

CITY OF SOUTH PADRE ISLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2017



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City of South Padre Island, Texas
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INTRODUCTORY SECTION



March 1, 2018

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) for the City of South Padre Island (City), Texas for the fiscal year that ended September 30, 2017. 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 units. 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 Carr, Riggs & Ingram, LLC, was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2017 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.

Generally Accepted Accounting Principles (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. The white sandy beach of South Padre is known throughout the United States and is 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 2,816.

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 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-year staggered terms and are elected at large.



MAJOR INITIATIVES

In the last year, our staff has undertaken several new initiatives to enhance the quality of service we deliver to the citizens and visitors of South Padre Island. These included business planning, DMAIC quality improvement processes, and development of performance metrics. DMAIC is a strategy used to improve processes. Its name is an acronym for the five phases that make up the process: Define, Measure, Analyze, Improve and Control. It is an integral part of a Six Sigma initiative, but it can be implemented as a standalone quality improvement tool or as part of other process improvement initiatives. The DMAICs completed in the fiscal year were Preventative Maintenance/Reserve Funding, Fleet Maintenance, Beach Parking, Ticket Writers, and a Computer Replacement Program.

As City facilities age, it is critically important that preventative maintenance is done to extend the life of the asset. In early 2017, City staff undertook a DMAIC project to assess the current condition of City buildings and parks. First, each major component of the buildings and parks were rated A through E. Those rated D or E were in immediate need of repair. Next, staff developed a budget that would address immediate repairs. To validate the staff work, an expert was hired to fully assess all City facilities and to develop a preventative maintenance schedule for the next 25 years. A reserve study was developed to ensure the City has the funds available to make needed repairs on schedule.

The City's ability to provide services in an effective and efficient manner is partly dependent on a fleet of vehicles and other equipment that are reliable. A DMAIC project was completed this year creating a methodology for ranking the condition and life expectancy of vehicles in the City's fleet. They were rated from one to five, with one being best. A complete inventory and two-pronged approach to determine condition was utilized to create a priority replacement plan. The plan also addressed preventative maintenance, tracking and disposal of obsolete vehicles. By the end of the 2017-2018 fiscal year, the City is scheduled to have the entire fleet comprised of vehicles rated two or better.

We are investing in infrastructure as well as projects that enhance our ability to market the Island as a premier vacation destination. These projects include sidewalk and street improvements as well as boat ramps, beach access and a windsporting facility. In November 2016, voters approved the adoption of a 2% Venue Tax on hotel and short-term rental stays to fund venue projects. Bonds have been issued to fund the first phase of the projects. Preliminary work has begun to develop a kayak trail and windsporting facility.

The Padre Boulevard Sidewalk Improvement Project began in May 2017. The approximately 4.6 mile project will improve the sidewalks on both sides of Padre Boulevard from Isla Blanca Park to the Convention Centre, and is estimated to be completed within 14 months. The long-awaited completion of Gulf Boulevard construction was achieved with improvements stretching from East Sunset to East Haas Street, for a total of 2.5 miles. The City included hardscape crosswalks and landscaping that beautify in addition to improving safety. The west side of the boulevard now includes sidewalks and parking spaces, while the east side has a designated walking and bicycle path.

John L. Tompkins Park, the City's newest park, opened in the fall of 2016 with a large parking area, two nautical themed playgrounds, basketball courts, wide walking paths and restroom facilities. In 2017, this park was further improved with picnic tables, new playground equipment, benches, trash cans and a pet station. A skate park addition is in the works for 2018.

In 2017, Butterfly Park was completely replanted with many varieties of native plants, a public art installation was added, and it achieved designation as a Monarch Waystation. This park provides resources necessary for Monarch Butterflies to produce successive generations and sustain their migration. It also has a covered picnic area with beautiful views of the Gulf of Mexico.



The City of South Padre Island was awarded the Gulf of Mexico Alliance (GOMA) Coastal Resilience Grant in 2017. The grant will provide funding for the City to create a Shoreline Master Plan. The Master Plan will develop strategies to increase public access to new ecotourism sites, expand public education programming and further develop Island resiliency. The plan will also identify strategies to preserve key aquatic habitats, such as wetlands and mangroves, which provide protection from sea level rise and storm surge.

To allow easier public access to our beach, several dune walkovers were enhanced. The Pearl Beach Access and Seaside Circle Walkovers were completed in 2017 allowing easier access to the beach and ensuring ADA compliance. Construction is now complete on two other walkovers at Moonlight Circle and Ocean Circle.

The Queen Isabella Causeway Boardwalk connects the walking trail adjacent to Padre Boulevard. It also allows pedestrians to continue walking without crossing the road. The Boardwalk, originally built in 1999, was repaired and reopened in 2017. Repairs were made to 24 pilings and guardrails and new gates have been installed.

South Padre Island Police Officers participated in a series of specialized SWAT, Active Shooter, and Sharpshooter training courses in 2017. This has assisted officers in the creation of a regional SWAT response team with other local enforcement agencies. Also, the Police Department introduced Breta as the newest K-9 officer. Breta is a two-year-old female German Shepard detection dog that is trained to use her senses to identify substances such as illegal drugs. The K-9 and handler are partners trained to work both patrol and detection tasks in law enforcement.

Enhancing Public Safety through advanced technology, such as drones and body cameras, has not only become a larger part of daily law enforcement work, it has blossomed into a multi-department, City-wide program. The South Padre Island Robotics Integration Team is comprised of eight staff members with four of them being certified. Possible uses of this technology include fire scene inspections, disaster site monitoring, SWAT operations, search and rescue operations, missing persons, contamination tracking, maritime rescue, crowd surveillance, terrain modeling, and much more. The City also implemented a new emergency notification system to communicate with residents. The system is web-based, allowing the City to message residents and visitors any time of day or night using text, voice or email alerts.

The South Padre Convention and Visitor's Advisory Board produced, sponsored or directly supported more than 25 events on our sunny and sandy shores. Funding and sponsorship for these events increased occupancy, average daily rate and revenue per available room in almost every instance depending on the novelty of the event, time of the year conducted, along with several other factors.

The South Padre Convention and Visitor's Bureau (CVB) also completed its third consecutive year hosting a major annual conference that was formerly held in San Antonio for 34 consecutive years. It was estimated to bring \$2.5 million in revenue to South Padre Island over three years, boasted over 550 attendees and filled five island hotels during a mid-week, off-season time of year. Another major conference was hosted for the first time in 2017. This new conference invited over 625 attendees over a five-day, off-season week and utilized approximately 1,750 total room nights across four island hotels. These two conferences combined to fill the entire 45,000 square foot convention center and utilized more than 3,000 combined room nights on South Padre Island. Hosting these conferences allows the City of South Padre Island to showcase its meetings and conference hospitality capabilities with an efficient mix of local business support, hotel amenities and hands-on CVB convention service packages.



FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The City of South Padre Island is a tourist oriented resort community. The City has a high market value per capita due to the large number of resorts and vacation properties within the City compared with the limited year-round population. The Queen Isabella Causeway crossings are estimated to be eight million per year according to the Texas Department of Transportation. In the most recent Resort Market Analysis, an estimated 4.75 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 in part due to impacts from the broad and diverse economy of the Rio Grande Valley. Increased property tax, hotel/motel tax, and sales 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 a municipal government. City officials remain committed to a policy of maintaining a six-month reserve level for all operating funds, creating strong budgetary flexibility. Multi-year budgeting provides a means of identifying 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, Convention Centre, and Transit as well as the capital improvement funds of the City. The plan is reviewed and updated annually. The City has a strong financial position with an AA+ general obligation bond rating through Standard & Poor's, which is a reflection of strong financial practices. The excellent bond rating allows the City to issue bonds for major projects at an advantageous interest rate.

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 is compiled to allow for the preparation of financial statements in conformity with GAAP.

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 that ended September 30, 2017 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 2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards- the "Uniform Guidance."

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 that ended September 30, 2016. This was the 27th consecutive year the City has achieved this prestigious award. 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. We are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the City of South Padre Island was awarded the Distinguished Budget Presentation Award for the Fiscal Year beginning October 1, 2016. This was the sixth consecutive year the City has achieved this prestigious award. To receive the award, the Finance Department had to satisfy nationally recognized guidelines for effective budget presentation. The budget is ranked on how well it serves as a policy document, a financial plan, an operations guide, and a communications device. All four categories must be rated proficient. Additionally, fourteen mandatory criteria must be met.


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,



Susan Guthrie, City Manager



Rodrigo Gimenez, Chief Financial Officer



Government Finance Officers Association

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

Presented to

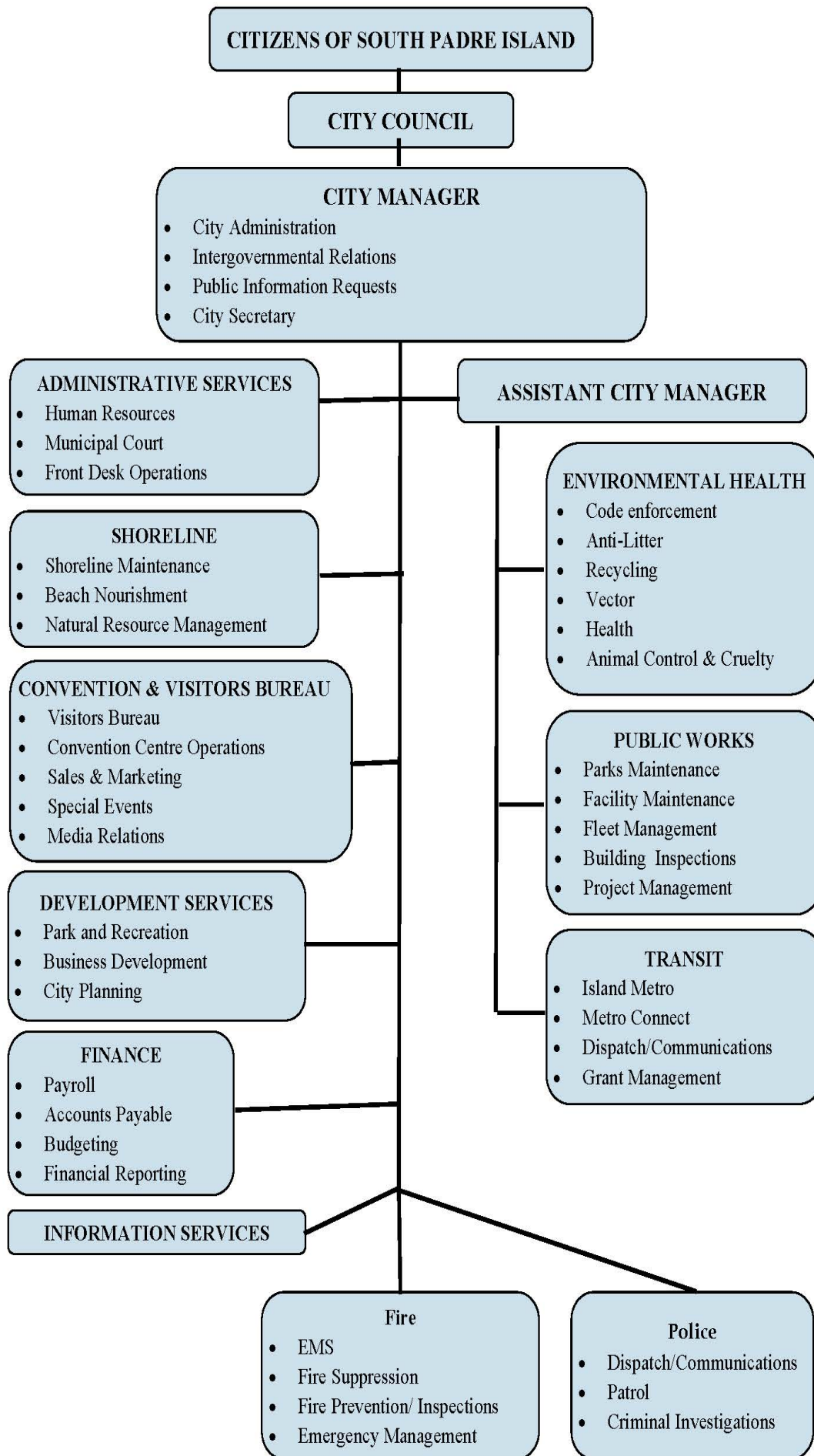
**City of South Padre Island
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



City of South Padre Island, Texas
List of Principal Officials
September 30, 2017

ELECTED OFFICIALS

NAME	TITLE
BARRY PATEL	MAYOR , COUNCIL MEMBER
RON PITCOCK	COUNCIL MEMBER
DENNIS STAHL	COUNCIL MEMBER
THERESA METTY	COUNCIL MEMBER
PAUL MUNARRIZ	COUNCIL MEMBER
ALITA BAGLEY	MAYOR PRO-TEM, COUNCIL MEMBER

APPOINTED OFFICIALS

NAME	TITLE
SUSAN GUTHRIE	CITY MANAGER
DARLA A. JONES	ASSISTANT CITY MANAGER
RODRIGO GIMENEZ	CHIEF FINANCIAL OFFICER
KEITH ARNOLD	CONVENTION AND VISITORS BUREAU DIRECTOR
RANDY SMITH	POLICE CHIEF
DOUG FOWLER	FIRE CHIEF
CARLOS SANCHEZ	PUBLIC WORKS DIRECTOR
MARK SHELLARD	INFORMATION TECHNOLOGY DIRECTOR
WENDI DELGADO	ADMINISTRATIVE SERVICES DIRECTOR
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
BRANDON HILL	SHORELINE DIRECTOR
JESSE ARRIAGA	TRANSIT DIRECTOR
SUSAN HILL	CITY SECRETARY
VACANT	CITY ATTORNEY
SUNGMAN KIM	DEVELOPMENT SERVICES DIRECTOR
EDMUND CYGANIEWICZ	MUNICIPAL COURT JUDGE



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 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, 2017 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 auditors' 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Padre Island, Texas, as of September 30, 2017 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.

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 15 through 24 and 62 through 69 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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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.

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 1, 2018, 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.

Carly Riggs & Ingram, L.L.C.

Harlingen, Texas
March 1, 2018

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City of South Padre Island, Texas 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, 2017. 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 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of the City of South Padre Island exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$42,915,192 (net position). Of this amount, \$5,376,779 (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 \$3,221,202 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 \$33,896,732. Approximately 21% of this amount, \$7,225,128 is available for spending at the government's discretion (unassigned fund balance). This unassigned fund balance exceeds the General Fund's required six month reserve (\$5,721,718 for 2017) established by the City Charter.
- At the end of the current fiscal year 78%, \$26,568,631 of the governmental funds fund balance was restricted and approximately 0.3%, \$102,973 was non-spendable.
- The City of South Padre Island's total bonded debt increased by \$7,720,000 during the current fiscal year. This increase is the result of a \$9,085,000 Venue Hotel Occupancy Tax Revenue bonds issued to finance a portion of the venue projects approved at the election held on November 8, 2016, net of payments made on bonded debt totaling \$1,365,000.

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's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities and deferred inflows of resources, 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.

City of South Padre Island, Texas Management's Discussion and Analysis

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, shoreline, transportation, community service and convention and visitors bureau. 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. 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.

City of South Padre Island, Texas Management's Discussion and Analysis

The City of South Padre Island maintains 21 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, Transportation Grant Fund and the Venue Tax Construction 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 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, Capital Projects Funds and its Debt Service Fund. Budgetary comparison schedules have been presented as required supplementary information for the General Fund and major Special Revenue Funds. Budgetary comparison schedules have been presented as other supplementary information for certain Non-Major Special Revenue Funds, Capital Projects Funds and the Debt Service fund which have a legally adopted 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.

