revenue Funds (Hotel/Motel, Convention Centre, Beach Nourishment and Transportation Grant Funds), that have adopted a budget.

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before October 1, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

2. *Expenditures over Appropriations*

None noted.

3. *Fund Balance Deficit*

A deficit balance in unrestricted fund balance occurred in the following funds for the year ended September 30, 2013 by the indicated amounts:

Bay Access Fund	\$(7,167)
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NOTE C – DEPOSITS AND INVESTMENTS

It is the City’s policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. During the year ended September 30, 2013, the City’s cash deposits were covered by federal deposit insurance or were secured by collateral held by the City’s agent in the City’s name pursuant to the City’s investment policy and its depository agreement.

Investments

Investments at fair value, including accrued interest, as of September 30, 2013 are as follows:

	<u>Investment Maturities (in years)</u>		<u>Greater than 1 year</u>
	<u>Fair Value</u>	<u>1 or less</u>	
Primary Government			
Cash and cash equivalents	\$ 8,895,485	\$ 8,895,485	\$ -
TexPool	7,415	7,415	-
Texas Term	<u>113,937</u>	<u>113,937</u>	-
	9,016,837	9,016,837	-
Investments			
Certificates of deposit	<u>5,178,997</u>	<u>5,178,997</u>	-
	<u>\$14,195,834</u>	<u>\$14,195,834</u>	<u>\$ -</u>
Component Unit			
Cash and cash equivalents	\$ 752,565	\$ 752,565	\$ -
Tex Pool	<u>22,240</u>	<u>22,240</u>	-
	<u>\$ 774,805</u>	<u>\$ 774,805</u>	<u>\$ -</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS – Continued

A reconciliation of cash and investments follows:

	<u>Primary Governmental Activities</u>	<u>Component Units</u>	<u>Total</u>
Cash	\$ 8,895,485	\$ 752,565	\$ 9,648,050
Cash equivalents			
Texas Term	113,937	22,240	136,177
TexPool	<u>7,415</u>	<u>-</u>	<u>7,415</u>
	121,352	22,240	143,592
Investments			
Certificates of deposit	<u>5,178,997</u>	<u>-</u>	<u>5,178,997</u>
	<u>\$14,195,834</u>	<u>\$ 774,805</u>	<u>\$14,970,639</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

<u>Description</u>	<u>Rate</u>	<u>Amount</u>	<u>Maturity</u>
Certificate of deposit	0.59%	\$3,525,944	December 16, 2013
Certificate of deposit	0.375%	500,925	March 3, 2014
Certificate of deposit	0.375%	500,925	April 1, 2014
Certificate of deposit	0.375%	<u>651,203</u>	February 3, 2014
		<u>\$5,178,997</u>	

The investment policy states that operating funds and commingled pools shall not have an average maturity date exceeding one year from the date of purchase. Securities purchased for the purpose of making debt service payments shall not have a stated final maturity date which exceeds the debt service payment date. Securities for special projects or special fund portfolios should not have a stated final maturity date that exceeds the estimated project completion date.

Credit Risk

As of September 30, 2013, the investments in TexPool and Texas Term investment risk pools were rated AAAM and AA Af by Standard and Poor’s, respectively.

The City’s investment policy limits authorized investments to certain Texas government investments pools, obligations of or guaranteed by the U. S. and State of Texas and their agencies thereof, certificates of deposit of Texas banks and fully collateralized repurchase agreements.

banks and fully collateralized repurchase agreements.

City of South Padre Island, Texas

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Public Funds Investment Pools

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TEXAS Term is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AA Af by Standard and Poor's and maintains a maturity of 60 days to one year. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools.

NOTE D - PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2012 upon which the 2012 levy was based, was \$2,681,365,919. State statutes require that all assessments be made on one hundred percent (100%) of fair market value.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1st or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D - PROPERTY TAXES - Continued

Taxes receivable in the General Fund includes uncollected tax levies since 1983. All real property taxes receivable less than twenty years old are considered collectible. All personal property taxes receivable less than ten years old are considered collectible. All revenues were deferred at the time the levies were recorded. The Texas Legislature enacted a provision during the 1992 legislative session which requires all liens attached to properties because of delinquent taxes to be removed after twenty years. Also, liens attached to personal property for delinquent taxes are required to be removed after ten years. This legislation became effective August 27, 1992.

The City is permitted by the Municipal Finance Law of Texas to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental service and the payment of principal and interest on long-term debt for the year ended September 30, 2013, was \$.252701 per \$100.

The City Charter provides for taxes to become due on October 1st of the year of levy and shall be paid by January 31st of the following year. Liens for unpaid taxes go into effect on July 1st as the taxes become delinquent. Current tax collections for the year ended September 30, 2013, were 98.1 percent of the tax levy.

NOTE E - RECEIVABLES

Receivables at September 30, 2013, consist of the following:

	Primary Government						Component Unit
	General	Hotel/Motel Fund	Convention Center Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds	
Receivables							
Taxes	\$316,186	\$ -	\$ -	\$ -	\$ 35,576	\$ 351,762	\$ -
Accounts	<u>500,205</u>	<u>240,937</u>	<u>124,250</u>	<u>22,039</u>	<u>7,610</u>	<u>895,041</u>	<u>169,986</u>
Gross receivables	816,391	240,937	124,250	22,039	43,186	1,246,803	169,986
Less allowance for uncollectibles	<u>(15,809)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,779)</u>	<u>(17,588)</u>	<u>-</u>
Total receivables, net	<u>\$800,582</u>	<u>\$240,937</u>	<u>\$124,250</u>	<u>\$ 22,039</u>	<u>\$ 41,407</u>	<u>\$1,229,215</u>	<u>\$169,986</u>

NOTE F - DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2013 consist of the following:

	Primary Government		Total
	Transportation	Beach Maintenance	
Texas State Comptroller – occupancy taxes	\$ -	\$873,816	\$ 873,816
State of Texas – Department of Transportation	<u>476,754</u>	<u>-</u>	<u>476,754</u>
Net total receivables	<u>\$476,754</u>	<u>\$873,816</u>	<u>\$1,350,570</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE G - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 is as follows:

Governmental Activities

	Beginning Balance <u>October 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Ending Balance <u>September 30, 2013</u>
Capital assets, not being depreciated:					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Construction in progress	<u>4,766,421</u>	<u>115,222</u>	<u>(4,817,445)</u>	-	<u>64,198</u>
	6,264,214	115,222	(4,817,445)	-	1,561,991
Capital assets, being depreciated:					
Buildings	24,454,268	18,953	4,809,958	-	29,283,179
Improvements	4,544,466	-	18,288	-	4,562,754
Furniture and equipment	7,191,896	1,246,299	36,815	(769,146)	7,705,864
Infrastructure	<u>7,748,930</u>	<u>210,885</u>	<u>(47,616)</u>	-	<u>7,912,199</u>
	43,939,560	1,476,137	4,817,445	(769,146)	49,463,996
Less accumulated depreciation for:					
Buildings	(11,733,248)	(1,284,695)	3,283	-	(13,017,660)
Improvements	(2,194,051)	(261,126)	14,486	-	(2,440,691)
Furniture and equipment	(4,409,911)	(906,332)	(17,769)	685,370	(4,648,642)
Infrastructure	<u>(5,149,227)</u>	<u>(292,561)</u>	-	-	<u>(5,441,788)</u>
Total accumulated depreciation	<u>(23,489,437)</u>	<u>(2,744,714)</u>	-	685,370	<u>(25,548,781)</u>
Total capital assets, being depreciated, net	<u>20,450,123</u>	<u>(1,268,577)</u>	<u>4,817,445</u>	<u>(83,776)</u>	<u>23,915,215</u>
Governmental activities, capital assets, net	<u>\$26,714,337</u>	<u>\$ (1,153,355)</u>	<u>\$ -</u>	<u>\$ (83,776)</u>	<u>\$25,477,206</u>

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings and improvements	10 – 40 years
Equipment	5 – 15 years
Infrastructure	15 – 40 years
Vehicles	3 – 7 years

Depreciation was charged to government functions as follows:

General government	\$ 399,502
Public safety	662,757
Public works	686,422
Community service	793,149
Transportation	<u>202,884</u>
Total depreciation - governmental activities	<u>\$2,744,714</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE G - CAPITAL ASSETS - Continued

Component Unit:

Activity for Economic Development Corporation is as follows:

	Beginning Balance <u>October 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Ending Balance <u>September 30, 2013</u>
Capital assets, not being depreciated					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
Construction in progress	<u>-</u>	<u>248,456</u>	<u>-</u>	<u>-</u>	<u>248,456</u>
	657,236	248,456	-	-	905,692
Capital assets, being depreciated					
Buildings	6,569,015	-	-	-	6,569,015
Furniture and equipment	<u>21,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,604</u>
	6,590,619	-	-	-	6,590,619
Less accumulated depreciation					
Buildings	(589,892)	(136,147)	-	-	(726,039)
Furniture and equipment	<u>(21,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,604)</u>
Total accumulated depreciation	(611,496)	(136,147)	-	-	(747,643)
Total capital assets being depreciated, net	<u>5,979,123</u>	<u>(136,147)</u>	<u>-</u>	<u>-</u>	<u>5,842,976</u>
Governmental activities, capital assets, net	<u>\$6,636,359</u>	<u>\$112,309</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,748,668</u>

NOTE H - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the fund financial statements was as follows:

	<u>Unavailable</u>
Governmental funds	
Delinquent property taxes receivable	\$298,822
Grants and other	<u>134,099</u>
Total deferred/inflows of resources for governmental funds	<u>\$432,921</u>

Deferred outflows of resources consist of \$280,279 of deferred charges on refundings of long-term debt.

NOTE I – UNEARNED REVENUE

Unearned revenues principally consist of amounts for which the City has received funds in advanced for having completed the earning process and do not meet the definition of a deferred inflow of resources.

For the year ended September 30, 2013, \$46,694 of unearned revenues are reported in the government funds and in the statement of net position for amounts received for in advance of the City performing the related services.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J - LONG-TERM DEBT

Primary Government

General Obligation Bonds

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for general government activities.

General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year. General obligation bonds and certificates of obligation currently outstanding are as follows:

1. *Bonds*

	Beginning Balance <u>10-1-12</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9-30-13</u>	<u>Due In One Year</u>
<i>General Government:</i>					
2005 Series, General Obligation Bonds	\$ 675,000	\$ -	\$(215,000)	\$ 460,000	\$225,000
2006 Series, Tax Anticipation Notes	260,000	-	(260,000)	-	-
2009 Series, General Obligation Refunding Bonds	-	-	-	-	-
2011 Series, General Obligation Bonds	3,800,000	-	-	3,800,000	155,000
2012 Series, General Obligation Refunding Bonds	<u>3,165,000</u>	<u>-</u>	<u>-</u>	<u>3,165,000</u>	<u>25,000</u>
Total bonds	<u>\$7,900,000</u>	<u>\$ -</u>	<u>\$(475,000)</u>	<u>\$7,425,000</u>	<u>\$405,000</u>

The annual debt service requirements to maturity for bonds are as follows:

Year Ending <u>September 30,</u>	<u>General Obligation Bonds</u>		<u>Tax Anticipation Notes</u>		<u>Total</u>		<u>Principal and Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 405,000	\$ 240,738	\$ -	\$ -	\$ 405,000	\$ 240,738	\$ 645,738
2015	420,000	225,163	-	-	420,000	225,163	645,163
2016	435,000	210,700	-	-	435,000	210,700	645,700
2017	450,000	197,425	-	-	450,000	197,425	647,425
2018	460,000	183,775	-	-	460,000	183,775	643,775
2019-2023	2,560,000	677,138	-	-	2,560,000	677,138	3,237,138
2024-2028	1,615,000	300,450	-	-	1,615,000	300,450	1,915,450
2029-2034	<u>1,080,000</u>	<u>50,300</u>	<u>-</u>	<u>-</u>	<u>1,080,000</u>	<u>50,300</u>	<u>1,130,300</u>
	<u>\$7,425,000</u>	<u>\$2,085,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,425,000</u>	<u>\$2,085,689</u>	<u>\$9,510,689</u>

Component Unit

1. *Revenue Bond*

	Beginning Balance October 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance September 30, <u>2013</u>	<u>Amount Due In One Year</u>
2007 Series, Sales Tax Bond	<u>\$4,750,000</u>	<u>\$ -</u>	<u>\$(165,000)</u>	<u>\$4,585,000</u>	<u>\$190,000</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J - LONG-TERM DEBT - Continued

The annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 190,000	\$ 196,213	\$ 386,213
2015	210,000	187,473	397,473
2016	230,000	177,859	407,859
2017	250,000	167,371	417,371
2018	265,000	156,118	421,118
2019-2023	1,525,000	590,933	2,115,933
2024-2028	<u>1,915,000</u>	<u>216,861</u>	<u>2,131,861</u>
	<u>\$4,585,000</u>	<u>\$1,692,828</u>	<u>\$6,277,828</u>

Primary Government

On April 20, 2005, the City issued 2005 Series General Obligation Bonds in order to construct and equip a new City Hall Complex, which will consist of a new City Hall, improvements to and renovations of the existing fire department and public works facilities, and related parking and pay costs of issuance. The bonds are collateralized by the levy and collection of ad valorem taxes and will be repaid over 20 years beginning in 2006. The bonds carry interest rates ranging from 3.5% to 4.625% with interest payment dates of March 1 and September 1.

During August 2006, the City issued Series 2006 Tax Notes in order to supplement previously secured debt funding (2005 Series GO Bonds) to construct and equip a new City Hall Complex. The additional funding is necessary as a result of significant increases in construction costs which exceeded the amount of funds on deposit from the previous bond issue. The Tax Notes are collateralized by the full faith and credit of the government, and carry a term of seven years, maturing March 1, 2013. Principal is due annually, and interest payments at the rate of 4.10% are due March 1 and September 1. The debt covenants require an interest and sinking fund wherein the ad valorem taxes levied sufficient to provide for the payment of the interest on and principal of the notes will be deposited.

On December 16, 2009 the City issued General Obligation Refunding Bonds, Series 2009 in order to advance refund all of the 2002 Series, Combination Tax and Revenue Refunding Bonds as discussed above. The bonds are collateralized by the levy and collection of ad valorem taxes and will be repaid over 2 years which will begin on March 1, 2011. The bonds carry an interest rate of 2.89% with interest payment dates of March 1 and September 1.

During June 2011, the City issued Series 2011 General Obligation Bonds to construct and equip a new fire station. The bonds are collateralized by the full faith and credit of the government and will be repaid over the next 20 years. Principal is due annually, and interest payments at the rate of 3.00 – 4.00% are due March 1 and September 1. The first principal payment does not start until March 1, 2014.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J - LONG-TERM DEBT – Continued

Advance Refunding

In August 2012, the City issued Series 2012 General Obligation Refunding bonds in the amount of \$3,165,000 to provide resources to refund the majority of the City's 2005 Series General Obligation bonds and cover costs of issuance. As a result, \$2,985,000 of the Series 2005 bonds are considered to be defeased and the liability has been removed from the accounts of the City. The cost of issuance totaled \$103,287 on the Series 2012 bonds. Principal and interest payments are due annually on March 1 of each year until maturity on March 1, 2025.

The advance refunding was undertaken to reduce the City's interest payments. The advance refunding resulted in an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$201,901, and a gross savings of \$223,738. At September 30, 2013, the defeased portion of the 2005 Series General Obligation bonds had a balance of \$2,985,000. The amount of the 2005 Series General Obligation bonds that are still on the City's books is \$460,000.

The City does not have a legal debt limit mandated by law.

Capital Lease Obligations

In May 2011, the City entered into a lease-purchase agreement with Government Capital Corporation for the purchase of pickup truck. Lease payments are due annually beginning April 6, 2012.

In October 2010, the City entered into a lease-purchase agreement with Government Capital Corporation for the purchase of a Fire Ladder Truck. Lease payments are due annually beginning October 18, 2010.

In October 2010, the City entered into a lease-purchase agreement with Government Capital Corporation for the purchase of a Fire Quick Attack Truck. Lease payments are due annually beginning October 18, 2010.

In October 2011, the City entered into a lease-purchase agreement with Republic First National for the purchase of an ambulance. Lease payments are due annually beginning October 15, 2011.

In September 2012, the City entered into a lease-purchase agreement with Motorola Solutions, Inc. for the purchase of a Police Radio and Communication System. Lease payments are due in seven annual installments beginning September of 2013.

On October 10, 2012 the City entered into a master lease agreement with Merchants Automotive Group, Inc. for the purchase of a variety of vehicles for the City. The total vehicles acquired under capital leases with Merchants Automotive Group, Inc. as of September 30, 2013 was \$378,581. Lease payments are due annually beginning in June of 2013.

In May 2013, the City entered into a lease-purchase agreement with Merchants Automotive Group, Inc. for the purchase of an ambulance. Lease payments are due annually beginning May 2014.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J - LONG-TERM DEBT – Continued

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the next minimum lease payments as of September 30, 2013:

Year ending September 30,	Pickup Truck	Fire Ladder Truck	Fire Quick Attack Truck	Ambulance	Ambulance	Police Radio Equipment	Vehicles Merchant	Total
2014	\$ 6,317	\$106,439	\$ 15,163	\$ 25,700	\$ 29,276	\$ 63,062	\$104,098	\$ 350,055
2015	6,317	106,439	15,163	25,700	29,276	63,062	104,098	350,055
2016	-	106,439	23,351	25,700	29,276	63,062	77,130	324,958
2017	-	106,439	-	-	29,276	63,062	55,326	254,103
2018	-	242,788	-	-	29,276	63,062	36,346	371,472
2019 and thereafter	-	-	-	-	-	126,124	-	126,124
Total minimum lease payments	12,634	668,544	53,677	77,100	146,380	441,434	376,998	1,776,767
Less the amount representing interest	(1,570)	(89,235)	(3,997)	(4,924)	(14,573)	(52,507)	(43,731)	(210,537)
Present value of net minimum lease payments	\$ <u>11,064</u>	\$ <u>579,309</u>	\$ <u>49,680</u>	\$ <u>72,176</u>	\$ <u>131,807</u>	\$ <u>388,927</u>	\$ <u>333,267</u>	\$ <u>1,566,230</u>

Changes in Long-term Liabilities for Governmental Activities

During the year ended September 30, 2013, the following changes occurred in liabilities reported as non-current liabilities.

	October 1, 2012	Additions	Reductions	September 30, 2013	Amount Due Within One Year
Compensated absences*	\$ 811,432	\$ 613,834	\$ (610,606)	\$ 814,660	\$ 422,987
Bonds payable	7,900,000	-	(475,000)	7,425,000	405,000
Premium on bond issuances	323,312	-	(22,529)	300,783	22,529
Capital leases	826,837	899,313	(159,920)	1,566,230	366,128
Net pension obligation*	117,940	8,846	-	126,786	-
Total long-term debt	\$ <u>9,979,521</u>	\$ <u>1,521,993</u>	\$ <u>(1,268,055)</u>	\$ <u>10,233,459</u>	\$ <u>1,216,644</u>

*Compensated absences and the net pension obligation are generally liquidated by the General Fund.

Component Unit

During July 2007, the Economic Development Corporation (“EDC”) issued Sales Tax Revenue Bond Series 2007 for the purpose of paying the costs of the acquisition and construction of land, buildings, equipment, facilities and improvements relating to a birding and nature center as a public facility, funding a debt service reserve fund and paying the costs of issuance. The bonds are collateralized by the full faith and credit of the EDC and carry a term of 20 years, maturing September 30, 2028. The debt covenants require a debt service reserve fund sufficient to provide for the final principal and interest payment. The bonds carry an interest rate of 4.37% with interest payments due in March and September.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J- LONG-TERM DEBT – Continued

Changes in Long-term Liabilities for Component Units

	October 1, 2012	Additions	Reductions	September 30, 2013	Amount Due Within One Year
2007 Series, Sales Tax Bond	\$4,750,000	\$ -	\$(165,000)	\$4,585,000	\$190,000
Net pension obligation	<u>1,965</u>	<u>147</u>	<u>-</u>	<u>2,112</u>	<u>-</u>
Total long-term debt	<u>\$4,751,965</u>	<u>\$ 147</u>	<u>\$(165,000)</u>	<u>\$4,587,112</u>	<u>\$190,000</u>

NOTE K - INTERFUND ASSETS/LIABILITIES

Due to/from other funds:

<u>Payable Fund</u>	<u>Receivable Fund</u> <u>General</u>
Transportation Grant	\$188,821
Beach Maintenance	88,967
Bay Access	<u>7,167</u>
	<u>\$284,955</u>

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year end.

NOTE L - TRANSFERS

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

<u>Transfer Out Funds</u>	<u>Transfer in Funds</u>					<u>Total</u>
	<u>General</u>	Parks, Recreation and Beautification <u>Fund</u>	<u>Transportation Grant</u>	<u>Street Improvement</u>	<u>Bay Access</u>	
General	\$ -	\$ 11,000	\$ -	\$700,000	\$ 15,500	\$ 726,500
Hotel/Motel	96,405	-	50,000	-	-	146,405
Beach Maintenance	<u>282,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,774</u>
	<u>\$379,179</u>	<u>\$ 11,000</u>	<u>\$ 50,000</u>	<u>\$700,000</u>	<u>\$ 15,500</u>	<u>\$1,155,679</u>

Transfer between funds within the Component Units

<u>Transfer Out Funds</u>	<u>Transfer in Funds</u> <u>EDC</u> <u>Debt Service Fund</u>
Economic Development Corporation General Fund	<u>\$390,365</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE M - COMMITMENTS AND CONTINGENT LIABILITIES

1. *Litigation*

The City is party to various legal proceedings generally incidental to its operations. Although the ultimate disposition of these proceedings are not presently determinable in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

2. *Grant Programs*

The City and component unit participate in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

NOTE N - RISK MANAGEMENT

The City is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors and omissions; catastrophes, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool.