City of South Padre Island, Texas Management's Discussion and Analysis

Government-wide Financial Analysis

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

	Total Governmental Activities 2017	Total Governmental Activities 2016
<u>ASSETS</u>		
Current and other assets	\$36,130,314	\$26,750,440
Capital assets	32,533,426	30,101,564
Total assets	68,663,740	56,852,004
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows related to pension liabilities	2,014,505	2,373,525
Deferred amount on refunding	186,851	210,208
Total deferred outflows of resources	2,201,356	2,583,733
<u>LIABILITIES</u>		
Current liabilities	2,068,529	1,746,453
Non-current liabilities	25,629,028	17,672,814
	27,697,557	19,419,267
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows related to pension liabilities	252,347	322,480
Total deferred inflows of resources	252,347	322,480
<u>NET POSITION</u>		
Net Investment in capital assets	22,437,085	19,810,801
Restricted	15,101,328	14,397,545
Unrestricted	5,376,779	5,485,644
Total net position	\$42,915,192	\$39,693,990

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 and deferred inflows of resources by \$42,915,192 at the close of the most recent fiscal year.

A large portion of the City's net position (52%) 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.

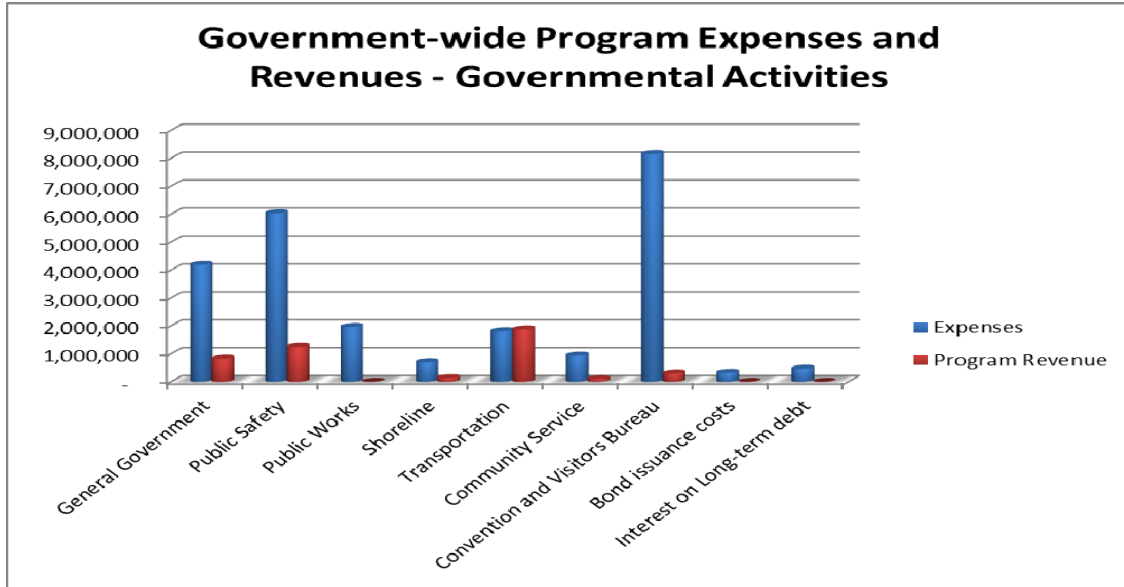
City of South Padre Island, Texas Management's Discussion and Analysis

Changes in Net Position. Governmental activities increased the City's net position by \$3,221,202. Total revenues increased approximately \$2.7 million. This includes increases in property tax of 7% or \$529,737 due to an increase of the I&S rate to pay for the Series 2016 Tax Notes as well as increases in hotel motel tax of approximately \$2.1 million mainly due to the adoption of a new 2% venue hotel occupancy tax. Expenses during the fiscal period increased by \$1,036,632 or 4%. This increase was mostly due to additional sales and marketing allocations in the Hotel Motel fund.

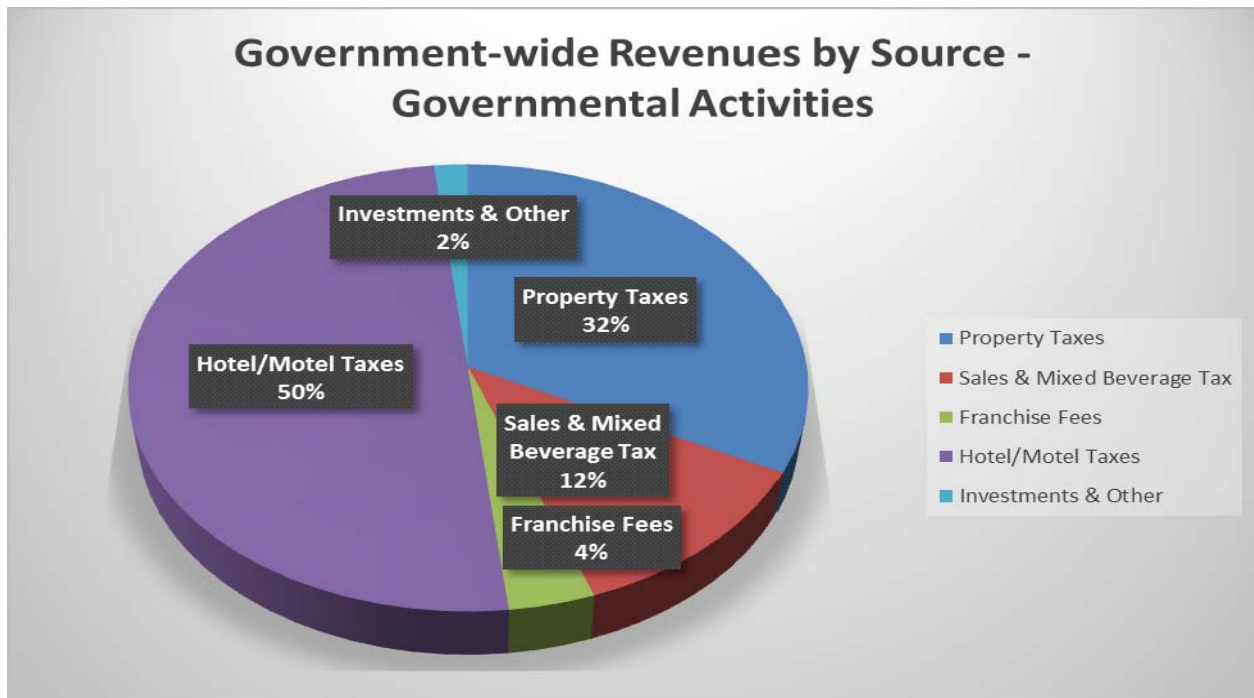
	Total Governmental Activities	Total Governmental Activities
	2017	2016
Program Revenues:		
Charges for Services	\$2,277,755	\$1,963,375
Operating Grants & Contributions	1,655,530	1,765,405
Capital Grants & Contributions	561,717	893,030
General Revenues:		
Property Tax	7,604,876	7,075,139
Sales Tax	2,440,129	2,318,969
Franchise Tax	882,469	886,363
Hotel Motel Tax	9,291,508	7,360,083
Hotel Motel Beach Mtn. Tax	2,388,471	2,217,195
Mixed Beverage Tax	335,422	331,577
Gain (loss) on Sale of Capital Assets	114,022	48,779
Interest & Other	293,772	210,942
Total Revenues	<u>27,845,671</u>	<u>25,070,857</u>
Program Expenses:		
General Government	4,194,171	3,693,337
Public Safety	6,041,026	5,871,489
Public Works/Shoreline	3,476,918	3,287,013
Transportation	1,813,049	1,698,124
Community Service	136,945	1,519,768
Convention and Visitors Bureau	8,158,210	7,083,205
Bond Issuance costs	323,462	89,736
Interest on long-term debt	480,688	345,165
Total Expenses	<u>24,624,469</u>	<u>23,587,837</u>
Increase (decrease) in net position	3,221,202	1,483,020
Beginning Net Position	<u>39,693,990</u>	<u>38,210,970</u>
Ending Net Position	<u><u>\$42,915,192</u></u>	<u><u>\$39,693,990</u></u>

City of South Padre Island, Texas Management's Discussion and Analysis

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.



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 Taxes and Sales & Franchise Taxes.



City of South Padre Island, Texas Management's Discussion and Analysis

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, unassigned 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 \$33,896,732 an increase of \$9,162,424 in comparison with the prior year. Approximately 21%, or \$7,225,128 constitutes unassigned fund balance, which is available for spending at the government's discretion. The General Fund six month reserve required by city charter amounts to \$5,721,718 and is contained within the unassigned fund balance of the General Fund. The restricted funds are 78% or \$26,568,631 of the total fund balance. 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. Approximately .3% or \$102,973 of the fund balance is nonspendable; in this case all of the \$102,973 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 \$7,225,128 while total fund balance reached \$7,375,956. 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 66% of total general fund expenditures, while total fund balance represents 68% of that same amount.

The fund balance of the City's General Fund increased by \$519,510 during the current fiscal year:

In comparison with last year, the total actual expenditures decreased by approximately \$663,558. The decrease is primarily due to majority of Tompkins Park development during the previous fiscal year. Revenues slightly increased by \$161,436 mainly due to increases in fees and services as well as permits offset by a decrease in intergovernmental revenues.

Non-property taxes for both the Hotel Motel and Convention Centre funds, increased by approximately 3% or \$244,133 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$980,772 due to enhancements in sales and marketing programs while the Convention Centre fund balance increased by \$378,431.

The Transportation fund didn't have significant variances in fund balance. A total of \$342,994 was spent mainly on the purchase of three new buses for the transit program.



City of South Padre Island, Texas Management's Discussion and Analysis

The City issued Series 2017 Venue Hotel Occupancy Tax Revenue Bonds primarily to finance the cost of future infrastructure of the City approved at the election held on November 8, 2016. The bonds are collateralized by the pledged venue hotel occupancy tax revenues of the City and will be repaid over the next 30 years with final maturity in fiscal year 2047. The balance of the bond proceeds is reflected in the Venue Tax Construction Fund.

General Fund budgetary highlights

The original budget of the General Fund was amended 50 times during fiscal year 2016-2017. Some of the projects approved included the following: Phase II of Tompkins Park was approved for \$137,065 which included plans for a skate park, improvements were made to Butterfly Park for \$15,000, Environmental Health Services Department purchased a truck and ULV equipment for \$47,500, the Fire Department purchased emergency extraction equipment for \$24,000 as well as a new A/C unit for the fire station for \$25,000, the Police Department purchase body armor, drones and drone training for \$46,785 and costs related to the Causeway boardwalk repairs were approved in the amount of \$77,600.

General Fund budget variances

During the year, revenues were \$305,561 higher than budgeted. This change can be primarily attributed to an increase of \$248,576 in licenses and permits due to new developments in the City.

Total expenditures were \$993,852 less than what was budgeted. All operating expenditures of the general fund departments were under budget. For general government expenditures, savings in the amount of \$286,026 were materialized mainly due to vacant positions as well as cost reductions related in technology services. Additionally, the Police and Public Works departments had savings in the amount of approximately \$345,927 also due to vacant personnel positions. Finally, the General Fund has other savings in other areas such as fuel in the Fleet department and balances associated with park developments.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2017 amounts to \$32,533,426 (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 7. Capital asset balances are as follows:

City of South Padre Island, Texas Management's Discussion and Analysis

Capital Assets, Net of Accumulated Depreciation September 30

	Total Governmental Activities	Total Governmental Activities
	<u>2017</u>	<u>2016</u>
Land	\$1,497,793	\$1,497,793
Construction in progress	3,001,926	4,135,268
Buildings	15,926,795	17,030,185
Improvements	3,290,959	2,096,254
Furniture and equipment	1,787,671	1,921,057
Infrastructure	7,028,282	3,421,007
Total net position	<u>\$32,533,426</u>	<u>\$30,101,564</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$20,330,000. The table below reflects the outstanding debt at the fiscal year end. Additional information can be found in Note 10. The City's outstanding general obligation bonds underlying rating is "AA+/Stable" by Standard and Poor's Rating Service and Aa2 Moody's rating.

Outstanding Debt September 30

	Total Governmental Activities	Total Governmental Activities
	<u>2017</u>	<u>2016</u>
General Obligation Bonds and Anticipation Notes	<u>\$20,330,000</u>	<u>\$12,610,000</u>
	<u>\$20,330,000</u>	<u>\$12,610,000</u>

The City of South Padre Island's total bonded debt increased by \$7,720,000 during the current fiscal year. This change is the result of paying \$170,000 principal on the General Obligation 2011 series bonds, \$280,000 principal on the General Obligation Refunding 2012 series bonds, \$395,000 principal on the Tax Anticipation Note 2015, \$520,000 principal on the Tax Note 2016 and the issuance of a Venue Tax Revenue Bond in the amount of \$9,085,000.



City of South Padre Island, Texas Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2017-2018 fiscal year.

Certified property tax values for the City showed a slight increase in market value by approximately \$1.4 million, or 0.06% from the preceding year. The City Council adopted a tax rate of \$0.315640 cents per hundred which is split between \$0.249640 per hundred for maintenance and operations and \$0.066000 per hundred for the debt service fund and the retirement of the general obligation bonds. The adopted tax rate includes an increase of \$0.01 cents per hundred to fund building preventive maintenance.

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 Chief Financial Officer, 4601 Padre Blvd., South Padre Island, Texas 78597.