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$392,687,606 (as of September 30, 2013, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on the type of insurance coverage. The City must promptly pay contributions to the risk pool as outlined by the coverage contracts, comply with underwriting standards and implement loss control recommendations deemed necessary by a risk pool representative due to an eminent high risk of loss situation. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE O - PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE O - PENSION PLAN - Continued

Plan Description - Continued

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 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.0%	7.0%
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	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Annual Required Contribution (ARC)	\$885,144	\$ 6,782
Interest on net pension obligation	8,846	147
Adjustment to the ARC *	<u>-0-</u>	<u>-0-</u>
Annual Pension Cost (APC)	893,990	6,929
Contributions made	<u>(885,144)</u>	<u>(6,782)</u>
Increase (decrease) in net pension obligation	8,846	147
Net pension obligation/(asset), beginning of year	<u>117,940</u>	<u>1,965</u>
 Net pension obligation/(asset), end of year	 <u>\$126,786</u>	 <u>\$ 2,112</u>

*No adjustments were required to be made to the ARC at September 30, 2013.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE O - PENSION PLAN - Continued

Three year trend information is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
City's Annual Pension Cost (APC)		
2011	\$808,926	\$16,347
2012	859,094	7,746
2013	893,990	6,929
Percentage of APC Contributed		
2011	98%	99%
2012	99%	99%
2013	99%	98%
Net Pension Obligation		
2011	109,712	1,828
2012	117,940	1,965
2013	126,786	2,112

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

<u>Valuation Date</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.3 years; closed period	26.5 years; closed period	26.6 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE O - PENSION PLAN - Continued

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Unfunded AAL (UAAL)</u> (4)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2012	\$ <u>19,912,595</u>	\$ <u>21,571,594</u>	92.3%	\$(<u>1,658,999</u>)	\$ <u>6,794,662</u>	24.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE P - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer 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 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.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

Contributions

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.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE P - OTHER POST EMPLOYMENT BENEFITS – Continued

The City’s contributions to the TMRS SDBF for the years ended 2011, 2012 and 2013 were \$1,272, \$1,340 and \$1,382, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates
(RETIREE – only portion of the rate)**

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.02%	0.02%	100.0%
2012	0.02%	0.02%	100.0%
2013	0.02%	0.02%	100.0%

NOTE Q - ADDITIONAL HOTEL/MOTEL OCCUPANCY TAX

Senate Bill No. 550 was passed which entitles certain small coastal municipalities to receive an additional 1% hotel/motel occupancy tax allocation from the State beginning September 1, 1999. Under this law, the money must be used to clean and maintain public beaches within the City. The City received \$1,236,199 as a result of this additional allocation and expended \$781,730 of it and reserved funds during the fiscal year ended September 30, 2013. The City accounts for this activity in the Beach Maintenance Fund. The balance of the unexpended funds at the beginning of the year, \$264,745, together with interest earned on these funds of \$-0-, is increased by the current year revenue amount being larger than current year expenditure amount, leaving \$793,155 legally restricted in the fund equity portion of the balance sheet at year end.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE R – GASB STATEMENT NO. 54 FUND BALANCE REPORTING

Nonspendable – These funds were used for prepaid items.

Assigned – The City Council has authorized by resolution the assignment of a six month reserve of operating expenses in the General Fund.

Restricted – External parties have restricted these funds to be used for their intended purpose.

Unassigned – The unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>Hotel Motel/ Fund</u>	<u>Convention Centre Fund</u>	<u>Transportation Grant Fund</u>	<u>Beach Nourishment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
Fund balance (deficit)							
Non-spendable							
Prepaid	\$ 55,701	\$ 21,776	\$ 26,224	\$ 4,286	\$ -	\$ 3,778	\$ 111,765
Assigned							
Six month operating reserve	5,248,871	-	-	-	-	-	5,248,871
Restricted							
Debt service	-	-	-	-	-	309,533	309,533
Capital projects	-	-	-	-	2,074,451	562,124	2,636,575
Transportation	-	-	-	287,934	-	-	287,934
Beach maintenance	-	-	-	-	-	790,655	790,655
Municipal court	-	-	-	-	-	52,316	52,316
Criminal justice	-	-	-	-	-	3,644	3,644
Hurricane recovery	-	-	-	-	-	181,185	181,185
Parks and recreation	-	-	-	-	-	3,920	3,920
Hotel/motel tax	-	1,959,270	3,109,409	-	-	-	5,068,679
Unassigned	<u>909,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,167)</u>	<u>902,086</u>
	<u>\$6,213,825</u>	<u>\$1,981,046</u>	<u>\$3,135,633</u>	<u>\$292,220</u>	<u>\$2,074,451</u>	<u>\$1,899,988</u>	<u>\$15,597,163</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE S – NET POSITION

Net position is composed of three categories: Net Investment in Capital Assets, Restricted and Unrestricted.

	Governmental Activities	Component Units
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$25,477,206	\$ 6,748,668
Less related liabilities (bonds and capital leases)	(9,948,327)	(4,587,112)
Restricted cash (unexpended bond proceeds)	6,102	-
Net investment in capital assets – total	15,534,981	2,161,556
Restricted net position consist of the following:		
Restricted for debt service	339,434	555,034
Restricted for capital projects	2,636,575	-
Transportation	287,934	-
Restricted for beach maintenance	790,655	-
Restricted for municipal court	52,316	-
Restricted for criminal justice	3,644	-
Restricted for hurricane recovery	181,185	-
Restricted for parks and recreation	3,920	-
Restricted for hotel/motel taxes	5,068,679	-
Restricted net position – total	9,364,342	555,034
Unrestricted net position	6,588,837	699,236
Total net position	\$31,488,160	\$ 3,415,826

NOTE T – ADJUSTMENT TO BEGINNING NET POSITION

Due to the early implementation of GASB Statement No. 65, as discussed in Note A, most issuance costs for debt are no longer capitalized and amortized but rather expensed as incurred. This statement, then, requires the removal of deferred charges for issuance costs previously capitalized and reduces the beginning net position in the amounts of \$275,541 and \$49,577 in the primary government and component unit, respectively.

In addition to the removal of bond issuance costs, additional restatement of beginning net position was required to correct the deferred amount on refunding and bond premium totals, resulting in an increase in net position of \$164,803. The net restatement to net position for the current year as a result of these adjustments is a reduction of \$110,738 and \$49,577 in the primary government and component unit, respectively.

**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

**REQUIRED SUPPLEMENTARY
INFORMATION**

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of South Padre Island, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes - including penalty and interest	\$ 6,078,198	\$6,078,198	\$ 5,903,445	\$ (174,753)
Nonproperty taxes	2,902,783	2,902,783	3,155,171	252,388
Fees and services	440,106	440,106	499,126	59,020
Fines and forfeitures	388,406	388,406	440,087	51,681
Licenses and permits	216,000	216,000	150,583	(65,417)
Intergovernmental	36,249	46,987	19,954	(27,033)
Miscellaneous and program revenues	50,500	53,912	79,174	25,262
Total revenues	<u>10,112,242</u>	<u>10,126,392</u>	<u>10,247,540</u>	<u>121,148</u>
EXPENDITURES				
Current				
General government				
City council	37,500	42,500	31,719	10,781
City administration	644,670	726,679	692,165	34,514
Finance	337,773	337,773	321,135	16,638
Planning	161,719	161,719	133,074	28,645
Information services	484,380	484,380	473,966	10,414
Environmental health services	408,408	436,338	386,654	49,684
General services	891,926	892,226	816,569	75,657
Special projects	175,300	285,300	266,651	18,649
Total general government	<u>3,141,676</u>	<u>3,366,915</u>	<u>3,121,933</u>	<u>244,982</u>
Public safety				
Municipal court	185,446	185,447	167,258	18,189
Police	2,605,454	2,605,454	2,518,465	86,989
Fire	2,095,548	2,111,062	2,054,236	56,826
Emergency management	56,470	59,470	56,742	2,728
Total public safety	<u>4,942,918</u>	<u>4,961,433</u>	<u>4,796,701</u>	<u>164,732</u>
Public works				
Building maintenance	186,080	186,080	173,685	12,395
Inspections	186,772	186,772	175,069	11,703
Fleet Management	588,824	469,186	449,945	19,241
Public works	978,252	1,045,434	997,239	48,195
Total public works	<u>1,939,928</u>	<u>1,887,472</u>	<u>1,795,938</u>	<u>91,534</u>
Capital outlay	105,900	979,550	907,275	72,275
Debt service				
Principal retirement - capital lease	-	153,606	152,636	970
Interest and fees	-	42,614	47,209	(4,595)
Total debt service	<u>-</u>	<u>196,220</u>	<u>199,845</u>	<u>(3,625)</u>
Total expenditures	<u>10,130,422</u>	<u>11,391,590</u>	<u>10,821,692</u>	<u>569,898</u>
EXCESS OF REVENUES OVER EXPENDITURES	(18,180)	(1,265,198)	(574,152)	691,046

City of South Padre Island, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CONTINUED
For the Year Ended September 30, 2013

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Sale of fixed asset	32,000	\$ 32,000	\$ -	\$ (32,000)
Lease proceeds	-	\$ 804,825	\$ 806,663	\$ 1,838
Transfers in	321,405	321,405	379,179	57,774
Transfers out	<u>(276,500)</u>	<u>(776,500)</u>	<u>(776,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>76,905</u>	<u>381,730</u>	<u>409,342</u>	<u>27,612</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 58,725</u>	 <u>\$ (883,468)</u>	 <u>(164,810)</u>	 <u>\$ 718,658</u>
 Fund balance -- beginning			 <u>6,378,635</u>	
 Fund balance -- ending			 <u>\$ 6,213,825</u>	

City of South Padre Island, Texas
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 3,883,271	\$ 3,883,271	\$ 4,233,791	\$ 350,520
Fees and services	13,000	13,000	74,226	61,226
Miscellaneous and program revenues	<u>-</u>	<u>-</u>	<u>5,669</u>	<u>5,669</u>
Total revenues	3,896,271	3,896,271	4,313,686	417,415
EXPENDITURES				
Current				
Convention and visitors bureau				
Visitors bureau	220,304	220,304	214,420	5,884
Sales and marketing	798,714	835,337	717,417	117,920
Events marketing	709,532	872,909	774,213	98,696
Marketing	<u>2,017,000</u>	<u>1,832,000</u>	<u>1,749,322</u>	<u>82,678</u>
Total community service	<u>3,745,550</u>	<u>3,760,550</u>	<u>3,455,372</u>	<u>305,178</u>
Total expenditures	<u>3,745,550</u>	<u>3,760,550</u>	<u>3,455,372</u>	<u>305,178</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	150,721	135,721	858,314	722,593
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(96,405)</u>	<u>(96,405)</u>	<u>(96,405)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 54,316</u>	<u>\$ 39,316</u>	761,909	<u>\$ 722,593</u>
Fund balance -- beginning			<u>1,219,137</u>	
Fund balance -- ending			<u>\$ 1,981,046</u>	

City of South Padre Island, Texas
CONVENTION CENTRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	1,949,253	1,949,253	\$ 2,300,424	\$ 351,171
Convention center revenue	201,000	201,000	212,737	11,737
Miscellaneous and program revenues	5,000	5,000	12,504	7,504
Total revenues	<u>2,155,253</u>	<u>2,155,253</u>	<u>2,525,665</u>	<u>370,412</u>
EXPENDITURES				
Current				
Convention and visitors bureau				
Convention centre	1,956,020	2,607,132	1,858,146	748,986
Total community service	1,956,020	2,607,132	1,858,146	748,986
Debt service				
Principal retirement - capital lease	-	1,750	1,750	-
Interest and fees	-	615	615	-
Capital outlay	131,500	129,144	87,726	41,418
Total expenditures	<u>2,087,520</u>	<u>2,738,641</u>	<u>1,948,237</u>	<u>790,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,733	(583,388)	577,428	1,160,816
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	26,243	26,243	-
NET CHANGE IN FUND BALANCE	<u>\$ 67,733</u>	<u>\$ (557,145)</u>	603,671	<u>\$ 1,160,816</u>
Fund balance -- beginning			<u>2,531,962</u>	
Fund balance -- ending			<u>\$ 3,135,633</u>	

City of South Padre Island, Texas
TRANSPORTATION GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,193,309	\$ 1,523,309	\$ 1,277,376	\$ (245,933)
Miscellaneous and program revenues	<u>50,000</u>	<u>\$ 50,000</u>	<u>54,567</u>	<u>4,567</u>
Total revenues	1,243,309	1,573,309	1,331,943	(241,366)
EXPENDITURES				
Current				
Transportation				
Transportation	<u>1,132,099</u>	<u>1,194,403</u>	<u>1,104,987</u>	<u>89,416</u>
Total transportation	1,132,099	1,194,403	1,104,987	89,416
Capital outlay	<u>134,547</u>	<u>506,738</u>	<u>255,629</u>	<u>251,109</u>
Debt service				
Principal retirement - capital lease	-	3,158	3,158	-
Interest and fees	<u>-</u>	<u>850</u>	<u>850</u>	<u>-</u>
Total debt service	<u>-</u>	<u>4,008</u>	<u>4,008</u>	<u>-</u>
Total expenditures	<u>1,266,646</u>	<u>1,705,149</u>	<u>1,364,624</u>	<u>340,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,337)	(131,840)	(32,681)	(581,891)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	37,900	37,900	-
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>87,900</u>	<u>87,900</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 26,663</u>	<u>\$ (43,940)</u>	55,219	<u>\$ (581,891)</u>
Fund balance -- beginning			<u>237,001</u>	
Fund balance -- ending			<u>\$ 292,220</u>	

City of South Padre Island, Texas
BEACH NOURISHMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 361,189	\$ 361,189	\$ 408,373	\$ 47,184
Intergovernmental	-	170,000	670,000	500,000
Miscellaneous and program revenues	-	-	15	15
Total revenues	<u>361,189</u>	<u>531,189</u>	<u>1,078,388</u>	<u>547,199</u>
EXPENDITURES				
Current				
Community service	<u>725,825</u>	<u>725,825</u>	<u>401,640</u>	<u>324,185</u>
Total expenditures	<u>725,825</u>	<u>725,825</u>	<u>401,640</u>	<u>324,185</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(364,636)</u>	<u>(194,636)</u>	<u>676,748</u>	<u>871,384</u>
NET CHANGE IN FUND BALANCE	<u>\$ (364,636)</u>	<u>\$ (194,636)</u>	676,748	<u>\$ 871,384</u>
Fund balance -- beginning			<u>1,397,703</u>	
Fund balance -- ending			<u>\$ 2,074,451</u>	

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City of South Padre Island, Texas
Pension Plan (TMRS) Schedule of Funding Progress
September 30, 2013

Funding Progress - An analysis of funding progress for the entity as of September 30, 2013, follows.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Overfunded (Unfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	AAL (UAAL) as a Percentage of Covered Payroll
12/31/00	\$ 4,329,488	\$ 3,988,713	\$ 340,775	108.5%	\$2,615,100	13.03%
12/31/01	4,963,975	4,914,601	49,374	101.0	3,004,274	1.64%
12/31/02	5,847,815	5,931,321	(83,506)	98.6	3,473,974	(2.40%)
12/31/03	6,706,656	7,041,472	(334,816)	95.2	3,645,911	(9.18%)
12/31/04	7,548,520	7,751,625	(203,105)	97.4	3,632,677	(5.59%)
12/31/05	8,454,007	8,728,488	(274,481)	96.9	4,265,760	(6.43%)
12/31/06	9,414,303	9,739,958	(325,655)	96.7	4,604,059	(7.07%)
12/31/07	9,493,921	11,001,566	(1,507,645)	86.3	4,748,977	(31.75%)
12/31/08	10,760,696	12,965,920	(2,205,224)	83.0	5,769,030	(38.23%)
12/31/09	11,621,877	14,279,003	(2,657,126)	81.4	6,483,656	(40.98%)
12/31/10	15,874,558	18,452,536	(2,577,978)	86.0	6,403,565	(40.26%)
12/31/11	17,787,878	19,875,154	(2,087,276)	89.5	6,572,549	(31.76%)
12/31/12	19,912,595	21,571,594	(1,658,999)	92.3	6,794,662	(24.4%)

City of South Padre Island, Texas
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2013

Stewardship, compliance, and accountability

1. *Budgetary information*

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund, certain special revenue funds and the debt service fund. The City is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for the general fund and major special revenue funds at the functional level of detail, as included herein.

In establishing budgetary data reflected in the financial statements, the City follows these procedures:

- a. The City Manager establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures by fund, function and activity and the means of financing them.
- c. Public hearings and workshops (including department heads) are conducted at the City Hall to obtain taxpayer and elected officials’ comments.
- d. Prior to October 1, the budget is legally adopted by the City Council.
- e. Revisions that alter budgets at the department level within a fund must be approved by the City Council. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types reflect these revisions. Actual expenditures and operating transfers may not legally exceed budget appropriations at the individual fund level.
- f. Formal budgetary integration is employed as a management control device during the year for the General, certain Special Revenue and Debt Service Funds.
- g. Annual appropriated budgets are adopted for the General, certain Special Revenue and Debt Service Funds. All annual appropriations lapse at year-end to the extent they have not been expended or encumbered.

Before October 1, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

2. *Expenditures over Appropriations*

None noted.

3. *Net Position Deficit*

A deficit balance in unrestricted net position/fund balance occurred in the following funds for the year ended September 30, 2013 by the indicated amounts:

Bay Access Fund	\$(7,167)
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**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

**OTHER SUPPLEMENTARY
INFORMATION**

NON-MAJOR GOVERNMENTAL FUND STATEMENTS AND SCHEDULES

Special revenue fund: **Municipal Court Technology Fund** was established to account for monies collected on traffic fines. \$4.00 is collected on each ticket and is used specifically for technology improvements in the Municipal Court.

Special revenue fund: **Municipal Court Security Fund** was established to account for monies collected on traffic fines. \$3.00 is collected on each ticket and is used specifically for security needs in the Municipal Court.

Special revenue fund: **Criminal Justice Fund** is used to account for miscellaneous grant revenues that are received.

Special revenue fund: **Hurricane Recovery Fund** was established to account for insurance, grant and local funds that will be used for future hurricane related expenditures.

Special revenue fund: **Parks and Recreation Fund** was established to account for funds set aside for upgrades to City parks.

Special revenue fund: **Capital Replacement Fund** was established to account for capital acquisitions needed which include fleet for police, fire, and public works.

Special revenue fund: **Street Improvement Fund** is used to account for improvements on the streets of the City.

Capital project fund: **Construction in Progress Fund** is used to account for the bond proceeds received to fund the expenditures associated with the construction of the City's new fire station.

Capital project fund: **Beach Maintenance Fund** is used to clean and maintain the beach. The State of Texas sends the City 1% of the hotel/motel tax collected by the State for these efforts.

Capital project fund: **Beach Access Fund** is used to account for projects to improve access to the beaches of the City.

Capital project fund: **Bay Access Fund** was established to account for projects to improve access to the Laguna Madre Bay.

The **Debt Service Fund** is used to account for the accumulation of resources for the payment of long-term debt principal and interest and related costs. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it comes due. A transfer from the Convention Centre fund is also made to support the debt for the Convention Centre.

City of South Padre Island, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
September 30, 2013

	Special Revenue Funds						
	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Hurricane Recovery Fund	Parks and Recreation Fund	Capital Replacement Fund	Street Improvement Fund
ASSETS							
Cash and cash equivalents	\$ 11,331	\$ 40,985	\$ 3,644	\$ 181,185	\$ 3,920	\$ 54,500	\$ 497,027
Receivables (net of allowance)							
Taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	1,278	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 12,609</u>	<u>\$ 40,985</u>	<u>\$ 3,644</u>	<u>\$ 181,185</u>	<u>\$ 3,920</u>	<u>\$ 54,500</u>	<u>\$ 497,027</u>
LIABILITIES AND FUND BALANCE							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
Fund balance							
Nonspendable	1,278	-	-	-	-	-	-
Restricted	11,331	40,985	3,644	181,185	3,920	54,500	497,027
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCE	<u>12,609</u>	<u>40,985</u>	<u>3,644</u>	<u>181,185</u>	<u>3,920</u>	<u>54,500</u>	<u>497,027</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 12,609</u>	<u>\$ 40,985</u>	<u>\$ 3,644</u>	<u>\$ 181,185</u>	<u>\$ 3,920</u>	<u>\$ 54,500</u>	<u>\$ 497,027</u>