**BASIC FINANCIAL
STATEMENTS**

City of South Padre Island, Texas Statement of Net Position

September 30, 2017

	Primary Government Total Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 25,682,649	\$ 1,267,981
Cash and cash equivalents- restricted	638,207	-
Investments	6,659,570	22,478
Receivables, net	1,302,270	78,262
Due from other governments	1,744,645	-
Prepaid expenses	102,973	344,515
Loans receivable	-	46,242
Capital assets, net		
Non-depreciable assets	4,499,719	657,236
Depreciable assets	28,033,707	5,576,598
TOTAL ASSETS	68,663,740	7,993,312
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	2,014,505	16,363
Deferred amount on refunding	186,851	179,949
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,201,356	196,312
LIABILITIES		
Accounts payable	1,487,065	-
Other liabilities	474,895	51,785
Unearned revenues	106,569	-
Non-current liabilities		
Net pension liability	2,943,869	23,466
Due within one year	2,329,896	313,782
Due in more than one year	20,355,263	3,597,821
TOTAL LIABILITIES	27,697,557	3,986,854
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liabilities	252,347	2,050
NET POSITION		
Net investment in capital assets	22,437,085	2,502,180
Restricted		
Debt service	1,192,158	430,846
Capital projects	1,099,270	-
Beach nourishment	2,292,912	-
Transportation	179,071	-
Beach maintenance	1,808,674	-
Municipal court	69,279	-
Criminal justice	97,334	-
Venue project	980,080	-
Parks and recreation	8,085	-
Hotel/motel taxes	7,374,465	-
Unrestricted	5,376,779	1,267,694
TOTAL NET POSITION	\$ 42,915,192	\$ 4,200,720

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital and Contributions	Primary Government	
					Governmental Activities	Component Unit
Governmental activities:						
General government	\$ 4,194,171	\$ 747,718	\$ 83,568	\$ -	\$ (3,362,885)	
Public safety	6,041,026	1,228,417	22,095	-	(4,790,514)	
Public works	2,772,637	-	-	-	(2,772,637)	
Shoreline	704,281	-	-	137,004	(567,277)	
Transportation	1,813,049	-	1,549,867	324,713	61,531	
Community service	136,945	-	-	100,000	(36,945)	
Convention and visitors bureau	8,158,210	301,620	-	-	(7,856,590)	
Bond issuance costs	323,462	-	-	-	(323,462)	
Interest and fees on long-term debt	480,688	-	-	-	(480,688)	
Total governmental activities	24,624,469	2,277,755	1,655,530	561,717	(20,129,467)	
Component unit:						
Economic development	541,464	-	-	-	(541,464)	
Interest expense	138,294	-	-	-	(138,294)	
Total component unit	\$ 679,758	\$ -	\$ -	\$ -	\$ (679,758)	

General revenues:			
Property taxes, levied for general purposes	5,880,544	-	
Property taxes, levied for debt service	1,724,332	-	
Sales taxes	2,440,129	813,376	
Franchise taxes	882,469	-	
Hotel motel taxes	9,291,508	-	
Hotel motel beach maintenance taxes	2,388,471	-	
Mixed beverage taxes	335,422	-	
Unrestricted investment earnings	180,490	-	
Gain on disposal of capital assets	114,022	-	
Miscellaneous	113,282	9,188	
Total general revenues, special items, and transfers	23,350,669	822,564	
Change in net position	3,221,202	142,806	
Net position - beginning	39,693,990	4,057,914	
Net position - ending	\$ 42,915,192	\$ 4,200,720	

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

City of South Padre Island, Texas
Balance Sheet
Governmental Funds

September 30, 2017

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,312,567	\$ 4,344,258	\$ -	\$ 9,116,998	\$ 9,908,826	\$ 25,682,649
Cash and cash equivalents- restricted	-	-	-	-	638,207	638,207
Investments	5,657,105	-	-	-	1,002,465	6,659,570
Receivables (net of allowance for uncollectibles)						
Property taxes	179,855	-	-	-	37,813	217,668
Accounts	569,526	294,459	-	12,433	208,184	1,084,602
Due from other governments	-	-	811,917	-	932,728	1,744,645
Due from other funds	771,374	-	-	-	7,086	778,460
Prepaid items	57,138	14,255	2,307	-	29,273	102,973
Total assets	\$ 9,547,565	\$ 4,652,972	\$ 814,224	\$ 9,129,431	\$ 12,764,582	\$ 36,908,774
LIABILITIES						
Accounts payable	\$ 1,487,065	\$ -	\$ -	\$ -	\$ -	\$ 1,487,065
Due to other funds	7,086	-	632,846	-	138,528	778,460
Other liabilities	304,749	-	-	-	-	304,749
Unearned revenues - other	66,962	-	-	-	39,607	106,569
Total liabilities	1,865,862	-	632,846	-	178,135	2,676,843
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	146,441	-	-	-	29,452	175,893
Unavailable revenue - other	159,306	-	-	-	-	159,306
Total deferred inflows of resources	305,747	-	-	-	29,452	335,199
FUND BALANCE						
Nonspendable	57,138	14,255	2,307	-	29,273	102,973
Restricted	93,690	4,638,717	179,071	9,129,431	12,527,722	26,568,631
Unassigned	7,225,128	-	-	-	-	7,225,128
Total fund balances	7,375,956	4,652,972	181,378	9,129,431	12,556,995	33,896,732
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 9,547,565	\$ 4,652,972	\$ 814,224	\$ 9,129,431	\$ 12,764,582	\$ 36,908,774

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, 2017

Fund balances of governmental funds	\$ 33,896,732
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,533,426
Some liabilities, including bonds payable (\$20,330,000 and premiums of \$905,487), and capital leases (\$542,308) are not due in the current period and, therefore, are not reported in the funds.	(21,777,795)
Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	186,851
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(907,364)
Certain amounts receivable for property taxes (\$175,893) and other revenues (\$159,306) but which do not represent current financial resources are deferred in the funds.	335,199
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(170,146)
Included in the statement of net position non-current liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of (\$2,943,869), a deferred resource inflow in the amount of (\$252,347), and a deferred resource outflow in the amount of \$2,014,505. This resulted in a decrease in net position of \$1,181,711.	(1,181,711)
Net position of governmental activities	\$ 42,915,192

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, 2017

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Funds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 5,859,887	\$ -	\$ -	\$ -	\$ 1,751,838	\$ 7,611,725
Nonproperty taxes	3,658,020	5,897,663	-	-	5,782,316	15,337,999
Fees and services	955,034	8,228	-	-	293,392	1,256,654
Fines and forfeitures	556,656	-	-	-	21,145	577,801
Licenses and permits	447,276	-	-	-	-	447,276
Intergovernmental	205,663	-	1,824,580	-	137,004	2,167,247
Miscellaneous	136,496	62,685	49,722	16,998	77,871	343,772
Total revenues	11,819,032	5,968,576	1,874,302	16,998	8,063,566	27,742,474
EXPENDITURES						
Current						
General government	3,431,768	-	-	-	312,737	3,744,505
Public safety	4,972,810	-	-	-	329,022	5,301,832
Public works	1,889,875	-	-	-	-	1,889,875
Shoreline	-	-	-	-	704,281	704,281
Transportation	-	-	1,667,605	-	-	1,667,605
Community service	-	-	-	-	77,028	77,028
Convention and visitors bureau	-	5,587,918	-	-	1,323,234	6,911,152
Capital outlay	321,578	7,111	342,994	-	4,841,858	5,513,541
Debt service						
Principal retirement - bonds	-	-	-	-	1,365,000	1,365,000
Principal retirement - capital lease	243,659	-	-	-	11,957	255,616
Interest	32,898	-	-	-	368,439	401,337
Bond issue costs	-	-	-	323,462	-	323,462
Administrative charges	1,702	-	-	-	3,046	4,748
Total expenditures	10,894,290	5,595,029	2,010,599	323,462	9,336,602	28,159,982
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	924,742	373,547	(136,297)	(306,464)	(1,273,036)	(417,508)
Other financing sources (uses)						
Sale of capital assets	-	-	-	-	144,037	144,037
Issuance of debt	-	-	-	9,085,000	-	9,085,000
Premium on issuance of debt	-	-	-	350,895	-	350,895
Transfers in	222,872	-	84,088	-	2,410,189	2,717,149
Transfers out	(628,104)	-	-	-	(2,089,045)	(2,717,149)
Total other financing sources (uses)	(405,232)	-	84,088	9,435,895	465,181	9,579,932
Net change in fund balances	519,510	373,547	(52,209)	9,129,431	(807,855)	9,162,424
Fund balance -- beginning	6,856,446	4,279,425	233,587	-	13,364,850	24,734,308
Fund balance -- ending	\$ 7,375,956	\$ 4,652,972	\$ 181,378	\$ 9,129,431	\$ 12,556,995	\$ 33,896,732

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, 2017

Net change in fund balances -total governmental funds	\$ 9,162,424
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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 \$5,513,541 and including depreciation (\$3,051,664), in the current period is to increase net position.</p>	2,461,877
<p>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.</p>	(30,015)
<p>Governmental funds report the issuance of debt as an other financing source, but in governmental activities the issuance of debt is recorded as a long term liability. The effect of removing the bond proceeds of \$9,085,000 and bond premium of \$350,895 from the statement of activities change in net position is to decrease the overall change in net position.</p>	(9,435,895)
<p>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.</p>	1,620,616
<p>The increase in compensated absences payable of (\$61,900) 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 \$42,555 reduces interest expense in the statement of activities, and amortization of debt refunding related deferred outflows of resources of (\$23,357) is an expenditure 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.</p>	(42,702)
<p>GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/16 caused the change in the ending net position to increase in the amount of \$742,011. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$685,051). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(467,437). The result of these changes is to decrease net position.</p>	(410,477)
<p>Some revenues 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. The change in the balance of deferred inflows related to property taxes and other receivables was (\$10,825) and interest expense increased by (\$93,801) in 2017. Recognition of these amounts in the statement of activities results in a decrease in the change in net position.</p>	(104,626)
Change in net position of governmental activities	\$ 3,221,202

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



**NOTES TO FINANCIAL
STATEMENTS**

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: 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.

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 unit – The discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. Discretely presented component unit includes 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.

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:

South Padre Island Economic Development Corporation
6801 Padre Boulevard
South Padre Island, Texas 78597



City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. 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.

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*. 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 due.

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Transportation Grant Fund is used to account for proceeds from intergovernmental sources and expenditures associated with operational cost of the City's public transit system.

The *capital projects funds* are used to account for the acquisition or construction of capital assets. The capital projects fund reported as a major fund is:

Venue Tax Construction Fund is used to account for bond proceeds received and expenditures associated with future infrastructure of the City.

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 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.



City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Standards Adopted

GASB Statement No. 77, Tax Abatement Disclosures, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government’s tax revenues. In fiscal year 2017, the City did not have tax abatement agreements that require disclosures in the financial statements.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identified the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended September 30, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements- continued

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

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. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2017 are recorded as prepaid items, in both government-wide 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

d. 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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 in 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

e 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 of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

e. Compensated Absences- continued

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.

f. 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 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 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.

g. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

h. Bond Discounts/Issue Costs

In governmental fund types, bond premiums, 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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.

l. 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 contractually required to remain intact. Examples of this classification are prepaid items and inventories.

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, as authorized by City Council. City policy delegates this authority for the sole purpose of reporting these amounts in the annual financial statements.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The City charter requires establishment of an operating reserve in the General Fund of no less than six months of operating expenditures, to be used for emergency appropriations. The estimated required fund balance to meet this at September 30, 2017 is \$5,721,718. Since the City's unassigned fund balance exceeds this amount at September 30, 2017, no additional appropriation is needed at this time in order to comply with this policy.

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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

m. Net Position

The City's net position is classified as follows:

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

Restricted: 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 "net investment in capital assets."

n. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of the City's net position that is applicable to a future reporting period. Deferred inflows of resources represent the City's acquisition of net position applicable to a future reporting period.

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. The City also reports deferred outflows of resources and deferred inflows of resources related to pensions as further described in Note 15.

NOTE 2: 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. *Budgetary Information- continued*

e. Revisions that alter budgets at the department level within a fund must be approved by the Council Members. The Schedule 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, Capital Projects and Debt Service Funds.

g. Annual appropriated budgets are adopted for the General, certain Special Revenue, Capital Projects 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). Budgets for the Debt Service fund are legally adopted on an annual basis.

During fiscal year 2017, 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 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.

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

1. *Expenditures over Appropriations*

None noted.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: 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, 2017 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.

Deposits and investments with investment maturities, including accrued interest, as of September 30, 2017 are as follows:

	Investment Maturities (in years)		Greater than 1 year
	Value	1 or less	
Primary Government			
Cash equivalents			
Money Markets	\$ 12,847,434	\$ 12,847,434	\$ -
	12,847,434	12,847,434	-
Investments			
TexPool	7,494	7,494	-
Texas Term	115,322	115,322	-
Certificates of deposit	6,536,754	6,536,754	-
	\$ 19,507,004	\$ 19,507,004	\$ -
Component Unit			
TexPool	\$ 22,478	\$ 22,478	\$ -
	\$ 22,478	\$ 22,478	\$ -

A reconciliation of cash and investments follows:

	Primary Governmental	Component Units	Total
	Activities		
Cash and cash equivalents:			
Cash and cash equivalents	\$ 25,682,649	\$ 1,267,981	\$ 26,950,630
Cash- restricted	638,207	-	638,207
Total cash	26,320,856	1,267,981	27,588,837
Investments:			
Texas Term	115,322	22,478	137,800
TexPool	7,494	-	7,494
Certificates of deposit	6,536,754	-	6,536,754
Total investments	6,659,570	22,478	6,682,048
Total cash and investments	\$ 32,980,426	\$ 1,290,459	\$ 34,270,885

As of September 30, 2017 The City's investments in certificates of deposit are valued at cost plus accrued interest.

See Note 10 for components of cash restrictions.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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 cost of the City's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

Description	Rate	Amount	Maturity
Certificate of Deposit	0.96%	\$ 507,917	February 12, 2018
Certificate of Deposit	1.05%	2,012,229	February 7, 2018
Certificate of Deposit	1.35%	1,006,825	March 22, 2018
Certificate of Deposit	1.45%	2,007,318	June 20, 2018
Certificate of Deposit	1.45%	1,002,465	July 27, 2018
Total Certificates of Deposit		\$ 6,536,754	

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, 2017 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.

NOTE 3: 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.

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+ 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.

The City reports its local government investment pools at amortized cost as permitted by Section 150: *Investments* of the GASB Codification. In addition, the pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

NOTE 4: PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2016 upon which the 2016 levy was based, was \$2,495,811,088. 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

NOTE 4: 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, 2017 was \$.305640 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, 2017 were 98.39 percent of the tax levy.

NOTE 5: RECEIVABLES

Receivables at September 30, 2017, consist of the following:

	Primary Government					
	General Fund	Hotel Motel Fund	Venue Tax Construction Fund	Other Governmental Funds	Total Governmental Funds	Component Unit
Receivables						
Property Taxes	\$ 189,321	\$ -	\$ -	\$ 39,804	\$ 229,125	\$ -
Accounts	569,526	294,459	12,433	208,184	1,084,602	78,262
Gross receivables	758,847	294,459	12,433	247,988	1,313,727	78,262
Less allowance for uncollectibles	(9,466)	-	-	(1,991)	(11,457)	-
Total receivables, net	\$ 749,381	\$ 294,459	\$ 12,433	\$ 245,997	\$ 1,302,270	\$ 78,262

As of September 30, 2017 the component unit had a loan receivable of \$46,242. The Revolving Loan Fund was granted to the EDC in 2011 at an amount of \$105,150 at a rate of 4% for 10 years.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 6: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2017 consist of the following:

Primary Government

	Primary Government		
	Transportation Grant Fund	Other Governmental Funds	Total Governmental Funds
Texas State Comptroller - Occupancy Tax	\$ -	\$ 932,728	\$ 932,728
State of Texas - Department of Transportation	811,917	-	811,917
	<u>\$ 811,917</u>	<u>\$ 932,728</u>	<u>\$ 1,744,645</u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 is as follows:

Governmental Activities

	Beginning Balance October 01, 2016	Additions	Transfers	Retirements	Ending Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Construction in progress	4,135,268	460,258	(1,593,600)	-	3,001,926
	<u>5,633,061</u>	<u>460,258</u>	<u>(1,593,600)</u>	<u>-</u>	<u>4,499,719</u>
Capital assets, being depreciated:					
Buildings	33,574,369	426,478	-	-	34,000,847
Improvements	5,194,074	569,214	857,290	-	6,620,578
Furniture and equipment	7,777,762	725,107	-	(635,806)	7,867,063
Infrastructure	9,922,250	3,332,484	736,310	-	13,991,044
	<u>56,468,455</u>	<u>5,053,283</u>	<u>1,593,600</u>	<u>(635,806)</u>	<u>62,479,532</u>
Less accumulated depreciation for:					
Buildings	(16,544,184)	(1,529,868)	-	-	(18,074,052)
Improvements	(3,097,820)	(231,799)	-	-	(3,329,619)
Furniture and equipment	(5,856,705)	(828,478)	-	605,791	(6,079,392)
Infrastructure	(6,501,243)	(461,519)	-	-	(6,962,762)
Total accumulated depreciation	<u>(31,999,952)</u>	<u>(3,051,664)</u>	<u>-</u>	<u>605,791</u>	<u>(34,445,825)</u>
Total capital assets, being depreciated, net	24,468,503	2,001,619	1,593,600	(30,015)	28,033,707
Governmental activities, capital assets, net	<u>\$ 30,101,564</u>	<u>\$ 2,461,877</u>	<u>\$ -</u>	<u>\$ (30,015)</u>	<u>\$ 32,533,426</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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

Depreciation was charged to government functions as follows:

General government	\$ 308,092
Convention and visitors bureau	1,247,058
Community service	25,971
Public works	831,165
Public safety	535,515
Transportation	103,863
Total depreciation - governmental activities	\$ 3,051,664

Component Unit:

Activity for Economic Development Corporation is as follows:

	Beginning Balance October 1, 2016	Additions	Transfers	Retirements	Ending Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
Constuction in progress	-	-	-	-	-
	657,236	-	-	-	657,236
Capital assets, being depreciated:					
Buildings	6,569,015	-	-	-	6,569,015
Improvements	375,000	-	-	-	375,000
Furniture and equipment	21,604	-	-	-	21,604
	6,965,619	-	-	-	6,965,619
Less accumulated depreciation					
Buildings	(1,134,480)	(136,147)	-	-	(1,270,627)
Improvements	(71,305)	(25,485)	-	-	(96,790)
Furniture and equipment	(21,604)	-	-	-	(21,604)
Total accumulated depreciation	(1,227,389)	(161,632)	-	-	(1,389,021)
Total capital assets, being depreciated, net	5,738,230	(161,632)	-	-	5,576,598
Governmental activities, capital assets, net	\$ 6,395,466	\$ (161,632)	\$ -	\$ -	\$ 6,233,834

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 8: 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 earned, but not yet received. 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:

	Unavailable
Governmental funds	
Delinquent property taxes receivable	\$ 175,893
Grants and other	159,306
Total deferred/inflows of resources for governmental funds	\$ 335,199

The component unit reported \$46,242 in unavailable revenue related to noncurrent receivables at September 30, 2017.