Capital Projects Funds						
Construction In Progress Fund	Beach Maintenance Fund	Beach Access Fund	Bay Access Fund	Total	Debt Service	Total Non Major Governmental Funds
\$ 6,102	\$ -	\$ 4,495	\$ -	\$ 803,189	\$ 303,833	\$1,107,022
-	-	-	-	-	33,797	33,797
-	5,806	-	-	5,806	1,804	7,610
-	873,816	-	-	873,816	-	873,816
-	2,500	-	-	3,778	-	3,778
<u>\$ 6,102</u>	<u>\$ 882,122</u>	<u>\$ 4,495</u>	<u>\$ -</u>	<u>\$ 1,686,589</u>	<u>\$ 339,434</u>	<u>\$2,026,023</u>
<u>\$ -</u>	<u>88,967</u>	<u>-</u>	<u>\$ 7,167</u>	<u>\$ 96,134</u>	<u>\$ -</u>	<u>\$ 96,134</u>
-	88,967	-	7,167	96,134	-	96,134
-	-	-	-	-	29,901	29,901
-	-	-	-	-	29,901	29,901
-	2,500	-	-	3,778	-	3,778
6,102	790,655	4,495	-	1,593,844	309,533	1,903,377
-	-	-	(7,167)	(7,167)	-	(7,167)
<u>6,102</u>	<u>793,155</u>	<u>4,495</u>	<u>(7,167)</u>	<u>1,590,455</u>	<u>309,533</u>	<u>1,899,988</u>
<u>\$ 6,102</u>	<u>\$ 882,122</u>	<u>\$ 4,495</u>	<u>\$ -</u>	<u>\$ 1,686,589</u>	<u>\$ 339,434</u>	<u>\$2,026,023</u>

City of South Padre Island, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended September 30, 2013

	Special Revenue Funds						
	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Hurricane Recovery Fund	Parks and Recreation Fund	Capital Replacement Fund	Street Improvement Fund
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	-	-	-
Fees and services	-	-	-	-	-	-	-
Fines and forfeitures	8,693	6,520	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	7,060	-	-
Total revenues	<u>8,693</u>	<u>6,520</u>	<u>-</u>	<u>-</u>	<u>7,060</u>	<u>-</u>	<u>-</u>
Expenditures							
Current							
General government	-	-	-	24,103	-	-	-
Public safety	9,972	560	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Community service	-	-	-	-	16,512	-	-
Capital outlay	-	-	-	-	-	-	210,885
Debt service							
Principal - bonds	-	-	-	-	-	-	-
Principal - capital lease	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative charges	-	-	-	-	-	-	-
Total expenditures	<u>9,972</u>	<u>560</u>	<u>-</u>	<u>24,103</u>	<u>16,512</u>	<u>-</u>	<u>210,885</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	(1,279)	5,960	-	(24,103)	(9,452)	-	(210,885)
Other financing sources (uses)							
Sale of capital assets	-	-	-	-	-	22,777	-
Lease proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	11,000	-	700,000
Transfers (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>22,777</u>	<u>700,000</u>
NET CHANGE IN FUND BALANCES	(1,279)	5,960	-	(24,103)	1,548	22,777	489,115
Fund balance, beginning of year	<u>13,888</u>	<u>35,025</u>	<u>3,644</u>	<u>205,288</u>	<u>2,372</u>	<u>31,723</u>	<u>7,912</u>
Fund balance, end of year	<u>\$ 12,609</u>	<u>\$ 40,985</u>	<u>\$ 3,644</u>	<u>\$ 181,185</u>	<u>\$ 3,920</u>	<u>\$ 54,500</u>	<u>\$ 497,027</u>

Capital Projects Funds						
Construction In Progress Fund	Beach Maintenance Fund	Beach Access Fund	Bay Access Fund	Total	Debt Service	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 762,903	\$ 762,903
-	1,236,199	-	-	1,236,199	-	1,236,199
-	-	-	-	-	-	-
-	-	-	-	15,213	-	15,213
54,772	45,434	-	164,198	264,404	-	264,404
-	-	-	-	7,060	-	7,060
<u>54,772</u>	<u>1,281,633</u>	<u>-</u>	<u>164,198</u>	<u>1,522,876</u>	<u>762,903</u>	<u>2,285,779</u>
58,472	-	-	-	82,575	-	82,575
-	147,292	-	-	157,824	-	157,824
-	269,828	-	13,973	283,801	-	283,801
-	-	-	-	16,512	-	16,512
51,024	78,821	-	-	340,730	-	340,730
-	-	-	-	-	475,000	475,000
-	2,376	-	-	2,376	-	2,376
-	236	-	-	236	259,273	259,509
-	403	-	-	403	(7,770)	(7,367)
<u>109,496</u>	<u>498,956</u>	<u>-</u>	<u>13,973</u>	<u>884,457</u>	<u>726,503</u>	<u>1,610,960</u>
(54,724)	782,677	-	150,225	638,419	36,400	674,819
-	-	-	-	22,777	-	22,777
-	28,507	-	-	28,507	-	28,507
-	-	-	15,500	726,500	-	726,500
-	(282,774)	-	-	(282,774)	-	(282,774)
-	(254,267)	-	15,500	495,010	-	495,010
(54,724)	528,410	-	165,725	1,133,429	36,400	1,169,829
<u>60,826</u>	<u>264,745</u>	<u>4,495</u>	<u>(172,892)</u>	<u>457,026</u>	<u>273,133</u>	<u>730,159</u>
<u>\$ 6,102</u>	<u>\$ 793,155</u>	<u>\$ 4,495</u>	<u>\$ (7,167)</u>	<u>\$ 1,590,455</u>	<u>\$ 309,533</u>	<u>\$ 1,899,988</u>

City of South Padre Island, Texas
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 734,271	\$ 734,271	\$ 762,903	\$ 28,632
Total revenues	734,271	734,271	762,903	28,632
EXPENDITURES				
Debt service				
Principal retirement	475,000	475,000	475,000	-
Interest	259,271	259,271	259,273	(2)
Administrative charges	-	-	(7,770)	7,770
Total expenditures	<u>734,271</u>	<u>734,271</u>	<u>726,503</u>	<u>7,768</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	36,400	36,400
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	36,400	<u>\$ 36,400</u>
Fund balance -- beginning			<u>273,133</u>	
Fund balance -- ending			<u>\$ 309,533</u>	

COMPONENT UNIT

South Padre Island Economic Development Corporation (EDC): The five-member board of directors is appointed by the City Council. The EDC is authorized to administer the distribution of the proceeds of any development bonds issued and the proceeds of certain development sales taxes received on behalf of the City. The EDC's operational and capital budget must be approved by the City Council.

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNIT
COMBINING BALANCE SHEET
September 30, 2013

ASSETS	Economic Development Corporation General Fund	Birding Center Construction Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
Cash and cash equivalents	\$ 309,759	\$ -	\$ 438,808	\$ 26,238	\$ 774,805
Receivables	169,986	-	-	-	169,986
Prepaid items	-	-	-	290,182	290,182
Loans receivable	<u>89,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,988</u>
 TOTAL ASSETS	 <u>\$ 569,733</u>	 <u>\$ -</u>	 <u>\$ 438,808</u>	 <u>\$ 316,420</u>	 <u>\$ 1,324,961</u>
 LIABILITIES					
Accounts payable	\$ 69,224	\$ -	\$ -	\$ -	\$ 69,224
Other liabilities	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,467</u>
 TOTAL LIABILITIES	 70,691	 -	 -	 -	 70,691
 DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - noncurrent receivables	<u>89,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,988</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 89,988	 -	 -	 -	 89,988
 FUND BALANCE					
Nonspendable	-	-	-	290,182	290,182
Restricted	-	-	438,808	26,238	465,046
Unassigned	<u>409,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,054</u>
 TOTAL FUND BALANCES	 <u>409,054</u>	 <u>-</u>	 <u>438,808</u>	 <u>316,420</u>	 <u>1,164,282</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u>\$ 569,733</u>	 <u>\$ -</u>	 <u>\$ 438,808</u>	 <u>\$ 316,420</u>	 <u>\$ 1,324,961</u>

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE COMBINING BALANCE SHEET OF THE
COMPONENT UNIT TO THE STATEMENT OF NET POSITION
September 30, 2013

Fund balances of the component unit funds	\$ 1,164,282
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Amounts reported for *governmental type activities* in the statement of net position are different because:

Capital assets used in governmental type activities are not financial resources and therefore are not reported in the	6,748,668
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	89,988
Some liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.	(4,586,975)
Bond issue costs are expensed during the period incurred in the funds, but are amortized as an adjustment to interest expense in the statement of activities over the remaining life	-
Liabilities for net pension obligations are not due in the current period and therefore are not reported in the funds.	<u>(137)</u>

Net position of governmental type activities	<u><u>\$ 3,415,826</u></u>
--	----------------------------

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2013

	Economic Development Corporation General Fund	Birding Center Construction Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
REVENUES					
Sales taxes	\$ 705,550	\$ -	\$ -	\$ -	\$ 705,550
Fees and services	1,300	-	-	-	1,300
Intergovernmental revenues	261,709	-	-	-	261,709
Loan revenue	7,457	-	-	-	7,457
Miscellaneous and program revenues	<u>8,632</u>	<u>-</u>	<u>618</u>	<u>21</u>	<u>9,271</u>
Total revenues	984,648	-	618	21	985,287
EXPENDITURES					
Current					
Community service	280,160	-	-	-	280,160
Debt service					
Principal retirement	-	-	-	165,000	165,000
Interest expense	-	-	-	203,870	203,870
Capital outlay	<u>248,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,456</u>
Total expenditures	<u>528,616</u>	<u>-</u>	<u>-</u>	<u>368,870</u>	<u>897,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	456,032	-	618	(368,849)	87,801
Other financing sources (uses)					
Transfers out	(390,365)	-	-	-	(390,365)
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,365</u>	<u>390,365</u>
Total other financing sources (uses)	<u>(390,365)</u>	<u>-</u>	<u>-</u>	<u>390,365</u>	<u>-</u>
Net change in fund balances	65,667	-	618	21,516	87,801
Fund balance -- beginning	<u>343,387</u>	<u>-</u>	<u>438,190</u>	<u>294,904</u>	<u>1,076,481</u>
Fund balance -- ending	<u>\$ 409,054</u>	<u>\$ -</u>	<u>\$ 438,808</u>	<u>\$ 316,420</u>	<u>\$1,164,282</u>

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE COMPONENT UNIT FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Net change in fund balances --total component unit funds	\$ 87,801
<p>Amounts reported for <i>governmental type activities</i> in the statement of activities</p>	
<p>Governmental type 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. This is the amount by which current period capital outlay (\$248,456) exceeded depreciation (\$136,147).</p>	112,309
<p>Bond issue costs reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental type funds.</p>	
<p>The change in Net Pension Obligation during the year is reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds.</p>	(147)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	165,000
<p>Governmental type funds report loans made to outside parties as expenditures. However, in government wide statements, it has no effect on the change in net position.</p>	<u>(7,457)</u>
Change in net position of governmental activities	<u>\$ 357,506</u>

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**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

STATISTICAL SECTION

STATISTICAL SECTION

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

CONTENTS

Financial Trends

Schedules 1-4

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

Schedules 5-9

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and the hotel-motel tax.

Debt Capacity

Schedules 10-13

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

Schedules 14-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

Schedules 16-19

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs.

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

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City of South Padre Island, Texas
NET POSITION BY COMPONENT
 Last ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Governmental activities										
Net investment in capital assets	\$ 9,242,667	\$ 9,506,514	\$ 11,150,821	\$ 13,855,905	\$ 15,236,797	\$ 19,257,279	\$ 17,882,812	\$ 17,420,780	\$ 18,312,199	\$ 15,534,981
Restricted	-	-	1,320,614	1,555,329	1,000,669	308,130	5,034,471	4,700,307	6,079,979	9,364,342
Unrestricted	10,454,635	12,393,418	11,831,195	11,440,132	10,159,970	10,088,864	5,768,869	6,174,054	5,697,496	6,588,837
Total governmental activities net position	\$ 19,697,302	\$ 21,899,932	\$ 24,302,630	\$ 26,831,366	\$ 26,397,436	\$ 29,654,273	\$ 28,686,152	\$ 28,295,141	\$ 30,089,674	\$ 31,488,160

* The City of South Padre Island first implemented GASB Statement No. 63 and 65 in 2013, resulting in adjustment to beginning net position. None of the years prior to fiscal year end 2013 have been restated to reflect implementation of the new standards.

Note: The City of South Padre Island first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

City of South Padre Island, Texas
CHANGES IN NET POSITION
 Last ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 1,820,340	\$ 2,290,443	\$ 2,077,020	\$ 3,412,111	\$ 3,668,745	\$ 3,680,425	\$ 4,244,372	\$ 3,916,708	\$ 3,262,899	\$ 3,616,084
Public safety	2,979,773	3,122,467	3,322,420	3,408,818	4,106,050	4,358,811	4,675,136	4,639,591	5,154,019	5,617,282
Public works	1,466,481	1,565,958	1,640,199	1,833,529	2,090,705	2,761,388	2,818,149	2,842,168	3,104,579	2,766,161
Transportation	330,647	336,807	438,652	474,087	1,129,802	647,664	899,298	1,103,616	1,275,542	1,898,136
Community service	-	-	-	365,753	528,546	832,168	40,494	820,784	119,300	621,036
Convention and visitors bureau	3,650,369	6,223,221	5,331,206	4,255,478	6,324,100	6,160,287	5,834,572	5,846,869	5,556,513	5,313,518
Interest on long-term debt	171,308	20,700	336,307	383,137	340,220	295,920	310,207	327,532	559,912	306,808
Total primary governmental activities expenses	10,418,918	13,559,596	13,145,804	14,132,913	18,188,168	18,736,663	18,822,228	19,497,268	19,032,764	20,139,025
Program Revenues										
Governmental activities:										
Charges for services:										
General government	33,493	35,720	39,589	35,585	30,642	28,222	27,973	222,573	218,276	156,108
Public safety	495,914	430,254	265,699	295,561	219,209	410,295	424,681	497,934	990,410	881,900
Public works	314,149	465,949	838,069	399,519	529,974	280,498	639,148	36,843	22,646	31,246
Transportation	27,216	27,206	28,945	32,050	30,000	30,000	74,500	30,000	52,250	30,000
Convention and visitors bureau	256,112	271,599	316,844	271,693	275,347	337,470	300,690	270,838	244,750	286,963
Operating grants and contributions	262,471	2,036,705	618,358	777,984	843,668	1,373,380	714,938	996,779	1,074,032	954,301
Capital grants and contributions	89,710	130,064	71,000	123,767	234,310	249,808	190,604	682,935	1,296,789	1,277,434
Total governmental activities program revenues	1,479,065	3,397,497	2,178,504	1,936,159	2,160,432	2,709,673	2,372,534	2,737,902	3,899,153	3,617,952
Net (Expense)/Revenue										
Total primary government net expense	(8,939,853)	(10,162,099)	(10,967,300)	(12,196,754)	(16,027,716)	(16,026,990)	(16,449,694)	(16,759,366)	(15,133,611)	(16,521,073)
General revenues										
Property taxes	3,126,830	3,732,956	4,165,498	4,780,512	5,483,386	6,089,968	6,098,437	6,391,852	6,512,050	6,598,351
Sales & Mixed Beverage taxes	1,642,306	1,711,622	1,866,426	1,897,938	1,965,363	2,295,465	2,001,606	2,116,727	2,171,134	2,335,306
Franchise taxes	602,821	621,012	644,126	748,363	792,992	792,501	802,819	821,796	806,646	819,865
Hotel motel taxes	4,473,153	4,878,739	5,191,304	5,334,627	4,610,239	4,638,099	5,238,745	5,658,555	6,166,994	6,534,215
Hotel motel padre blvd. taxes	331,870	350,414	33,305	-	-	-	-	-	-	-
Hotel motel beach mtn. taxes	626,481	661,420	704,337	741,411	630,474	751,950	945,050	988,132	1,086,920	1,644,572
Unrestricted investment earnings	92,230	375,354	734,068	796,864	546,491	198,941	143,463	97,265	49,345	38,830
Gain (loss) on sale of capital assets	-	10,365	(5,767)	1,485,785	14,234	16,810	16,810	(17,050)	4,545	-
Insurance recoveries	-	-	-	-	-	4,401,118	16,510	-	-	-
Miscellaneous	10,718	22,847	36,701	425,776	79,056	101,551	218,133	311,078	130,510	59,156
Total general revenues	10,906,409	12,364,729	13,369,998	14,725,491	15,593,786	19,283,827	15,481,573	16,368,355	16,928,144	18,030,295
Changes in Net Position										
Total governmental activities	\$ 1,966,556	\$ 2,202,630	\$ 2,402,698	\$ 2,528,737	\$ (433,930)	\$ 3,256,837	\$ (968,121)	\$ (391,011)	\$ 1,794,533	\$ 1,509,222

Source: Statement of Activities

Note: The City of South Padre Island first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

City of South Padre Island, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Pre GASB 54										
Reserved	\$ 481,152	\$ 448,862	\$ 35,721	\$ 54,073	\$ 37,321	\$ 35,092	\$ 31,623	\$ -	\$ -	\$ -
Unreserved	3,454,047	4,250,065	4,329,297	5,095,575	5,768,180	6,477,049	6,144,362	-	-	-
Total pre GASB 54	\$3,935,199	\$ 4,698,927	\$ 4,365,018	\$5,149,648	\$5,805,501	\$6,512,141	\$6,175,985	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,959	\$ 21,542	\$ 55,701
Assigned	-	-	-	-	-	-	-	4,899,405	4,937,269	5,248,871
Six month operating reserve	-	-	-	-	-	-	-	1,344,359	1,419,824	909,253
Unassigned	-	-	-	-	-	-	-	\$6,289,723	\$6,378,635	\$6,213,825
Total post GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds										
Pre GASB 54										
Reserved	\$ 485,622	\$ 427,649	\$ 577,625	\$ 568,453	\$ 766,366	\$ 729,340	\$ 696,464	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,736,110	6,598,953	6,133,843	5,857,458	681,831	3,040,415	2,590,794	-	-	-
Capital projects funds	625,681	5,700,520	7,307,966	1,609,091	4,048,185	478,262	1,691,350	-	-	-
Total pre GASB 54	\$6,847,413	\$12,727,122	\$14,019,434	\$8,035,002	\$5,496,382	\$4,248,017	\$4,978,608	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,554	\$ 148,890	\$ 54,786
Restricted:										
Debt service	-	-	-	-	-	-	-	429,784	273,133	309,533
Capital projects	-	-	-	-	-	-	-	4,914,411	1,502,659	2,636,575
Transportation	-	-	-	-	-	-	-	154,277	235,999	287,934
Beach maintenance	-	-	-	-	-	-	-	78,887	264,395	790,655
Municipal court	-	-	-	-	-	-	-	43,562	48,913	53,594
Criminal justice	-	-	-	-	-	-	-	3,433	3,644	3,644
Hurricane recovery	-	-	-	-	-	-	-	248,227	205,288	181,185
Parks and recreation	-	-	-	-	-	-	-	2,185	2,372	3,920
Hotel/motel tax	-	-	-	-	-	-	-	2,442,154	3,603,561	5,068,679
Unassigned	-	-	-	-	-	-	-	-	(172,892)	(7,167)
Total post GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,431,474	\$ 6,115,962	\$ 9,383,338

City of South Padre Island, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
REVENUES				
Property taxes	\$3,126,553	\$3,743,132	\$4,123,204	\$4,719,773
Nonproperty taxes	7,676,631	8,223,206	8,439,497	8,722,337
Fees and services	273,285	288,136	335,617	287,475
Fines and forfeitures	454,340	386,011	265,700	295,560
Licenses and permits	316,180	512,384	887,829	451,372
Intergovernmental	434,464	2,210,966	489,358	920,629
Miscellaneous and program revenues	<u>103,745</u>	<u>398,202</u>	<u>970,769</u>	<u>1,203,760</u>
Total revenues	<u>12,385,198</u>	<u>15,762,037</u>	<u>15,511,974</u>	<u>16,600,906</u>
EXPENDITURES				
General	1,788,195	2,123,657	1,967,410	2,179,937
Public safety	2,697,669	2,860,988	3,135,257	3,256,352
Public works	1,028,903	1,101,741	1,158,093	1,346,075
Transportation	292,721	295,769	382,221	430,979
Community service	91,080	1,572,109	179,277	616,566
Convention and visitors bureau	3,045,418	4,145,010	4,627,296	4,423,112
Debt service				
Principal retirement	585,000	655,000	845,000	1,065,000
Interest	171,308	234,820	329,844	372,160
Administrative charges	-	119,461	32,100	500
Capital outlay	<u>869,735</u>	<u>1,065,470</u>	<u>3,503,133</u>	<u>8,110,027</u>
Total expenditures	<u>10,570,029</u>	<u>14,174,025</u>	<u>16,159,631</u>	<u>21,800,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,815,169	1,588,012	(647,657)	(5,199,802)
Other financing sources (uses)				
Sale of fixed assets	-	10,365	6,060	-
Lease Proceeds	-	-	-	-
Proceeds from issuance of bonds	-	5,045,060	1,600,000	-
Premium on issuance of bonds	-	-	-	-
Uses of debt refunding	-	-	-	-
Bond issue costs	-	-	-	-
Insurance Proceeds	-	-	-	-
Transfers out	(1,648,535)	(1,929,200)	(3,105,238)	(2,031,131)
Transfers in	<u>1,648,535</u>	<u>1,929,200</u>	<u>3,105,238</u>	<u>2,031,131</u>
Total other financing sources and (uses)	<u>-</u>	<u>5,055,425</u>	<u>1,606,060</u>	<u>-</u>
Net change in fund balances	<u>\$1,815,169</u>	<u>\$6,643,437</u>	<u>\$958,403</u>	<u>(\$5,199,802)</u>
Debt service as a percentage of noncapital expenditures	7.80%	6.79%	9.28%	10.50%