In governmental activities, deferred outflows of resources consist of \$186,851 of deferred charges on refundings of long-term debt and \$2,014,505 of deferred charges related to pension liabilities. Deferred inflows related to pensions are \$252,347 at September 30, 2017. In the component unit deferred outflows of resources consist of \$179,949 of deferred charges on refundings of long-term debt and \$16,363 of deferred charges related to pension liabilities. Deferred inflows related to pensions are \$2,050 at September 30, 2017 for the component unit.

NOTE 9: 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, 2017, \$106,569 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.

NOTE 10: LONG-TERM DEBT

Primary Government

General Obligation Bonds

The City issues general obligation bonds and tax anticipation notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and tax anticipation notes 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. Tax anticipation notes pledge the ad valorem taxes collected by the City for the repayment of the obligation. General obligation bonds and tax anticipation notes currently outstanding are as follows:

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

1. Bonds

	Beginning Balance October 01, 2016	Additions	Reductions	Ending Balance September 30, 2017	Due In One Year
<i>General Government:</i>					
Series 2011 General Obligation Bond	\$ 3,320,000	\$ -	\$ (170,000)	\$ 3,150,000	\$ 175,000
Series 2012 General Obligation Refunding Bonds	2,845,000	-	(280,000)	2,565,000	285,000
Series 2015 Tax Anticipation Notes	2,555,000	-	(395,000)	2,160,000	405,000
Series 2016 Tax Anticipation Notes	3,890,000	-	(520,000)	3,370,000	530,000
Series 2017 Venue Hotel Occupancy Tax Revenue Bonds	-	9,085,000	-	9,085,000	185,000
Total bonds	\$ 12,610,000	\$ 9,085,000	\$ (1,365,000)	\$ 20,330,000	\$ 1,580,000

The following table summarizes the restricted cash and investments as of September 30, 2017:

Governmental Activities	
Restricted	
Cash and cash equivalents	
Cash restricted for Venue Seasonal Reserve	\$ 127,550
Cash Restricted for Venue Debt Reserve	510,657
Total	\$ 638,207

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

Year Ending September 30,	General Obligation Bonds		Tax Anticipation Notes		Venue Tax Revenue Bonds		Total		Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 460,000	\$ 183,775	\$ 935,000	\$ 147,425	\$ 185,000	\$ 324,838	\$ 1,580,000	\$ 656,038	\$ 2,236,038
2019	480,000	168,775	955,000	124,425	185,000	321,138	1,620,000	614,338	2,234,338
2020	500,000	152,225	980,000	100,850	190,000	317,438	1,670,000	570,513	2,240,513
2021	510,000	135,150	1,010,000	71,525	195,000	313,638	1,715,000	520,313	2,235,313
2022	525,000	118,650	1,050,000	36,075	200,000	309,738	1,775,000	464,463	2,239,463
2023-2027	2,160,000	364,688	600,000	9,000	1,085,000	1,455,540	3,845,000	1,829,228	5,674,228
2028-2032	1,080,000	88,400	-	-	1,275,000	1,257,940	2,355,000	1,346,340	3,701,340
2033-2037	-	-	-	-	1,560,000	976,927	1,560,000	976,927	2,536,927
2038-2042	-	-	-	-	1,925,000	618,200	1,925,000	618,200	2,543,200
2043-2047	-	-	-	-	2,285,000	245,700	2,285,000	\$ 245,700	2,530,700
	\$ 5,715,000	\$ 1,211,663	\$ 5,530,000	\$ 489,300	\$ 9,085,000	\$ 6,141,097	\$ 20,330,000	\$ 7,842,060	\$ 28,172,060

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Component Unit

1. Revenue Bonds

	Beginning Balance October 01, 2016	Additions	Reductions	Ending Balance September 30, 2017	Due In One Year
2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,485,000	\$ -	\$ (45,000)	\$ 3,440,000	\$ 30,000
2007 Series, Sales Tax Bond	515,000	-	(250,000)	265,000	265,000
Total Revenue Bond	\$ 4,000,000	\$ -	\$ (295,000)	\$ 3,705,000	\$ 295,000

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

Year Ending	2007 Revenue Bonds		2016 Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal & Interest
September 30,							
2018	\$ 265,000	\$ 5,790	\$ 30,000	\$ 87,150	\$ 295,000	\$ 92,940	\$ 387,940
2019	-	-	310,000	83,750	310,000	83,750	393,750
2020	-	-	310,000	77,550	310,000	77,550	387,550
2021	-	-	320,000	71,250	320,000	71,250	391,250
2022	-	-	320,000	64,850	320,000	64,850	384,850
2023-2027	-	-	1,760,000	206,225	1,760,000	206,225	1,966,225
2028-2032	-	-	390,000	7,800	390,000	7,800	397,800
	\$ 265,000	\$ 5,790	\$ 3,440,000	\$ 598,575	\$ 3,705,000	\$ 604,365	\$ 4,309,365

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, related parking and to 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 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.

In July 2015, the City issued Series 2015 Tax Anticipation Notes in the amount of \$2,905,000 to provide resources for the rebuilding and improvement of Gulf Boulevard. The bonds were issued at a premium of \$202,263 and the cost of issuance was \$103,079. Principal payments are due annually starting in March of 2016. Interest is due in March and September annually until maturity on March 1, 2022.

During April of 2016, the City issued Series 2016 Tax Notes for \$3,890,000 primarily to finance the cost of improvements on Padre Boulevard. The bonds are collateralized by the pledged tax revenues of the City and will be repaid over the next 7 years with final maturity in fiscal year end 2023. Principal is due annually, and interest payments at the rate of 2% - 3% are due on February 15 and August 15 of each fiscal year.

City of South Padre Island, Texas Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

During June 2017, the City issued Series 2017 Venue Hotel Occupancy Tax Revenue Bonds primarily to finance the cost of future infrastructure of the City approved at the election held on November 8, 2016. The bonds are collateralized by the pledged venue hotel occupancy tax revenues of the City and will be repaid over the next 30 years with final maturity in fiscal year 2047. Principal is due annually, and interest payments at the rate of 2%-4% are due on February 1 and August 1 of each fiscal year.

Advance Refundings

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, 2017, the defeased portion of the 2005 Series General Obligation bonds had a balance of \$2,740,000.

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

Capital Lease Obligations

In October 2010, the City entered into a lease-purchase agreement with Government Capital Corporation for the purchase of a Fire Ladder Truck. The lease was refinanced on November 16, 2016. Lease payments are due annually beginning November 16, 2017.

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.

In November of 2015, the City entered into a lease agreement with TYMCO, Inc. for the purchase of a Street Sweeper in the amount of \$144,335. Lease payments are due annually in October of each year beginning in October of 2015.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: 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, 2017:

Year ending September 30,	Fire Ladder Truck	Ambulance Merchants Automotive	Police Radio Equipment	Vehicles Merchants Automotive	TYMCO Street Sweeper	Total
2018	\$ 52,878	\$ 20,132	\$ 63,062	\$ 34,666	\$ 37,458	\$ 208,196
2019	52,878	-	63,062	-	37,458	153,398
2020	52,878	-	63,062	-	-	115,940
2021	52,878	-	-	-	-	52,878
2022	52,878	-	-	-	-	52,878
Total minimum lease payment	264,390	20,132	189,186	34,666	74,916	583,290
Less the amount representing interest	(21,600)	(1,943)	(11,730)	(2,938)	(2,771)	(40,982)
Present value of net minimum lease payments	\$ 242,790	\$ 18,189	\$ 177,456	\$ 31,728	\$ 72,145	\$ 542,308

Changes in Long-term Liabilities for Governmental Activities

During the year ended September 30, 2017, the following changes occurred in liabilities reported as non-current liabilities.

	October 1, 2016	Additions	Reductions	September 30, 2017	Amount Due Within One Year
Compensated absences*	\$ 845,464	\$ 685,961	\$ (624,061)	\$ 907,364	\$ 494,038
Bonds payable	12,610,000	9,085,000	(1,365,000)	20,330,000	1,580,000
Premium on bond issuances	597,147	350,895	(42,555)	905,487	67,249
Capital leases	797,924	-	(255,616)	542,308	188,609
Net pension liability	2,822,279	121,590	-	2,943,869	-
Total long-term debt	\$ 17,672,814	\$ 10,243,446	\$ (2,287,232)	\$ 25,629,028	\$ 2,329,896

**Compensated absences are generally liquidated by the General Fund.*

The City's other non-current liabilities including pension liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

Component Unit

During May 2016, the Economic Development Corporation ("EDC") issued Series 2016 Sales Tax Revenue Refunding Bonds in the amount of \$3,485,000 to provide resources to refund the majority of the EDC's 2007 Series Sales Tax Bonds and cover costs of issuance. As a result, \$3,440,000 of the Series 2007 bonds are considered to be defeased and the liability has been removed from the accounts of the EDC. The bonds were issued at a premium of \$225,384 and the cost of issuance totaled \$114,138. Principal is due annually on October 1 of each year until maturity on October 1, 2027. Interest is payable on April 1 and October 1 of each year until maturity at rates ranging from 2.00% - 4.00%. The bonds are secured by a lien and pledge of the sales tax revenues of the EDC.

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 and secured with a pledge of revenues derived from sales and use tax levied in the City of South Padre Island, as allocated to 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

NOTE 10: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities for Component Units

	October 1, 2016	Additions	Reductions	September 30, 2017	Amount Due Within One Year
2007 Series, Sales Tax Bond	\$ 515,000	\$ -	\$ (250,000)	\$ 265,000	\$ 265,000
2016 Series, Sales Tax Revenue Refunding Bond	3,485,000	-	(45,000)	3,440,000	30,000
Premium on Bond Issuance	225,385	-	(18,782)	206,603	18,782
Net pension liability	22,478	988	-	23,466	-
Total Long Term Debt	\$ 4,247,863	\$ 988	\$ (313,782)	\$ 3,935,069	\$ 313,782

NOTE 11: INTERFUND ASSETS/LIABILITIES

Due to/from other funds:

Due to/from other fund:

Payable Fund	Receivable Fund		Total Due From Other Funds
	General	Other Governmental Funds	
General Fund	\$ -	\$ 7,086	\$ 7,086
Transporation Grant Fund	632,846	-	632,846
Other Governmental Funds	138,528	-	138,528
Total due to other funds	\$ 771,374	\$ 7,086	\$ 778,460

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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 12: 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.

Transfers out funds	Transfer In Funds			Total
	General Fund	Transportation Grant Fund	Other Governmental Funds	
General	\$ -	\$ 84,088	\$ 544,016	\$ 628,104
Other Governmental Funds	222,872	-	1,866,173	2,089,045
Total transfers	\$ 222,872	\$ 84,088	\$ 2,410,189	\$ 2,717,149

Transfer between funds within the Component Units

Transfer Out Funds	Transfer In Funds
	EDC Debt Service Fund
Economic Development Corporation	\$ 394,031

NOTE 13: 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. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 14: 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 \$392,000,000 (as of September 30, 2017, 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 15: DEFINED BENEFIT PENSION PLANS

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 and its Supplemental Death Benefits Fund; 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.

A. Plan Description

The City of South Padre Island participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City and the EDC (component unit) as required to participate in TMRS.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

B. Benefits Provided

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

At retirement, the benefits are calculated as if the sum of the employee's contributions, with interest, and the city-financing monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	86
Active employees	<u>163</u>
	303

C. Contributions

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

Employees for the City of South Padre Island were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 12.63% and 12.66% in calendar year 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$1,009,664, and were equal to the required contributions.

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
<u>Total</u>	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability

	City Increase (Decrease)			EDC Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at Decembere 31, 2015	\$ 29,068,910	\$ 26,246,631	\$ 2,822,279	\$ 231,520	\$ 209,042	\$ 22,478
Changes for the year:						
Service cost	1,351,988	-	1,351,988	10,981	-	10,981
Interest	1,975,039	-	1,975,039	16,043	-	16,043
Change in benefit terms	-	-	-	-	-	-
Difference between expected/actual experience	20,311	-	20,311	165	-	165
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	942,684	(942,684)	-	7,657	(7,657)
Contributions - employee	-	529,598	(529,598)	-	4,302	(4,302)
Net investment income	-	1,774,574	(1,774,574)	-	14,414	(14,414)
Benefit payments, including refunds of employee contributions	(961,039)	(961,039)	-	(7,806)	(7,806)	-
Administrative expenses	-	(20,029)	20,029	-	(163)	163
Other charges	-	(1,079)	1,079	-	(9)	9
Net changes	2,386,299	2,264,709	121,590	19,383	18,395	988
Balance at December 31, 2016	\$ 31,455,209	\$ 28,511,340	\$ 2,943,869	\$ 250,903	\$ 227,437	\$ 23,466

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 8,096,172	\$ 2,943,869	\$ (1,211,506)
EDC (component unit) net pension liability	65,763	23,466	(9,841)
City's net pension liability	\$ 8,161,935	\$ 2,967,335	\$ (1,221,347)

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended September 30, 2017 the City and the EDC recognized combined pension expense in the amounts of \$1,411,142 and \$10,433, respectively. At September 30, 2017 the City and the EDC reported combined deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		EDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 16,697	\$ 249,784	\$ 136	\$ 2,029
Changes in actuarial assumptions	88,374	-	718	-
Differences between projected and actual investment earnings (net of current year amortization)	1,167,422	2,563	9,483	21
Contributions subsequent to the measurement date	742,011	-	6,027	-
Total	\$ 2,014,505	\$ 252,347	\$ 16,363	\$ 2,050

The \$742,011 and \$6,027 in the City and EDC which are reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2018	\$ 362,954	\$ 2,948	\$ 365,902
2019	362,955	2,948	365,903
2020	304,490	2,473	306,963
2021	(12,495)	(101)	(12,596)
2022	2,243	18	2,261
Thereafter	-	-	-

NOTE 16: 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

The City's contributions to the TMRS SDBF for the years ended 2015, 2016 and 2017 were \$1,448, \$1,523 and \$1,596, 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
2015	0.02%	0.02%	100.0%
2016	0.02%	0.02%	100.0%
2017	0.02%	0.02%	100.0%

NOTE 17: GASB STATEMENT NO. 54 FUND BALANCE REPORTING

Nonspendable – These funds were used for prepaid items.

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

Unassigned – The unassigned fund balance has no constraints.

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Fund	Other Governmental Funds	Total Government Funds
Fund balance (deficit)						
Non-spendable						
Prepaid	\$ 57,138	\$ 9,255	\$ 2,307	\$ -	\$ 29,273	\$ 97,973
Restricted						
Debt service	-	-	-	-	1,162,706	1,162,706
Capital projects	-	-	-	9,129,431	1,099,270	10,228,701
Beach nourishment	-	-	-	-	2,292,912	2,292,912
Transportation	-	-	179,071	-	-	179,071
Padre Blvd Improvement	-	-	-	-	2,367,324	2,367,324
Beach maintenance	-	-	-	-	1,808,674	1,808,674
Municipal court	-	-	-	-	69,279	69,279
Criminal justice	93,690	-	-	-	3,644	97,334
Venue project	-	-	-	-	980,080	980,080
Hurricane recovery	-	-	-	-	-	-
Parks and recreation	-	-	-	-	8,085	8,085
Hotel/Motel tax	-	4,643,717	-	-	2,735,748	7,379,465
Unassigned	7,225,128	-	-	-	-	7,225,128
	<u>\$ 7,375,956</u>	<u>\$ 4,652,972</u>	<u>\$ 181,378</u>	<u>\$ 9,129,431</u>	<u>\$ 12,556,995</u>	<u>\$ 33,896,732</u>

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 18: 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	\$ 32,533,426	\$ 6,233,834
Deferred outflows of resources - deferred amount on refunding	186,851	179,949
Less related liabilities (bonds, net of premium, and capital leases)	(21,777,795)	(3,911,603)
Restricted cash (unexpended bond proceeds)	11,494,603	-
Net investment in capital assets- total	22,437,085	2,502,180
Restricted net position consists of the following:		
Restricted for debt service	1,192,158	430,846
Restricted for capital projects	1,099,270	-
Restricted for beach nourishment	2,292,912	-
Restricted for transportation	179,071	-
Restricted for beach maintenance	1,808,674	-
Restricted for municipal court	69,279	-
Restricted for criminal justice	97,334	-
Restricted for venue project	980,080	-
Restricted for parks and recreation	8,085	-
Restricted for hotel/motel taxes	7,379,465	-
Restricted net position- total	15,106,328	430,846
Unrestricted net position	5,371,779	1,267,694
Total net position	\$ 42,915,192	\$ 4,200,720



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, 2017

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes - including penalty and interest	\$ 6,093,999	\$ 6,093,999	\$ 5,859,887	\$ (234,112)
Nonproperty taxes	3,572,294	3,572,294	3,658,020	85,726
Fees and services	716,563	832,327	955,034	122,707
Fines and forfeitures	461,600	461,600	556,656	95,056
Licenses and permits	198,700	198,700	447,276	248,576
Intergovernmental	135,000	276,185	205,663	(70,522)
Miscellaneous and program revenues	63,500	78,366	136,496	58,130
Total revenues	11,241,656	11,513,471	11,819,032	305,561
EXPENDITURES				
Current				
General government				
City council	20,000	12,000	1,706	10,294
City administration	793,013	853,498	782,773	70,725
Finance	353,097	353,097	345,901	7,196
Planning	238,583	238,583	221,302	17,281
Information services	500,350	579,043	489,465	89,578
Environmental health services	432,759	442,909	422,084	20,825
General services	905,764	946,264	920,415	25,849
Special projects	242,000	292,400	248,122	44,278
Total general government	3,485,566	3,717,794	3,431,768	286,026
Public safety				
Municipal court	206,438	206,438	183,954	22,484
Police	2,763,919	2,862,005	2,611,950	250,055
Fire	2,247,997	2,257,522	2,166,579	90,943
Emergency management	18,530	28,930	10,327	18,603
Total public safety	5,236,884	5,354,895	4,972,810	382,085
Public works				
Building maintenance	211,041	216,994	190,365	26,629
Inspections	197,309	197,309	193,496	3,813
Fleet Management	515,123	490,123	440,353	49,770
Public works	1,158,733	1,161,533	1,065,661	95,872
Total public works	2,082,206	2,065,959	1,889,875	176,084
Capital outlay	35,000	471,235	321,578	149,657
Debt service				
Principal retirement - capital lease	289,659	243,659	243,659	-
Interest and fees	43,780	34,600	34,600	-
Total debt service	333,439	278,259	278,259	-
Total expenditures	11,173,095	11,888,142	10,894,290	993,852
EXCESS OF REVENUES OVER EXPENDITURES	68,561	(374,671)	924,742	1,299,413

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, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 120,000	\$ 120,000	\$ 222,872	\$ 102,872
Transfers out	(145,645)	(662,327)	(628,104)	34,223
Total other financing sources (uses)	(25,645)	(542,327)	(405,232)	137,095
NET CHANGE IN FUND BALANCE	\$ 42,916	\$ (916,998)	519,510	\$ 1,436,508
Fund balance -- beginning			6,856,446	
Fund balance -- ending			\$ 7,375,956	

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, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 5,324,623	\$ 5,324,623	\$ 5,897,663	\$ 573,040
Fees and services	7,000	7,000	8,228	1,228
Miscellaneous and program revenues	50,000	50,000	62,685	12,685
Total revenues	5,381,623	5,381,623	5,968,576	586,953
EXPENDITURES				
Current				
Convention and visitors bureau				
Visitors bureau	216,883	220,274	214,521	5,753
Sales and marketing	1,561,322	1,586,046	1,462,738	123,308
Events marketing	803,418	919,182	834,394	84,788
Marketing	2,800,000	3,150,000	3,076,265	73,735
Total convention and visitors bureau	5,381,623	5,875,502	5,587,918	287,584
Capital outlay	-	7,111	7,111	-
Total expenditures	5,381,623	5,882,613	5,595,029	287,584
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(500,990)	373,547	874,537
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (500,990)	373,547	\$ 874,537
Fund balance -- beginning			4,279,425	
Fund balance -- ending			\$ 4,652,972	

City of South Padre Island, Texas

**Transportation Grant Fund Schedule of Revenues, Expenditures, and Changes in
Fund Balance- Budget and Actual**

For the Year Ended September 30, 2017

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 5,416,657	\$ 5,689,555	\$ 1,824,580	\$ (3,864,975)
Miscellaneous and program revenues	50,000	50,000	49,722	(278)
Total revenues	5,466,657	5,739,555	1,874,302	(3,865,253)
EXPENDITURES				
Current				
Transportation				
SPI metro	1,370,379	1,479,379	1,285,496	193,883
Metro connect	445,642	445,642	382,109	63,533
Total transportation	1,816,021	1,925,021	1,667,605	257,416
Capital outlay	3,755,000	3,918,898	342,994	3,575,904
Total expenditures	5,571,021	5,843,919	2,010,599	3,833,320
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,364)	(104,364)	(136,297)	(31,933)
OTHER FINANCING SOURCES (USES)				
Transfers in	115,713	115,713	84,088	(31,625)
NET CHANGE IN FUND BALANCE	\$ 11,349	\$ 11,349	(52,209)	\$ (63,558)
Fund balance -- beginning			233,587	
Fund balance -- ending			\$ 181,378	

City of South Padre Island, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System

For the Years Ended September 30,

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 1,362,970	\$ 1,328,713	\$ 1,221,450
Interest (on the total pension liability)	1,991,081	1,904,228	1,754,638
Changes of benefit terms	-	-	-
Difference between expected and actual experience	20,476	(254,650)	(172,667)
Changes of assumptions	-	136,482	-
Benefit payments, including refunds of employee contributions	(968,845)	(706,482)	(733,635)
Net change in total pension liability	2,405,682	2,408,291	2,069,786
Total pension liability – beginning	29,300,430	26,892,139	24,822,353
Total pension liability – ending (a)	\$ 31,706,112	\$ 29,300,430	\$ 26,892,139
Plan Fiduciary Net Position			
Contributions – employer	\$ 950,341	\$ 941,947	\$ 920,340
Contributions – employee	533,900	521,648	516,630
Net investment income	1,788,988	37,906	1,352,871
Benefit payments, including refunds of employee contributions	(968,845)	(706,482)	(733,635)
Administrative expense	(20,192)	(23,085)	(14,122)
Other	(1,088)	(1,140)	(1,161)
Net change in plan fiduciary net position	2,283,104	770,794	2,040,923
Plan fiduciary net position – beginning	26,455,673	25,684,879	23,643,956
Plan fiduciary net position – ending (b)	28,738,777	26,455,673	25,684,879
Net pension liability – ending (a) – (b)	\$ 2,967,335	\$ 2,844,757	\$ 1,207,260
Plan fiduciary net position as a percentage of total pension liability	90.64%	90.29%	95.51%
Covered employee payroll	\$ 7,627,140	\$ 7,452,122	\$ 7,380,428
Net pension liability as a percentage of covered employee payroll	38.90%	38.17%	16.36%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of South Padre Island, Texas
Schedule of Contributions
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System

For the Years Ended September 30,

	2017	2016	2015
Actuarially determined contribution	\$ 1,009,664	\$ 952,539	\$ 926,892
Contributions in relation to actuarially determined contribution	(1,009,664)	(952,539)	(926,892)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 7,980,143	\$ 7,614,798	\$ 7,359,671
Contributions as a percentage of covered employee payroll	12.65%	12.51%	12.59%

City of South Padre Island, Texas
Notes to Schedule of Contributions
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System
For the Year Ended September 30, 2017

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of South Padre Island, Texas
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017

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 Schedule 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.

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**OTHER SUPPLEMENTARY
INFORMATION**

City of South Padre Island, Texas Non-Major Governmental Fund Statements and Schedules

Special revenue fund: **Venue Project Fund** was established to account for monies collected assessment of hotel/motel tax collected by the City for repayment of venue project. An appropriated budget is not adopted for this fund.

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

Special revenue fund: **Criminal Justice Fund** is used to account for miscellaneous grant revenues that are received. An appropriated budget is not adopted for this fund.

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

Special revenue fund: **Tax Increment Reinvestment Zone (TIRZ)** fund was established by City Council to finance the cost of redevelopment and encourage development in an area that would otherwise not attract sufficient market development.

Special Revenue fund: **Beach Maintenance Fund** is used to clean and maintain the beach. The State of Texas sends the City 2% of the hotel/motel tax collected by the State for these efforts.

Special revenue fund: **Beach Nourishment Fund** was established to account for nourishment efforts on the beach and is primarily funded by Hotel Motel tax revenue.

Special revenue fund: **Hurricane Recovery Fund** was established to account for hurricane preparedness and cost associated with preparing for hurricane threats. An appropriated budget is not adopted for this fund.

Capital project fund: **Padre Blvd Improvement Fund** is used to account for bond proceeds received and expenditures associated with improvements to Padre Boulevard

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

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

Capital Project Fund: **Gulf Boulevard Rebuild Fund** is used to account for bond proceeds received and expenditures associated with rebuilding and expansion of Gulf Boulevard. An appropriated budget is not adopted for this fund.

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, 2017

	Special Revenue Funds							
	Convention Center Fund	Venue Project Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund
ASSETS								
Cash and cash equivalents	\$ 2,690,150	\$ 885,176	\$ 20,452	\$ 48,827	\$ 3,644	\$ 8,085	\$ 120,124	\$ -
Cash and cash equivalents- Restricted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	1,002,465
Receivables (net of allowance)								
Taxes	-	-	-	-	-	-	-	-
Accounts	85,205	94,904	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	932,728
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	29,208	-	-	-	-	-	-	65
TOTAL ASSETS	\$ 2,804,563	\$ 980,080	\$ 20,452	\$ 48,827	\$ 3,644	\$ 8,085	\$ 120,124	\$ 1,935,258
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	126,519
Unearned revenues	39,607	-	-	-	-	-	-	-
TOTAL LIABILITIES	39,607	-	-	-	-	-	-	126,519
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
FUND BALANCE								
Nonspendable	29,208	-	-	-	-	-	-	65
Restricted	2,735,748	980,080	20,452	48,827	3,644	8,085	120,124	1,808,674
TOTAL FUND BALANCE	2,764,956	980,080	20,452	48,827	3,644	8,085	120,124	1,808,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,804,563	\$ 980,080	\$ 20,452	\$ 48,827	\$ 3,644	\$ 8,085	\$ 120,124	\$ 1,935,258

Capital Projects Funds										
Beach Nourishment Fund	Hurricane Recovery Fund	Padre Blvd Improvement Fund	Street Improvement Fund	Gulf Boulevard Rebuild Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	Total	Debt Service	Total Non Major Governmental Funds
\$ 2,269,183	\$ -	\$ 2,377,605	\$ 231,820	\$ 14,389	\$ 24,131	\$ 663,041	\$ 40,407	\$ 9,397,034	\$ 511,792	\$ 9,908,826
-	-	-	-	-	-	-	-	-	638,207	638,207
-	-	-	-	-	-	-	-	1,002,465	-	1,002,465
-	-	-	-	-	-	-	-	-	37,813	37,813
23,729	-	-	-	-	-	-	-	203,838	4,346	208,184
-	-	-	-	-	-	-	-	932,728	-	932,728
-	-	-	-	-	-	7,086	-	7,086	-	7,086
-	-	-	-	-	-	-	-	29,273	-	29,273
<u>\$ 2,292,912</u>	<u>\$ -</u>	<u>\$ 2,377,605</u>	<u>\$ 231,820</u>	<u>\$ 14,389</u>	<u>\$ 24,131</u>	<u>\$ 670,127</u>	<u>\$ 40,407</u>	<u>\$ 11,572,424</u>	<u>\$ 1,192,158</u>	<u>\$ 12,764,582</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	10,281	-	1,728	-	-	-	138,528	-	138,528
-	-	-	-	-	-	-	-	39,607	-	39,607
-	-	10,281	-	1,728	-	-	-	178,135	-	178,135
-	-	-	-	-	-	-	-	-	29,452	29,452
-	-	-	-	-	-	-	-	-	29,452	29,452
-	-	-	-	-	-	-	-	29,273	-	29,273
2,292,912	-	2,367,324	231,820	12,661	24,131	670,127	40,407	11,365,016	1,162,706	12,527,722
<u>2,292,912</u>	<u>-</u>	<u>2,367,324</u>	<u>231,820</u>	<u>12,661</u>	<u>24,131</u>	<u>670,127</u>	<u>40,407</u>	<u>11,394,289</u>	<u>1,162,706</u>	<u>12,556,995</u>
<u>\$ 2,292,912</u>	<u>\$ -</u>	<u>\$ 2,377,605</u>	<u>\$ 231,820</u>	<u>\$ 14,389</u>	<u>\$ 24,131</u>	<u>\$ 670,127</u>	<u>\$ 40,407</u>	<u>\$ 11,572,424</u>	<u>\$ 1,192,158</u>	<u>\$ 12,764,582</u>

City of South Padre Island, Texas
Non Major Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended September 30, 2017