2008	2009	2010	2011	2012	2013
\$5,393,449	\$6,115,209	\$6,042,754	\$6,407,899	\$6,572,035	\$6,666,348
7,999,068	8,478,004	8,988,221	9,585,210	10,231,694	11,333,958
298,189	353,545	529,702	411,771	847,528	786,089
219,209	295,990	379,684	424,124	517,776	455,300
573,866	322,645	557,605	222,292	191,105	150,583
1,077,978	1,056,767	905,542	1,679,714	2,202,888	2,231,734
616,757	981,229	361,596	408,344	179,856	158,989
<u>16,178,516</u>	<u>17,603,389</u>	<u>17,765,104</u>	<u>19,139,354</u>	<u>20,742,882</u>	<u>21,783,001</u>
4,084,721	3,124,195	3,801,677	3,441,451	2,912,655	3,204,508
3,822,108	4,101,247	4,478,384	4,313,528	4,806,764	4,954,525
1,484,580	2,156,348	2,158,644	2,188,234	2,424,423	2,079,739
1,063,572	552,966	782,525	957,492	1,078,641	1,104,987
326,736	832,168	40,494	820,784	119,300	418,152
5,114,147	5,532,594	4,653,373	4,972,074	4,740,409	5,313,518
1,110,000	1,160,000	1,205,000	932,358	982,225	634,920
329,243	285,443	275,612	261,642	400,165	301,716
500	-	-	2,736	800	(900)
3,211,465	4,816,260	906,820	2,417,098	5,628,071	1,591,360
<u>20,547,072</u>	<u>22,561,221</u>	<u>18,302,529</u>	<u>20,307,397</u>	<u>23,093,453</u>	<u>19,602,525</u>
(4,368,556)	(4,957,832)	(537,425)	(1,168,043)	(2,350,571)	2,180,476
1,485,785	14,989	85,350	25,933	4,771	22,777
-	-	-	902,220	119,200	899,313
1,000,000	-	830,000	3,800,000	3,165,000	-
-	-	-	101,462	289,990	-
-	-	-	-	(3,351,703)	-
-	-	-	(94,968)	(103,287)	-
-	4,401,118	16,510	-	-	-
(2,209,420)	(2,371,184)	(1,587,679)	(853,568)	(1,200,089)	(1,155,679)
2,209,420	2,371,184	1,587,679	853,568	1,200,089	1,155,679
<u>2,485,785</u>	<u>4,416,107</u>	<u>931,860</u>	<u>4,734,647</u>	<u>123,971</u>	<u>922,090</u>
<u>(\$1,882,771)</u>	<u>(\$541,725)</u>	<u>\$394,435</u>	<u>\$3,566,604</u>	<u>(\$2,226,600)</u>	<u>\$3,102,566</u>
8.30%	8.15%	8.51%	6.67%	7.92%	5.20%

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Net Taxable Assessed Value		Less: Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2004	1,222,211,135	26,540,260	44,573,534	1,204,177,861	0.25811
2005	1,503,904,613	28,449,556	77,073,416	1,455,280,753	0.25811
2006	1,712,735,440	31,000,283	83,532,833	1,660,202,890	0.25311
2007	1,941,204,388	32,472,880	61,850,862	1,911,826,406	0.25311
2008	2,305,658,543	34,289,547	71,535,213	2,268,412,877	0.24561
2009	2,545,047,287	33,419,535	78,289,018	2,500,177,804	0.24561
2010	2,539,540,899	29,230,095	76,526,864	2,492,244,130	0.24561
2011	2,635,413,859	30,316,814	84,535,004	2,581,195,669	0.24561
2012	2,656,625,431	29,055,461	77,035,264	2,608,645,628	0.25040
2013	2,653,041,784	28,324,135	75,246,646	2,606,119,273	0.25270

Source: Cameron County Appraisal District

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

City of South Padre Island, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (rate per \$100 of assessed value)

Fiscal Period	City of South Padre Island Direct Rates			Water Supply District No. 1	Point Isabel Cons. ISD	Cameron County	Texas Southmost College	South Texas ISD
	Maintenance & Operations Rate	Debt Service	Total Direct					
2004	0.258110	0.000000	0.258110	0.139306	1.35612	0.358191	0.131400	0.0392
2005	0.258110	0.000000	0.258110	0.123807	1.35612	0.358191	0.131400	0.0392
2006	0.230197	0.022913	0.253110	0.105800	1.35612	0.358191	0.128782	0.0392
2007	0.219598	0.033512	0.253110	0.080820	1.06163	0.343191	0.162772	0.0492
2008	0.216810	0.028800	0.245610	0.080820	1.06163	0.353191	0.161089	0.0492
2009	0.218400	0.027210	0.245610	0.080820	1.061634	0.363191	0.161089	0.0492
2010	0.220310	0.025300	0.245610	0.080820	1.081634	0.364291	0.161924	0.0492
2011	0.220310	0.025300	0.245610	0.080820	1.081634	0.384291	0.162423	0.0492
2012	0.224355	0.026045	0.250400	0.080820	1.081634	0.384291	0.164026	0.0492
2013	0.223631	0.029070	0.252701	0.080820	1.08164	0.384291	0.162935	0.0492

Source: Cameron County Appraisal District.

City of South Padre Island, Texas
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Ten Years Ago

Schedule 7

Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Bahia Mar Tower LLC	\$ 24,996,527	1	0.96%			
Sapphire VP LP (ID 516435)	19,035,555	2	0.73%			
Agora USA LP	11,239,668	3	0.43%			
SPI Beach Water Resort Waterpark LLC	10,743,489	4	0.41%			
Sapphire VP LP (ID 526932)	10,164,460	5	0.39%			
ICS Management Company	8,540,278	6	0.33%	7,258,708	3	0.60%
Peninsula Island Resort & Spa LLC	8,233,286	7	0.32%			
First National Bank	7,378,638	8	0.28%			
Shores Development Inc.	7,451,714	9	0.29%			
SPI La Copa Ltd	6,377,206	10	0.24%	5,422,993	7	0.45%
Padre Central Limited Partnership				12,594,939	1	1.05%
SSPIBR, Ltd				8,402,143	2	0.70%
HISPI, Ltd				6,230,164	4	0.52%
ALMA Investments, Inc.				5,993,161	5	0.50%
AEP Texas Central Co.				5,434,280	6	0.45%
Saida Royale Corporation				5,336,786	8	0.44%
Legendary SPI Ltd.				5,292,540	9	0.44%
Oleander Hospitality				5,083,492	10	0.42%
Total	<u>\$114,160,821</u>		<u>3.42%</u>	<u>\$67,049,206</u>		<u>5.57%</u>

Source: Cameron County Appraisal District

City of South Padre Island, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Amount	Percentage of Levy
			Amount	Percentage of Levy	Percentage of Levy			
2004	2003	3,108,102	3,009,684	96.83%	95,337	3,105,021	99.90%	
2005	2004	3,737,909	3,646,511	97.55%	88,338	3,734,849	99.92%	
2006	2005	4,196,142	4,033,570	96.13%	158,278	4,191,848	99.90%	
2007	2006	4,772,418	4,564,448	95.64%	198,226	4,762,674	99.80%	
2008	2007	5,479,052	5,215,751	95.19%	242,776	5,458,527	99.63%	
2009	2008	6,072,211	5,804,355	95.59%	248,047	6,052,402	99.67%	
2010	2009	6,073,653	5,804,071	95.56%	240,022	6,044,093	99.51%	
2011	2010	6,310,281	6,123,665	97.04%	138,773	6,262,438	99.24%	
2012	2011	6,396,519	6,179,171	96.60%	138,657	6,317,828	98.77%	
2013	2012	6,521,119	6,384,778	97.91%	-	6,384,778	97.91%	

Source: Cameron County Tax Office

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales & Mixed Beverage Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
2004	3,126,830	1,642,306	602,821	4,473,153	9,845,110
2005	3,732,956	1,711,622	621,012	4,878,739	10,944,329
2006	4,165,498	1,866,426	644,126	5,191,304	11,867,354
2007	4,780,512	1,897,938	748,363	5,334,627	12,761,440
2008	5,483,386	1,965,363	792,992	4,610,239	12,851,980
2009	6,089,968	2,295,465	792,501	4,766,668	13,944,602
2010	6,098,437	2,001,606	802,819	5,564,657	14,467,519
2011	6,407,899	2,116,728	821,796	6,012,126	15,358,549
2012	6,572,035	2,171,134	806,646	7,253,914	16,803,729
2013	6,666,348	2,335,306	819,865	8,178,787	18,000,306

City of South Padre Island, Texas
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities										Per Capita ¹
	General Obligation Bonds	Public Property Finance Contractual Obligations	Combination Tax & Revenue Refunding Bonds	Combination Tax & Revenue Certificates of Obligation	Tax Anticipation Notes	Total Primary Government	Percentage of Personal Income				
2004	-	-	4,300,000	-	-	4,300,000	3.56%			1,285	
2005	4,950,000	-	3,645,000	-	-	8,595,000	4.08%			1,507	
2006	4,785,000	-	2,965,000	-	1,600,000	9,350,000	4.14%			1,639	
2007	4,615,000	-	2,265,000	-	1,405,000	8,285,000	3.77%			1,452	
2008	4,440,000	-	1,540,000	-	1,195,000	7,175,000	3.49%			1,258	
2009	4,255,000	-	785,000	-	975,000	6,015,000	2.77%			1,019	
2010	4,065,000	-	830,000	-	745,000	5,640,000	2.57%			956	
2011	7,665,000	-	420,000	-	505,000	8,590,000	3.88%			1,456	
2012	7,640,000	-	-	-	260,000	7,900,000	3.57%			1,339	
2013	7,425,000	-	-	-	-	7,425,000	3.43%			1,258	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
¹ See Schedule 14 for personal income and population data.