	Special Revenue Funds							
	Convention Center Fund	Venue Project Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,412	\$ -
Nonproperty taxes	1,706,553	1,687,292	-	-	-	-	-	1,913,208
Fees and services	293,392	-	-	-	-	-	-	-
Fines and forfeitures	-	-	12,083	9,062	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	137,004
Miscellaneous	15,180	2,920	95	237	-	275	670	8,772
Total revenues	2,015,125	1,690,212	12,178	9,299	-	275	33,082	2,058,984
Expenditures								
Current								
General government	-	-	-	-	-	-	20,000	60,041
Public safety	-	-	8,296	4,928	-	-	-	315,798
Shoreline	-	-	-	-	-	-	-	655,486
Community service	-	-	-	-	-	11,074	-	-
Convention and visitors bureau	1,323,234	-	-	-	-	-	-	-
Capital outlay	319,004	-	-	-	-	-	-	153,179
Debt service								
Principal - bonds	-	-	-	-	-	-	-	-
Principal - capital lease	6,256	-	-	-	-	-	-	5,701
Interest	522	-	-	-	-	-	-	567
Administrative charges	142	-	-	-	-	-	-	154
Total expenditures	1,649,158	-	8,296	4,928	-	11,074	20,000	1,190,926
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	365,967	1,690,212	3,882	4,371	-	(10,799)	13,082	868,058
Other financing sources (uses)								
Sale of capital assets	12,464	-	-	-	-	-	-	8,533
Transfers in	-	-	-	-	-	15,000	-	-
Transfers (out)	-	(710,132)	-	-	-	-	(50,000)	(1,328,913)
Total other financing sources (uses)	12,464	(710,132)	-	-	-	15,000	(50,000)	(1,320,380)
NET CHANGE IN FUND BALANCES	378,431	980,080	3,882	4,371	-	4,201	(36,918)	(452,322)
Fund balance, beginning of year	2,386,525	-	16,570	44,456	3,644	3,884	157,042	2,261,061
Fund balance, end of year	\$ 2,764,956	\$ 980,080	\$ 20,452	\$ 48,827	\$ 3,644	\$ 8,085	\$ 120,124	\$ 1,808,739

Capital Projects Funds										
Beach Nourishment Fund	Hurricane Recovery Fund	Padre Blvd Improvement Fund	Street Improvement Fund	Gulf Boulevard Rebuild Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	Total	Debt Service	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,412	\$ 1,719,426	\$ 1,751,838
475,263	-	-	-	-	-	-	-	5,782,316	-	5,782,316
-	-	-	-	-	-	-	-	293,392	-	293,392
-	-	-	-	-	-	-	-	21,145	-	21,145
-	-	-	-	-	-	-	-	137,004	-	137,004
10,692	-	23,868	1,628	4,545	-	4,066	247	73,195	4,676	77,871
485,955	-	23,868	1,628	4,545	-	4,066	247	6,339,464	1,724,102	8,063,566
-	107,499	125,197	-	-	-	-	-	312,737	-	312,737
-	-	-	-	-	-	-	-	329,022	-	329,022
-	-	-	-	-	-	-	48,795	704,281	-	704,281
65,954	-	-	-	-	-	-	-	77,028	-	77,028
-	-	-	-	-	-	-	-	1,323,234	-	1,323,234
-	-	1,035,447	332,835	2,216,751	97,006	687,636	-	4,841,858	-	4,841,858
-	-	-	-	-	-	-	-	-	1,365,000	1,365,000
-	-	-	-	-	-	-	-	11,957	-	11,957
-	-	-	-	-	-	-	-	1,089	367,350	368,439
-	-	-	-	-	-	-	-	296	2,750	3,046
65,954	107,499	1,160,644	332,835	2,216,751	97,006	687,636	48,795	7,601,502	1,735,100	9,336,602
420,001	(107,499)	(1,136,776)	(331,207)	(2,212,206)	(97,006)	(683,570)	(48,548)	(1,262,038)	(10,998)	(1,273,036)
-	-	-	85,000	-	38,040	-	-	144,037	-	144,037
-	107,499	-	331,014	-	82,000	1,054,726	59,819	1,650,058	760,131	2,410,189
-	-	-	-	-	-	-	-	(2,089,045)	-	(2,089,045)
-	107,499	-	416,014	-	120,040	1,054,726	59,819	(294,950)	760,131	465,181
420,001	-	(1,136,776)	84,807	(2,212,206)	23,034	371,156	11,271	(1,556,988)	749,133	(807,855)
1,872,911	-	3,504,100	147,013	2,224,867	1,097	298,971	29,136	12,951,277	413,573	13,364,850
\$ 2,292,912	\$ -	\$ 2,367,324	\$ 231,820	\$ 12,661	\$ 24,131	\$ 670,127	\$ 40,407	\$ 11,394,289	\$ 1,162,706	\$ 12,556,995

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, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,562,350	\$ 1,562,350	\$ 1,719,426	\$ 157,076
Miscellaneous and program revenues	-	-	4,676	4,676
Total revenues	1,562,350	1,562,350	1,724,102	161,752
EXPENDITURES				
Debt service				
Principal retirement	1,365,000	1,365,000	1,365,000	-
Interest	367,350	367,350	367,350	-
Administrative charges	3,000	3,000	2,750	250
Total expenditures	1,735,350	1,735,350	1,735,100	250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(173,000)	(173,000)	(10,998)	162,002
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	760,131	-
NET CHANGE IN FUND BALANCE	\$ (123,000)	\$ (123,000)	749,133	\$ 872,133
Fund balance -- beginning			413,573	
Fund balance -- ending			\$ 1,162,706	

City of South Padre Island, Texas
Convention Center Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 2,112,762	\$ 2,112,762	\$ 1,706,553	\$ (406,209)
Fees and services	240,000	240,000	293,392	53,392
Miscellaneous and program revenues	-	-	15,180	15,180
Total revenues	2,352,762	2,352,762	2,015,125	(337,637)
EXPENDITURES				
Current				
Convention and visitors bureau	1,351,324	1,490,324	1,323,234	167,090
Total convention and visitors bureau	1,351,324	1,490,324	1,323,234	167,090
Capital outlay	200,000	393,349	319,004	74,345
Debt service				
Principal- capital lease	5,249	5,249	6,256	(1,007)
Interest	522	522	522	-
Administrative charges	142	142	142	-
Total expenditures	1,557,237	1,889,586	1,649,158	240,428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	795,525	463,176	365,967	(97,209)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	12,464	12,464
NET CHANGE IN FUND BALANCE	\$ 795,525	\$ 463,176	378,431	\$ (84,745)
Fund balance -- beginning			2,386,525	
Fund balance -- ending			\$ 2,764,956	

**City of South Padre Island, Texas
Municipal Court Technology Fund
Special Revenue Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 8,087	\$ 8,087	\$ 12,083	\$ 3,996
Miscellaneous and program revenues	-	-	95	95
Total revenues	8,087	8,087	12,178	4,091
EXPENDITURES				
Current				
Public safety	8,144	8,144	8,296	(152)
Total expenditures	8,144	8,144	8,296	(152)
NET CHANGE IN FUND BALANCE	\$ (57)	\$ (57)	3,882	\$ 3,939
Fund balance -- beginning			16,570	
Fund balance -- ending			\$ 20,452	

City of South Padre Island, Texas
Municipal Court Security Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 9,062	\$ 4,062
Miscellaneous and program revenues	-	-	237	237
Total revenues	5,000	5,000	9,299	4,299
EXPENDITURES				
Current				
Public safety	8,968	8,968	4,928	4,040
Total expenditures	8,968	8,968	4,928	4,040
NET CHANGE IN FUND BALANCE	\$ (3,968)	\$ (3,968)	4,371	\$ 8,339
Fund balance -- beginning			44,456	
Fund balance -- ending			\$ 48,827	

City of South Padre Island, Texas
Parks and Recreation Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 275	\$ 275
Total revenues	-	-	275	275
EXPENDITURES				
Current				
Community service	15,000	15,000	11,074	3,926
Total expenditures	15,000	15,000	11,074	3,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,000)	(15,000)	(10,799)	4,201
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	4,201	\$ 4,201
Fund balance -- beginning			3,884	
Fund balance -- ending			\$ 8,085	

City of South Padre Island, Texas
TIRZ Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 41,620	\$ 41,620	\$ 32,412	\$ (9,208)
Miscellaneous and program revenues	38,825	38,825	670	(38,155)
Total revenues	80,445	80,445	33,082	(47,363)
EXPENDITURES				
Current				
General government	-	-	20,000	(20,000)
Total expenditures	-	-	20,000	(20,000)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,445	80,445	13,082	(67,363)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	\$ 30,445	\$ 30,445	(36,918)	\$ (67,363)
Fund balance -- beginning			157,042	
Fund balance -- ending			\$ 120,124	

City of South Padre Island, Texas
Beach Maintenance Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 1,762,934	\$ 1,762,934	\$ 1,913,208	\$ 150,274
Intergovernmental	-	300,000	137,004	(162,996)
Miscellaneous and program revenues	-	-	8,772	8,772
Total revenues	1,762,934	2,062,934	2,058,984	(3,950)
EXPENDITURES				
Current				
General government	58,044	102,378	60,041	42,337
Public safety	291,464	323,275	315,798	7,477
Shoreline	700,217	755,592	655,486	100,106
Capital outlay	18,000	158,511	153,179	5,332
Debt service				
Principal- capital lease	5,702	5,702	5,701	1
Interest	567	567	567	-
Administrative charges	154	154	154	-
Total expenditures	1,074,148	1,346,179	1,190,926	155,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	688,786	716,755	868,058	151,303
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	8,533	8,533
Transfers (out)	(164,887)	(1,245,042)	(1,328,913)	(83,871)
Total other financing sources (uses)	(164,887)	(1,245,042)	(1,320,380)	(75,338)
NET CHANGE IN FUND BALANCE	\$ 523,899	\$ (528,287)	(452,322)	\$ 75,965
Fund balance -- beginning			2,261,061	
Fund balance -- ending			\$ 1,808,739	

City of South Padre Island, Texas
Beach Nourishment Fund
Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 460,325	\$ 460,325	\$ 475,263	\$ 14,938
Miscellaneous and program revenues	-	-	10,692	10,692
Total revenues	460,325	460,325	485,955	25,630
EXPENDITURES				
Current				
Community service	60,000	135,000	65,954	69,046
Total expenditures	60,000	135,000	65,954	69,046
NET CHANGE IN FUND BALANCE	\$ 400,325	\$ 325,325	420,001	\$ 94,676
Fund balance -- beginning			1,872,911	
Fund balance -- ending			\$ 2,292,912	

City of South Padre Island, Texas
Padre Blvd Improvement Fund
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 23,868	\$ 23,868
Total revenues	-	-	23,868	23,868
EXPENDITURES				
Current				
General government	-	125,198	125,197	1
Capital outlay	-	874,010	1,035,447	(161,437)
Total expenditures	-	999,208	1,160,644	(161,436)
NET CHANGE IN FUND BALANCE	\$ -	\$ (999,208)	(1,136,776)	\$ (137,568)
Fund balance -- beginning			3,504,100	
Fund balance -- ending			\$ 2,367,324	

City of South Padre Island, Texas
Street Improvement Fund
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 1,628	\$ 1,628
Total revenues	-	-	1,628	1,628
EXPENDITURES				
Capital outlay	-	416,014	332,835	83,179
Total expenditures	-	416,014	332,835	83,179
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(416,014)	(331,207)	84,807
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	85,000	85,000	-
Transfers in	-	331,014	331,014	-
Total other financing sources (uses)	-	416,014	416,014	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	84,807	\$ 84,807
Fund balance -- beginning			147,013	
Fund balance -- ending			\$ 231,820	

City of South Padre Island, Texas
Capital Replacement Fund
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	-	82,000	97,006	(15,006)
Total expenditures	-	82,000	97,006	(15,006)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(82,000)	(97,006)	(15,006)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	38,040	38,040
Transfers in	-	82,000	82,000	-
Total other financing sources (uses)	-	82,000	120,040	38,040
NET CHANGE IN FUND BALANCE	\$ -	\$ -	23,034	\$ 23,034
Fund balance -- beginning			1,097	
Fund balance -- ending			\$ 24,131	

City of South Padre Island, Texas
Beach Access Fund
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 4,066	\$ 4,066
Total revenues	-	-	4,066	4,066
EXPENDITURES				
Capital outlay	-	1,054,726	687,636	367,090
Total expenditures	-	1,054,726	687,636	367,090
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,054,726)	(683,570)	371,156
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,054,726	1,054,726	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	371,156	\$ 371,156
Fund balance -- beginning			298,971	
Fund balance -- ending			\$ 670,127	

City of South Padre Island, Texas
Bay Access Fund
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual

For the Year Ended September 30, 2017

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 247	\$ 247
Total revenues	-	-	247	247
EXPENDITURES				
Current				
Shoreline	59,819	59,819	48,795	11,024
Total expenditures	59,819	59,819	48,795	11,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(59,819)	(59,819)	(48,548)	11,271
OTHER FINANCING SOURCES (USES)				
Transfers in	59,819	59,819	59,819	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	11,271	\$ 11,271
Fund balance -- beginning			29,136	
Fund balance -- ending			\$ 40,407	



**City of South Padre Island, Texas
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, 2017

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 859,613	\$ 400,563	\$ 7,805	\$ 1,267,981
Investments	-	-	22,478	22,478
Receivables	78,262	-	-	78,262
Prepaid items	-	-	344,515	344,515
Loans receivable	46,242	-	-	46,242
Total assets	\$ 984,117	\$ 400,563	\$ 374,798	\$ 1,759,478
LIABILITIES				
Other liabilities	\$ 2,270	\$ -	\$ -	\$ 2,270
Total liabilities	2,270	-	-	2,270
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - noncurrent receivables	46,242	-	-	46,242
Total deferred inflows of resources	46,242	-	-	46,242
FUND BALANCE				
Nonspendable	-	-	344,515	344,515
Restricted	-	400,563	30,283	430,846
Unassigned	935,605	-	-	935,605
Total fund balances	935,605	400,563	374,798	1,710,966
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 984,117	\$ 400,563	\$ 374,798	\$ 1,759,478

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, 2017

Fund balances of the component unit funds \$ 1,710,966

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 funds.

6,233,834

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

46,242

Long term liabilities, including bonds payable, and premiums are not due in the current period and therefore not reported in the

(3,911,603)

Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.

179,949

Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.

(49,515)

Included in the statement of net position non-current liabilities is the recognition of the EDC's portion of net pension liability required by GASB 68 in the amount of (\$23,466), a deferred resource inflow in the amount of (\$2,050), and a deferred resource outflow in the amount of \$16,363. This resulted in a decrease in net position of \$9,153.