City of South Padre Island, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Schedule 11

Fiscal Year	General Obligation Bonds	Debt Service Restricted Net Position	Net Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
2004	-	-		-	-
2005	4,950,000	312,326	4,637,674	0.32%	868
2006	4,785,000	330,344	4,454,656	0.27%	839
2007	4,615,000	330,961	4,284,039	0.22%	809
2008	4,440,000	364,509	4,075,491	0.18%	778
2009	4,255,000	372,222	3,882,778	0.16%	721
2010	4,065,000	413,918	3,651,082	0.15%	689
2011	7,665,000	430,535	7,234,465	0.28%	1,299
2012	7,640,000	266,563	7,373,437	0.28%	1250
2013	7,425,000	339,434	7,085,566	0.27%	1,201

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

1 See Schedule 5 for property value data

2 See Schedule 14 for population data

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Cameron County	\$ 115,470,000	16.54%	\$ 19,098,738
Point Isabel Independent School District	20,786,260	70.99%	14,756,166
Laguna Madre Water District #1	18,459,000	74.27%	13,709,499
Texas Southmost College	67,450,000	24.12%	<u>16,268,940</u>
Subtotal, overlapping debt			63,833,343
City direct debt	7,425,000	100.00%	<u>7,425,000</u>
Total direct and overlapping debt			<u>\$ 71,258,343</u>

Source: The Municipal Advisory of Texas

City of South Padre Island, Texas
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenditures (2)	Net Revenue Available For Debt Service	Debt Service Requirements		Coverage
				Principal	Interest	
2003	2,129,496	692,439	1,437,057	590,000	219,625	1.77
2004	2,163,770	827,257	1,336,513	445,000	166,713	2.18
2005	2,059,075	837,927	1,221,148	655,000	150,213	1.52
2006	1,877,855	868,660	1,009,195	680,000	128,488	1.25
2007	2,172,451	899,167	1,273,284	700,000	105,650	1.58
2008	1,881,284	1,045,290	835,994	725,000	82,025	1.04
2009	1,867,690	1,099,504	768,186	755,000	52,822	0.95
2010	1,191,421	1,212,721	(21,300)	830,000	41,122	(0.02)
2011	2,077,689	1,332,802	744,887	420,000	6,069	1.75
2012	2,284,146	1,320,451	963,695	-	-	-
2013	2,525,665	1,860,511	665,154	-	-	-

(1) Convention Center Fund revenues, including interest.

(2) Convention Center Fund operating expenditures, exclusive of capital outlay.

City of South Padre Island, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years

Schedule 14

Year	Estimated Population ¹	Personal Income ²	Per Capita Personal Income ^{2*}	Median Age ²	School Enrollment ³	Unemployment Rate ⁴
2004	3,346	120,673,490	36,065	50.7	2,500	8.7%
2005	5,705	210,828,275	36,955	51.8	2,487	7.6%
2006	5,705	225,957,935	39,607	51.9	2,585	6.6%
2007	5,705	219,693,845	38,509	52.3	2,593	6.0%
2008	5,705	205,665,250	36,050	57.2	2,418	8.2%
2009	5,900	217,090,500	36,795	57.7	2,520	8.3%
2010	5,900	219,780,900	37,251	58	2,507	10.9%
2011	5,900	221,592,200	37,558	58.1	2,544	12.4%
2012	5,900	221,592,200	37,558	58.3	2,574	10.2%
2013	5,900	216,553,600	36,704	58.7	2,588	10.10%

Source:

1 George Wm. Berry, Ph. D. Analysis 2008

2 Claritas MarketPlace Executive Summary

3 Point Isabel Independent School District

4 Texas Workforce Commission: Information is for entire Cameron County as no data is available on city only

* 2012 and 2013 Personal Income is not available

City of South Padre Island, Texas
PRINCIPAL EMPLOYERS
 Current Year and Ten Years Ago

Employer	2013			2004*		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Schlitterbahn Beach Water Park	976	1	21.03%	-	-	-
City of South Padre Island	250	2	5.39%	-	-	-
The Pearl Beach Resort	242	3	5.21%	-	-	-
Isla Grand Resort	207	4	4.46%	-	-	-
Blackbeard's Restaurant	176	5	3.79%	-	-	-
Hilton Garden Inn	150	6	3.23%	-	-	-
Louie's Backyard	130	7	2.80%	-	-	-
La Quinta Inn & Suites	120	8	2.59%	-	-	-
Sea Ranch Enterprises	120	9	2.59%	-	-	-
La Copa Inn	110	10	2.37%	-	-	-
Total	2,481		53.46%			

Source: South Padre Island Economic Development Corporation

*Information for 2004 not available

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
City Administration	4	5	5	5	5	6	6	4	4	4
Finance	3	4	4	5	5	4	5	5	5	5
Planning	2	2	2	2	2	2	2	1.75	1.75	2
Technology	0	1	2	2	2	2	2	3	3	3.25
Human Resources	0	0	0	0	0	1	2	3	3	3
Municipal Court	2	2	2	2	2	2	3	2	2	2
Police	33	33	34	34	34	39	39	39	38	38
Fire	18	18	18	18	18	21	21	21	27	27
Code Enforcement	2	2	3	4	4	6	6	5	5	6
Fleet Management	0	0	0	0	0	2	2	2	2	2
Building Maintenance	0	0	0	0	0	3	3	3	3	3
Inspections	3	3	4	4	4	4	4	3	3	3
Public Works	21	21	22	22	22	18	18	19	19	18
Hotel Motel Fund										
Visitor's Center	2	2	2	2	2	2	2	2	2	2
Hotel Motel	11	11	12	13.5	13	13	9.5	9.5	9.5	8.75
Events Marketing	1	1	1	2	2	2	1	1	1	2
Convention Centre										
Convention Centre	10	10	11	13.5	13	13	13.5	11.5	10.5	12
Transportation										
Transportation	5	5	6	7	7	7	9	9.25	15.25	15
Beach Maintenance										
Beach Maintenance	0	0	0	0	0	0	4	4	4	4
Total Operating Budget FTE's	117	120	128	136	135	147	152	148	158	160

Source: City of South Padre Island Annual Budget

Note: Full-time budgeted positions are shown

City of South Padre Island, Texas
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	1,402	1,212	973	896	727	952	1,002	1,199	1,454	1,258
Parking violations	456	552	1,227	306	514	1,643	2,123	1,897	1,138	724
Traffic violations	3,277	2,803	2,215	3,100	942	995	1,204	1,038	748	481
Number of commissioned police officers	25	25	25	25	26	29	28	28	28	29
Number of employees - police officers & civilians	33	33	34	35	36	40	39	38	38	39
Fire										
Number of calls answered	470	821	928	1,194	1,420	1,667	1,783	1,858	1,964	2,107
EMS calls	199	443	536	712	838	816	1,082	1,172	1,415	1,377
Inspections	414	307	331	355	219	475	369	490	327	288
Number of firefighters	17	17	17	17	18	18	18	20	26	26
Number of employees - firefighters & civilians	18	18	18	18	21	21	21	21	27	27
Streets										
Street resurfacing (square yards)	18,679	10,811	-	7,040	16,837	6,956	8,611	9,032	7,867	12,050
Sidewalk construction (square yards)	-	-	1,160	647	220	693	0	73	2,069	440

Source: City Departments

City of South Padre Island, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
Development Services										
Streets (miles)	47.31	47.09	47.09	47.09	47.09	47.09	47.39	47.39	47.39	47.39
City area (acres)	1562	1562	1562	1589	1640	1640	1640	1640	1527	1901
Parks and recreation										
Playground	1	1	1	1	1	1	2	2	2	2
Parks	1	1	2	2	2	2	2	3	3	3
Municipal Beach (miles)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Beach accesses (developed)	16	17	18	18	18	18	18	19	19	19
Beach accesses (undeveloped)	8	7	6	6	6	6	6	5	5	5
Transportation										
Transit - minibuses	4	6	5	6	8	12	10	9	10	11

Note: In 2012, the city acquired mapping technology to more accurately calculate its square acreage.

Source: City Departments

City of South Padre Island, Texas
MISCELLANEOUS STATISTICAL DATA

Schedule 19

Date of incorporation	1973
Fiscal year begins	October 1st
Number of budgeted City employees	160
Geographical location:	Southern tip of Texas on the Gulf of Mexico approximately 15 miles north of the Mexican border.
Temperature:	68.4 degrees average low temperature 80 degrees average high temperature

Source: City Staff
Source: www.weatherbase.com

**CITY OF
SOUTH PADRE
ISLAND, TEXAS**

COMPLIANCE

COMPLIANCE SECTION

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

To the City Honorable Mayor and
Members of the City Council
City of South Padre Island, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of South Padre Island's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

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

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 10, 2014

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of South Padre Island, Texas

Report on Compliance for Each Major Federal Program

We have audited City of South Padre Island, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of South Padre Island, Texas' major federal programs for the year ended September 30, 2013. City of South Padre Island, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of South Padre Island, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of South Padre Island, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of South Padre Island, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of South Padre Island, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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Report on Internal Control Over Compliance

Management of City of South Padre Island, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of South Padre Island, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of South Padre Island, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 10, 2014

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City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
15.668	Coastal Impact Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended September 30, 2013

Section II – Findings Relating to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013

PROGRAM DESCRIPTION

DESCRIPTION

Not applicable

There were no findings reported in the prior year.

City of South Padre Island, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards			
U.S. Department of Transportation			
Transit Services Programs Cluster-Cluster			
Passed-through Texas Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1204	\$ 45,506
Job Access And Reverse Commute Program	20.516	JAC 1301 (21) 76	<u>3,383</u>
Total Transit Services Programs Cluster-Cluster			48,889
Formula Grants for Rural Areas - WAVE Grant	20.509	RPT 1206 RPT 1307 RPT 1304	459,840 167,526 <u>67,170</u> 694,536
Federal Transit_Capital Investment Grants	20.500	VCR 1303(21)	<u>70,000</u>
Total Passed-through Texas Department of Transportation			<u>813,425</u>
Total U.S. Department of Transportation			813,425
U.S. Department of Homeland Security			
Passed-through Texas Department of Public Safety			
Homeland Security Grant Program	97.067	11-SR 69140-01	<u>19,955</u>
Total Passed-through Texas Department of Public Safety			19,955
Department of Homeland Security Direct Programs			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1931-DR	<u>164,198</u>
Total U.S. Department of Homeland Security			184,153
U.S. Department of Commerce			
Passed through Texas General Land Office			
Coastal Zone Management Administration Awards	11.419	13-048-000-6915	<u>45,434</u>
Total passed through Texas General Land Office			<u>45,434</u>
Total Department of Commerce			45,434
U.S. Department of the Interior			
Passed-through Cameron County			
Coastal Impact Assistance Program	15.668	F12AF01271	<u>918,456</u>
Total Passed-through Cameron County			<u>918,456</u>
Total Department of the Interior			918,456
U.S. Department of Labor			
WIA Dislocated Worker Formula Grants			
WIA Dislocated Worker Formula Grants	17.278	300-4-0051	<u>13,253</u>
Total U.S. Department of Labor			13,253
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	DRS010177	<u>54,772</u>
Total U.S. Department of Housing and Urban Development			<u>54,772</u>
Total Expenditures of Federal Awards			<u>\$ 2,029,493</u>

City of South Padre Island, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
For the Year Ended September 30, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of South Padre Island, Texas, for the year ended September 30, 2013. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

2. Measurement Focus and Basis of Accounting

The federal grant funds were accounted for in the Special Revenue Funds and a component of the Governmental Fund type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

City of South Padre Island, Texas
EXIT CONFERENCE
For the Year Ended September 30, 2013

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Rodrigo Gimenez, Finance Director
Darla Jones, Interim City Manager

No exceptions were taken to the factual contents of the items contained in this report.