(9,153)

Net position of governmental type activities

\$ 4,200,720

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, 2017

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
REVENUES				
Sales taxes	\$ 813,376	\$ -	\$ -	\$ 813,376
Loan revenue	10,693	-	-	10,693
Miscellaneous and program revenues	5,998	2,105	1,085	9,188
Total revenues	830,067	2,105	1,085	833,257
EXPENDITURES				
Current				
Community service	376,858	-	-	376,858
Debt service				
Principal retirement	-	-	295,000	295,000
Interest expense	-	-	91,202	91,202
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
Total expenditures	376,858	-	386,202	763,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	453,209	2,105	(385,117)	70,197
Other financing sources (uses)				
Transfers out	(394,031)			(394,031)
Transfers in			394,031	394,031
Total other financing sources (uses)	(394,031)	-	394,031	-
Net change in fund balances	59,178	2,105	8,914	70,197
Fund balance -- beginning	876,427	398,458	365,884	1,640,769
Fund balance -- ending	\$ 935,605	\$ 400,563	\$ 374,798	\$ 1,710,966

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, 2017

Net change in fund balances --total component unit funds \$ 70,197

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

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 depreciation (\$161,632) exceeded capital outlay of \$-0-. (161,632)

GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. Contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$6,027. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$11,697). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$2,696. The result of these changes is to decrease net position. (2,974)

The amortization of bond premiums \$18,782 reduces interest expense in the statement of activities, and amortization of debt refunding related deferred outflows of resources of (\$16,359) is an expenditure in the statement of activities but not in the governmental funds. The net effect of including the amortization of deferred outflows of resources and bond premium is to decrease net position. 2,423

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 295,000

The change in accrued interest on long-term debt provides decreases in long-term liabilities in the statement of net position. (49,515)

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. (10,693)

Change in net position of governmental activities \$ 142,806

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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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Schedule 1
 City of South Padre Island, Texas
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2008	2009	2010	2011	2012	2013*	2014**	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 15,236,797	\$ 19,257,279	\$ 17,882,812	\$ 17,420,780	\$ 18,312,199	\$ 15,534,981	\$ 16,203,813	\$ 16,920,738	\$ 19,810,801	\$ 22,437,085
Restricted	1,000,669	308,130	5,034,471	4,700,307	6,079,979	9,364,342	11,858,921	13,800,147	14,397,545	15,101,328
Unrestricted	10,159,970	10,088,864	5,768,869	6,174,054	5,697,496	6,588,837	6,025,603	7,484,310	5,485,644	5,376,779
Total governmental activities net position	\$ 26,397,436	\$ 29,654,273	\$ 28,686,152	\$ 28,295,141	\$ 30,089,674	\$ 31,488,160	\$ 34,088,337	\$ 38,205,195	\$ 39,693,990	\$ 42,915,192

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

**The City of South Padre Island implemented GASB Statement No. 68 in 2015, resulting in an adjustment to the beginning net position for fiscal year ended September 30, 2015; the effect of this prior period adjustment is reflected in the 2014 balance of net position in this schedule, but no other prior years have been adjusted to reflect implementation of this standard. A prior period adjustment made in 2015 affecting the 2014 balance of net investment in capital assets is also reflected in the 2014 amount.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 3,668,745	\$ 3,680,425	\$ 4,244,372	\$ 3,916,708	\$ 3,262,899	\$ 3,616,084	\$ 3,403,281	\$ 3,549,479	\$ 3,693,337	\$ 4,194,171
Public safety	4,106,050	4,358,811	4,675,136	4,639,591	5,154,019	5,617,282	5,635,589	5,534,493	5,871,489	6,041,026
Public works/Shoreline	2,090,705	2,761,388	2,818,149	2,842,168	3,104,579	2,766,161	2,778,620	3,033,574	3,287,013	3,476,918
Transportation	1,129,802	647,664	899,298	1,103,616	1,275,542	1,898,136	1,547,923	1,639,747	1,698,124	1,813,049
Community service	528,546	832,168	40,494	820,784	119,300	621,036	135,357	47,101	1,519,768	136,945
Convention and visitors bureau	6,324,100	6,160,287	5,834,572	5,846,869	5,556,513	5,313,518	6,121,250	5,833,410	7,083,205	8,158,210
Interest on long-term debt	340,220	295,920	310,207	327,532	559,912	306,808	297,596	382,782	434,901	804,150
Total primary governmental activities expenses	18,188,168	18,736,663	18,822,228	19,497,268	19,032,764	20,139,025	19,919,616	20,020,586	23,587,837	24,624,469
Program Revenues										
Governmental activities:										
Charges for services:										
General government	30,642	28,222	27,973	222,573	218,276	156,108	277,881	453,066	472,715	747,718
Public safety	219,209	410,295	424,681	497,934	990,410	881,900	1,108,781	878,790	1,188,668	1,228,417
Public works	529,974	280,498	639,148	36,843	22,646	31,246	39,717	44,853	45,623	-
Transportation	27,302	30,000	74,500	30,000	52,250	30,000	-	-	-	-
Community service	275,347	337,470	300,690	-	-	-	-	-	-	-
Convention and visitors bureau	-	-	-	270,838	244,750	286,963	226,391	249,927	256,369	301,620
Operating grants and contributions	843,668	1,373,380	714,938	996,779	1,074,032	954,301	1,220,114	2,160,260	1,765,405	1,655,530
Capital grants and contributions	234,310	249,808	190,604	682,935	1,296,789	1,277,434	439,114	662,306	895,030	561,717
Total governmental activities program revenues	2,160,452	2,709,673	2,372,534	2,737,902	3,899,153	3,617,952	3,311,998	4,449,202	4,621,810	4,495,002
Net (Expense)/Revenue	(16,027,716)	(16,026,990)	(16,449,694)	(16,759,366)	(15,133,611)	(16,521,073)	(16,607,618)	(15,571,384)	(18,966,027)	(20,129,467)
Total primary government net expense										
General revenues										
Property taxes	5,483,386	6,089,968	6,098,437	6,391,852	6,512,050	6,598,351	6,520,967	6,551,645	7,075,139	7,604,876
Sales & Mixed Beverage taxes	1,965,363	2,295,465	2,001,606	2,116,727	2,171,134	2,335,306	2,604,925	2,663,089	2,650,546	2,775,551
Franchise taxes	792,992	792,501	802,819	821,796	806,646	819,865	851,056	862,253	886,363	882,469
Hotel motel taxes	4,610,239	4,638,099	5,238,745	5,658,555	6,166,994	6,534,215	7,083,965	7,160,795	7,360,083	9,291,508
Hotel motel padre blvd. taxes	-	-	-	-	-	-	-	-	-	-
Hotel motel beach mtn. taxes	630,474	751,950	945,050	988,132	1,086,920	1,644,572	2,144,126	2,171,319	2,217,195	2,388,471
Unrestricted investment earnings	546,491	198,941	143,463	97,265	49,345	38,830	31,373	31,952	82,464	180,490
Sale of fixed assets	1,485,785	14,234	16,810	(17,050)	4,545	-	56,072	58	48,779	114,022
Insurance recoveries	-	4,401,118	16,510	-	-	-	-	-	-	-
Miscellaneous	79,056	101,551	218,133	311,078	130,510	59,156	293,168	247,131	128,478	113,282
Total general revenues	15,593,786	19,283,827	15,481,573	16,368,355	16,928,144	18,030,295	19,585,652	19,688,242	20,449,047	23,350,669
Changes in Net Assets										
Total governmental activities	\$ (433,930)	\$ 3,256,837	\$ (968,121)	\$ (391,011)	\$ 1,794,533	\$ 1,509,222	\$ 2,978,034	\$ 4,116,858	\$ 1,483,020	\$ 3,221,202

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.

Schedule 3
City of South Padre Island, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Pre GASB 54										
Reserved	\$ 37,321	\$ 35,092	\$ 31,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,768,180	6,477,049	6,144,362	-	-	-	-	-	-	-
Total pre GASB 54	\$ 5,805,501	\$ 6,512,141	\$ 6,175,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ 45,959	\$ 21,542	\$ 55,701	\$ 57,868	\$ 56,321	\$ 58,086	\$ 57,138
Restricted	-	-	-	-	-	-	-	-	113,072	93,690
Unassigned	-	-	-	6,243,764	6,357,093	6,158,124	6,848,537	6,835,686	6,685,288	7,225,128
Total post GASB 54	\$ -	\$ -	\$ -	\$ 6,289,723	\$ 6,378,635	\$ 6,213,825	\$ 6,906,405	\$ 6,892,007	\$ 6,856,446	\$ 7,375,956
All Other Governmental Funds										
Pre GASB 54										
Reserved	\$ 766,366	\$ 729,340	\$ 696,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	681,831	3,040,415	2,590,794	-	-	-	-	-	-	-
Capital projects funds	4,048,185	478,262	1,691,350	-	-	-	-	-	-	-
Total pre GASB 54	\$ 5,496,382	\$ 4,248,017	\$ 4,978,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ 114,554	\$ 148,890	\$ 54,786	\$ 42,639	\$ 1,504,355	\$ 37,490	\$ 45,835
Restricted:										
Debt service	-	-	-	429,784	273,133	309,533	346,602	386,436	413,573	1,162,706
Capital projects	-	-	-	4,914,411	1,502,659	2,636,575	700,897	3,603,413	6,362,226	12,596,025
Beach nourishment	-	-	-	-	-	-	2,435,967	1,416,745	1,872,911	2,292,912
Transportation	-	-	-	154,277	235,999	287,934	301,277	320,366	231,280	179,071
Beach maintenance	-	-	-	78,887	264,395	790,655	1,382,753	2,050,584	2,260,996	1,808,674
Municipal court	-	-	-	43,562	48,913	53,594	63,068	72,385	61,026	69,279
Criminal justice	-	-	-	3,433	3,644	3,644	3,644	3,644	3,644	980,080
Venue project	-	-	-	-	-	-	-	-	-	-
Hurricane recovery	-	-	-	248,227	205,288	181,185	-	-	-	-
Parks and recreation	-	-	-	2,185	2,372	3,920	1,837	3,117	3,884	8,085
Hotel/motel tax	-	-	-	2,442,154	3,603,561	5,068,679	6,596,864	5,986,315	6,630,832	7,374,465
Unassigned	-	-	-	-	(172,892)	(7167,000)	22,303	21,923	-	-
Total post GASB 54	\$ -	\$ -	\$ -	\$ 8,431,474	\$ 6,115,962	\$ 9,383,338	\$ 11,897,851	\$ 15,369,283	\$ 17,877,862	\$ 26,520,776

Schedule 4
City of South Padre Island, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012
REVENUES					
Property taxes	\$5,393,449	\$6,115,209	\$6,042,754	\$6,407,899	\$6,572,035
Nonproperty taxes	7,999,068	8,478,004	8,988,221	9,585,210	10,231,694
Fees and services	298,189	353,545	529,702	411,771	847,528
Fines and forfeitures	219,209	295,990	379,684	424,124	517,776
Licenses and permits	573,866	322,645	557,605	222,292	191,105
Intergovernmental	1,077,978	1,056,767	905,542	1,679,714	2,202,888
Miscellaneous and program	616,757	981,229	361,596	408,344	179,856
Total revenues	16,178,516	17,603,389	17,765,104	19,139,354	20,742,882
EXPENDITURES					
General	4,084,721	3,124,195	3,801,677	3,441,451	2,912,655
Public safety	3,822,108	4,101,247	4,478,384	4,313,528	4,806,764
Public works	1,484,580	2,156,348	2,158,644	2,188,234	2,424,423
Transportation	1,063,572	552,966	782,525	957,492	1,078,641
Community service	326,736	832,168	40,494	820,784	119,300
Convention and visitors	5,114,147	5,532,594	4,653,373	4,972,074	4,740,409
Debt service					
Principal retirement	1,110,000	1,160,000	1,205,000	932,358	982,225
Interest	329,243	285,443	275,612	261,642	400,165
Bond Issue Costs	-	-	-	94,968	103,287
Administrative charges	500	-	-	2,736	800
Capital outlay	3,211,465	4,816,260	906,820	2,417,098	5,628,071
Total expenditures	20,547,072	22,561,221	18,302,529	20,402,365	23,196,740
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,368,556)	(4,957,832)	(537,425)	(1,263,011)	(2,453,858)
Other financing sources (uses)					
Sale of fixed assets	1,485,785	14,989	85,350	25,933	4,771
Lease Proceeds	-	-	-	902,220	119,200
Proceeds from issuance of bonds	1,000,000	-	830,000	3,800,000	3,165,000
Premium on issuance of bonds	-	-	-	101,462	289,990
Uses of debt refunding					(3,351,703)
Bond issue costs	-	-	-	-	-
Insurance Proceeds	-	4,401,118	16,510	-	-
Transfers out	(2,209,420)	(2,371,184)	(1,587,679)	(853,568)	(1,200,089)
Transfers in	2,209,420	2,371,184	1,587,679	853,568	1,200,089
Total other financing sources and	2,485,785	4,416,107	931,860	4,829,615	227,258
Net change in fund balances	(\$1,882,771)	(\$541,725)	\$394,435	\$3,566,604	(\$2,226,600)

Debt service as a percentage of noncapital expenditures	8.30%	8.15%	8.51%	6.64%	7.87%
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2013	2014	2015	2016	2017
\$6,666,348	\$6,554,043	\$6,606,286	\$7,103,497	\$7,611,725
11,333,958	12,684,073	12,857,456	13,114,187	15,337,999
786,089	879,384	970,681	1,007,064	1,256,654
455,300	576,361	447,666	627,825	577,801
150,583	137,367	257,990	264,933	447,276
2,231,734	1,609,228	2,772,565	2,654,058	2,167,247
158,989	374,541	329,088	259,646	343,772
21,783,001	22,814,997	24,241,732	25,031,210	27,742,474
3,204,508	3,022,645	3,184,592	3,308,828	3,744,505
4,954,525	5,079,755	5,042,426	5,173,137	5,301,832
2,079,739	2,115,599	2,360,877	2,402,321	2,594,156
1,104,987	1,336,549	1,491,095	1,513,709	1,667,605
418,152	131,262	50,810	1,456,385	77,028
5,313,518	5,319,014	4,975,850	5,867,540	6,912,159
634,920	696,201	750,543	1,083,087	1,619,609
301,716	297,548	275,741	372,256	401,337
-	-	103,079	89,736	323,462
(900)	4,308	4,245	4,337	4,748
1,591,360	1,676,803	5,690,771	5,586,040	5,513,541
19,602,525	19,679,684	23,930,029	26,857,376	28,159,982
2,180,476	3,135,313	311,703	(1,826,166)	(417,508)
22,777	71,780	38,068	54,420	144,037
899,313	-	-	144,335	-
-	-	2,905,000	3,890,000	9,085,000
-	-	202,263	210,429	350,895
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,155,679)	(1,362,784)	(4,075,166)	(957,804)	(2,717,149)
1,155,679	1,362,784	4,075,166	957,804	2,717,149
922,090	71,780	3,145,331	4,299,184	9,579,932
\$3,102,566	\$3,207,093	\$3,457,034	\$2,473,018	\$9,162,424

5.20% 5.52% 5.63% 6.84% 8.92%

Schedule 5
City of South Padre Island, Texas
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Net Taxable Assessed Value		Less: Exempt Property & Homestead Cap	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
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
2014	2,629,536,569	31,256,298	77,229,580	2,583,563,287	0.25438
2015	2,574,041,045	32,621,783	90,276,002	2,516,386,826	0.26275
2016	2,535,461,500	34,181,366	91,123,668	2,478,519,198	0.28564
2017	2,553,862,437	33,883,054	91,934,403	2,495,811,088	0.30564

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.

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

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					
2008	0.216810	0.028800	0.080820	1.061634	0.353191	0.161089	0.049200
2009	0.218400	0.027210	0.080820	1.061634	0.363191	0.161089	0.049200
2010	0.220310	0.025300	0.080820	1.081634	0.364291	0.161924	0.049200
2011	0.220310	0.025300	0.080820	1.081634	0.384291	0.162423	0.049200
2012	0.224355	0.026045	0.080820	1.081634	0.384291	0.164026	0.049200
2013	0.223631	0.029070	0.080820	1.081634	0.384291	0.162935	0.049200
2014	0.227828	0.026556	0.080820	1.081634	0.384291	0.162935	0.049200
2015	0.235468	0.027286	0.039260	1.081634	0.399291	0.164094	0.049200
2016	0.239110	0.046530	0.044643	1.081634	0.399291	0.164094	0.049200
2017	0.239110	0.066530	0.045020	1.081634	0.407743	0.158224	0.049200

Source: Cameron County Appraisal District.

Schedule 7
City of South Padre Island, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
SPI Beach Water Resort Waterpark LLC	\$ 10,882,174	1	0.44%			
Peninsula Island Resort & Spa LLC	10,346,917	2	0.42%	\$ 10,169,586	4	0.41%
Agora USA LP	10,312,156	3	0.42%			
Sapphire VP LP	9,000,000	4	0.36%	34,674,915	1	1.39%
Bahia Mar Tower LLC	7,361,990	5	0.30%			
Affiliated Hospitality LLC	6,689,867	6	0.27%			
SPI Management Co.	6,674,218	7	0.27%			
ICS Management Company	6,513,887	8	0.26%	11,963,869	3	0.48%
SPI La Copa Ltd.	6,294,771	9	0.25%	7,659,200	5	0.31%
SkipJack Properties LLC	6,070,836	10	0.24%			
Laguna Bay Trust				7,049,451	8	0.27%
SSPIBR, Ltd				6,770,780	9	0.27%
AEP Texas Central Co.				6,727,450	10	0.27%
Bayside Capital LLC.				7,089,491	7	0.28%
Shores Development Inc.				12,999,214	2	0.52%
SPI Oleander Ltd.				7,472,989	6	0.30%
Total	\$ 80,146,816		3.23%	\$ 112,576,945		4.50%

Source: Cameron County Appraisal District

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2008	2007	\$ 5,479,052	\$ 5,215,751	95.19%	\$ 248,464	\$ 5,464,215	99.73%
2009	2008	6,072,211	5,804,355	95.59%	258,085	6,062,440	99.84%
2010	2009	6,073,653	5,804,071	95.56%	263,796	6,067,867	99.90%
2011	2010	6,310,281	6,123,665	97.04%	177,329	6,300,994	99.85%
2012	2011	6,520,822	6,294,365	96.53%	210,530	6,504,895	99.76%
2013	2012	6,521,119	6,384,778	97.91%	130,223	6,515,001	99.91%
2014	2013	6,512,667	6,374,024	97.87%	130,952	6,504,976	99.88%
2015	2014	6,565,849	6,450,296	98.24%	105,122	6,555,418	99.84%
2016	2015	7,100,989	6,984,635	98.36%	95,186	7,079,821	99.70%
2017	2016	7,511,750	7,407,581	98.61%	-	7,407,581	98.61%

Source: Cameron County Tax Office

Schedule 9
City of South Padre Island, Texas
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	General Fund Sales & Mixed Beverage Tax	Franchise Tax	Local and State Hotel/Motel Tax	Total
2008	\$ 5,393,449	\$ 1,965,363	\$ 792,992	\$ 5,240,713	\$ 13,392,517
2009	6,115,209	2,295,465	792,501	5,390,038	14,593,213
2010	6,042,754	2,001,606	802,819	6,183,796	15,030,975
2011	6,407,899	2,116,728	821,796	6,646,687	15,993,110
2012	6,572,035	2,171,133	806,646	7,253,914	16,803,728
2013	6,666,348	2,335,306	819,865	8,178,787	18,000,306
2014	6,554,043	2,604,925	851,056	9,228,091	19,238,115
2015	6,606,286	2,663,089	862,253	9,332,114	19,463,742
2016	7,103,497	2,650,546	886,363	9,577,278	20,217,684
2017	7,611,724	2,775,551	882,470	9,769,692	21,039,437

Schedule 10
City of South Padre Island, Texas
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income	Per Capita ¹
	General Obligation Bonds	Combination Tax & Revenue Refunding Bonds	Tax Anticipation Notes	Venue Hotel Occupancy Tax Revenue Bonds	Capital Leases			
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	7,766,462	420,000	505,000	-	819,862	9,511,324	4.29%	1,612
2012	7,963,312	-	260,000	-	826,837	9,050,149	4.08%	1,534
2013	7,725,783	-	-	-	1,566,230	9,292,013	4.19%	1,575
2014	7,298,254	-	-	-	1,275,029	8,573,283	3.29%	1,453
2015	6,855,725	-	2,905,000	-	957,451	10,718,176	4.12%	1,817
2016	6,165,000	-	6,445,000	-	797,924	13,407,924	12.46%	4,643
2017	5,715,000	-	5,530,000	9,085,000	543,315	20,873,315	12.19%	7,228

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements EDC not included.

¹ See Schedule 14 for personal income and population data.

Schedule 11
City of South Padre Island, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Debt Service Restricted Net Assets	Net Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
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	7,766,462	430,535	7,335,927	0.28%	1,316
2012	7,963,312	266,563	7,696,749	0.30%	1,350
2013	7,725,783	339,434	7,386,349	0.28%	1,309
2014	7,298,254	346,603	6,951,651	0.27%	1,237
2015	6,855,725	386,438	6,469,287	0.26%	1,162
2016	6,165,000	361,774	5,803,226	0.23%	2,135
2017	5,715,000	1,162,706	4,552,294	0.18%	1,979

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

Schedule 12
City of South Padre Island, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Last Ten Fiscal Years

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cameron County	\$ 156,795,000	13.92%	\$ 21,825,864
Point Isabel Independent School District	15,785,000	67.95%	10,725,908
Laguna Madre Water District #1	15,190,000	73.90%	11,225,410
Texas Southmost College	46,230,000	21.03%	9,722,169
Subtotal, overlapping debt			53,499,351
City direct debt	20,330,000	100.00%	20,330,000
Total direct and overlapping debt			\$ 73,829,351

Methodology for Deriving Overlapping Percentages:

- 1) Determine the estimated shared assessed valuation of taxable property within both the Overlapping Taxing Body(s) and your municipality;

- 2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing body.

Source: The Municipal Advisory of Texas

Schedule 13
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	Total	
2008	\$ 1,881,284	\$ 1,045,290	\$ 835,994	\$ 725,000	\$ 82,025	\$ 807,025	1.04
2009	1,867,690	1,099,504	768,186	755,000	52,822	807,822	0.95
2010	1,191,421	1,212,721	(21,300)	830,000	41,122	871,122	(0.02)
2011	2,077,689	1,332,802	744,887	420,000	6,069	426,069	1.75
2012	2,284,146	1,320,451	963,695	-	-	-	-
2013	2,551,906	1,860,510	691,396	-	-	-	-
2014	3,208,757	1,939,326	1,269,431	-	-	-	-
2015	2,919,053	1,106,674	1,812,379	-	-	-	-
2016	1,979,972	1,253,283	726,689	-	-	-	-
2017	2,027,589	1,649,159	378,430	-	-	-	-

(1) Convention Center Fund revenues, including interest.

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

Schedule 14
City of South Padre Island, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Year	Estimated Population 1	Personal Income	Per Capita Personal Income 2	Median Age 2	School Enrollment 3	Unemployment Rate 4
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	221,592,200	37,558	58.7	2,588	10.1%
2014	5,900	260,809,500	44,205	59.2	2,480	8.0%
2015	5,900	260,048,400	44,076	60	2,518	6.6%
2016	2,888	107,650,200	37,275	58.7	2,463	7.5%
2017	2,888	171,215,080	59,285	60.5	2,396	5.5%

Source:

1 George Wm. Berry, Ph. D. Analysis 2008 was used for population data from 2009 until 2015. In 2016, the population data was obtained using the U.S. Census Bureau. In 2017, ESRI Demographics Report.

2 US. Census Bureau. In 2017, the information was obtained using a ESRI Demographics Report.

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

Schedule 15
City of South Padre Island, Texas
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Employer	2017			2008		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Schlitterbahn Beach Water Park	1,232	1	27.73%	350	1	4.87%
City of South Padre Island	310	2	6.98%	170	5	2.36%
Isla Grand Resort	205	5	4.61%	230	2	3.20%
Louie's Backyard	180	4	4.05%	150	6	2.09%
Sea Ranch Enterprises *	176	6	3.96%	75	8	1.04%
Hilton Garden Inn	160	7	3.60%			
The Pearl Beach Resort	148	3	3.33%			
Blackbeard's Restaurant	142	8	3.20%	212	4	2.95%
La Quinta Inn & Suites	134	9	3.02%			
Origins Recovery Center	113	10	2.54%			
Sheraton Fiesta Beach Resort				225	3	3.13%
Radisson Resort						
Blue Marlin Supermarket				55	9	0.76%
Amberjack's Restaurant				100	7	1.39%
Cameron Parks				43	10	0.60%
Total	2,800		63.02%	1,610		22.39%

Source: South Padre Island Economic Development Corporation

*Includes Sea Ranch, Pier 19, and Laguna Bob's

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAM

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
City Administration	5	6	6	4	4	4	4.4	4.25	4.25	5
Finance	5	4	5	5	5	5	5	4.9	4.9	5
Development Services *	2	2	2	1.75	1.75	2	2	2	2	3
Technology	2	2	2	3	3	3.25	3	2.95	2.8	3
Human Resources	0	1	2	3	3	3	3	3	3	3
Municipal Court	2	2	3	2	2	2	2	2	3	3
Police	34	39	39	39	38	38	38	37.95	37.75	36.75
Fire	18	21	21	21	27	27	27	26.75	26	26.75
Environmental Health Serv.	4	6	6	5	5	6	6	5.85	5.85	5.85
Fleet Management	0	2	2	2	2	2	2	2	2	2
Building Maintenance	0	3	3	3	3	3	3	3	3	3
Inspections	4	4	4	3	3	3	3	3	3	3
Public Works	22	18	18	19	19	18	19	18.85	17.85	19.85
Hotel Motel Fund										
Visitor's Center	2	2	2	2	2	2	3	3	3	3
Hotel Motel	13	13	9.5	9.5	9.5	8.75	9.5	9.5	9.5	10
Events Marketing	2	2	1	1	1	2	1	1	0.5	0
Convention Centre										
Convention Centre	13	13	13.5	11.5	10.5	12	10	11.2	10.35	11
Transportation										
Island Metro	7	7	9	9.25	15.25	15	16.1	16.2	14.2	14
Metro Connect	0	0	0	0	0	0	4	3	4	7
Shoreline**										
Police	0	0	0	0	0	0	0	0.05	0.05	0
Fire	0	0	0	0	0	0	0	0.25	0	0
Environmental Health Serv.	0	0	0	0	0	0	0	0.15	0	0
Public Works	0	0	0	0	0	0	0	0.15	0	0
Beach Maintenance	0	0	4	4	4	4	4	6	7	7.6
Bay Access	0	0	0	0	0	0	0	0	0	1.2
Total Operating Budget FTE's	135	147	152	148	158	160	165	167	164	173

Source: City of South Padre Island Annual Budget

Note: Full-time budgeted positions are shown

*Formerly Planning

**Formerly Beach Maintenance

Schedule 17
City of South Padre Island, Texas
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	727	952	1,002	1,199	1,454	1,258	1,246	1,246	1,403	1,367
Parking violations	514	1,643	2,123	1,897	1,138	724	1,435	793	647	420
Traffic violations	942	995	1,204	1,038	748	481	658	245	242	434
Number of commissioned police officers	26	29	28	28	28	29	28	28	27	27
Number of employees - police officers & civilians	36	40	39	38	38	39	38	38	37	37
Fire										
Number of calls answered	1,420	1,667	1,783	1,858	1,964	2,107	2,243	2,105	2,410	2,348
EMS calls	838	816	1,082	1,172	1,415	1,377	1,486	1,543	1,542	1,102
Inspections	219	475	369	490	327	288	150	166	76	162
Number of firefighters	18	18	18	20	26	26	26	25	25	26
Number of employees - firefighters & civilians	21	21	21	21	27	27	27	26	26	27
Streets										
Street resurfacing (square yards)	16,837	6,956	8,611	9,032	7,867	12,050	-	8,891	32,314	2,559
Sidewalk construction (square yards)	220	693	-	73	2,069	440	368	1,540	3,523	8,942

Source: City Departments

Schedule 18
City of South Padre Island, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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)	47.09	47.09	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39
City area (acres)	1640	1640	1640	1640	1527	1901	1901	1905	2371	2371
Parks and recreation										
Playground	1	1	2	2	2	2	2	2	2	3
Parks	2	2	2	3	3	3	3	3	3	5
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)	18	18	18	19	19	19	19	20	23	23
Beach accesses (undeveloped)	6	6	6	5	5	5	5	4	1	3
Transportation										
Transit - minibuses	8	12	10	9	10	11	10	11	10	11

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

Source: City Departments

Schedule 19
City of South Padre Island, Texas
MISCELLANESOUS STATISTICAL DATA

Date of incorporation	1973
Fiscal year begins	October 1st
Number of budgeted City employees	173

Geographical location: Southern tip of Texas on the Gulf of Mexico approximately 15 miles north of the Mexican border.

Temperature: 68.2 degrees average low temperature
80.4 degrees average high temperature

Source: City Staff
Source: www.weatherbase.com



COMPLIANCE SECTION

**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 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, 2017, 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 1, 2018.

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.

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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*.

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.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
March 1, 2018

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. City of South Padre Island, Texas' major federal programs are identified in the summary of auditors' 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
March 1, 2018

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City of South Padre Island, Texas
Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 the Uniform Guidance.	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.513	Transit Services Programs Cluster
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no



**City of South Padre Island, Texas
Schedule of Findings and Questioned Costs- Continued**

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 and State Award Findings and Questioned Costs

None reported.



**City of South Padre Island, Texas
Schedule of Findings and Questioned Costs
Summary Schedule of Prior Audit Findings**

PROGRAM DESCRIPTION

Not applicable

DESCRIPTION

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, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-through Entity Identifying Number	(4) Provided to Subrecipients	(5) Federal Expenditures
U.S. Department of Commerce				
Passed through Texas General Land Office				
Coastal Zone Management Administration Awards	11.419	NA14NOS4190139	\$ -	\$ 137,004
Total passed through Texas General Land Office				137,004
Total U.S. Department of Commerce				137,004
U.S. Department of Transportation				
Passed through Texas Department of Transportation				
Formula Grants for Rural Areas	20.509	RPT 1602 (21) 013	-	513,294
Formula Grants for Rural Areas	20.509	ICB 1601 (29) 36/38	-	202,240
				715,534
* Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1602	-	102,509
* Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1701	-	110,993
Total Transit Services Program Cluster				213,502
* Bus and Bus Facilities Formula Program	20.526	TAP 1501	-	68,640
* Bus and Bus Facilities Formula Program	20.526	BBF 1701	-	16,713
Total Federal Transit Cluster				85,353
National Infrastructure Investments	20.933	TGR 1701 (21) 043	-	228,000
Total passed through Texas Department of Transportation			-	1,242,389
Total U.S. Department of Transportation			-	1,242,389
U.S. Department of Health and Human Services				
Food and Drug Administration Research				
Food and Drug Administration Research	93.103	G-SP-1410-01778	-	3,000
Food and Drug Administration Research	93.103	G-SP-1509-02653	-	30,000
Total U.S. Department of Health and Human Services			-	33,000
U.S. Department of Homeland Security				
Passed through Texas Department of Public Safety				
Homeland Security Grant Program	97.067	2015CO6122	-	19,470
Total passed through Texas General Land Office				
Total U.S. Department of Homeland Security			-	19,470
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,431,863

* Clustered Programs

The accompanying notes are an integral part of this schedule

City of South Padre Island, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2017

NOTE 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, 2017. 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.

NOTE 2- MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The federal and state grant funds were accounted for in the Special Revenue Funds and within the General Fund. 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.

NOTE 3- SUB-RECIPIENTS

During the year ended September 30, 2017, the City had no sub-recipients.



City of South Padre Island, Texas
Notes on Accounting Policies for Federal Awards- Continued
For the Year Ended September 30, 2017

NOTE 4- FEDERAL LOANS AND LOAN GUARANTEES

During the year ended September 30, 2017, the City had no outstanding federal loans payable or loan guarantees.

NOTE 5- FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2017, the City had no federally funded insurance.

NOTE 6- NONCASH AWARDS

During the year ended September 30, 2017, the City did not receive any non-cash federal awards.

NOTE 7- INDIRECT COST RATE

The City does not utilize the de minimus 10% indirect cost rate. Indirect costs, where applicable, are negotiated with the agency providing the grant award to the City.



**City of South Padre Island, Texas
Exit Conference**

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

Rodrigo Gimenez, Finance Director
Susan Guthrie, City Manager

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