

# CITY OF SOUTH PADRE ISLAND, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
September 30, 2018



**CRI** CARR  
RIGGS &  
INGRAM

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**INTRODUCTORY SECTION**



March 6, 2019

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, 2018. This report was prepared from the books and records of the City of South Padre Island, Texas and includes the financial activities of the primary government and its component unit. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The goal of the independent audit, conducted by Carr, Riggs & Ingram, LLC, was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2018 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 auditors' 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 Island is known throughout the United States and is ranked as one of Texas' top 10 beaches. The City occupies approximately 2.5 square miles and serves a full-time residential population of approximately 2,888.

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

The City of South Padre Island continues to have a strong financial position with a AA+ general obligation bond rating, a six month operating reserve, positive growth in revenues, annual expenditures within budget, and excess reserves to fund capital projects. Furthermore, the City has undertaken several new initiatives to provide a safe and attractive environment and enhance the quality of service we deliver to the citizens and visitors of the City. These include business planning, DMAIC quality improvement processing, and the development of performance metrics. The City has accomplished a great deal this year by enhancing its marketing capabilities as a vacation destination, investing in infrastructure, and improving beach accesses, while maintaining one of the lower property tax rates in the state of Texas.

### *DMAIC Quality Improvement Processes*

The City's ability to provide services in an effective and efficient manner is partly dependent on a reliable fleet of vehicles, other equipment, and buildings. During this current fiscal year, the City funded the first year of the replacement programs for computers and vehicles, as well as preventive maintenance for the City's buildings. These programs were developed through DMAIC processes, which is a data-driven improvement cycle used for improving, optimizing, and stabilizing processes. The DMAIC improvement cycle (Define, Measure, Analyze, Improve and Control) is the core tool to drive Six Sigma projects. The City will move on to its second year of embracing DMAIC quality improvement processing.

### *Infrastructure*

The Public Works department has undertaken many projects this past year to improve infrastructure and beautify the City of South Padre Island. We are investing in infrastructure as well as projects that enhance our ability to market the Island as a premier vacation destination.

The Gulf Boulevard Reconstruction Project was completed in March of 2018 for a total cost of approximately \$3 million. The project encompassed new paving and improvements to pedestrian safety by relocating street parking to the west side of the street and providing wider walking areas as well as bicycle pathways. Traffic delineator posts were also installed for additional pedestrian safety. In addition, the renovation project also addressed a few side streets which included adding curbs and gutters to improve drainage, sidewalks, and new paving.

The City of South Padre Island's Padre Boulevard Sidewalk Improvement Project, which started in late May 2017, is well underway and Phases I, II and IV have been completed with Phase III currently on schedule. The project has improved the sidewalks on both sides of Padre Boulevard from Isla Blanca Park to the Convention Center, which is approximately 4.6 miles each way, totaling 9.2 miles. Thus far, 30 blocks on both sides of Padre Boulevard have been completed with sidewalks and brick pavers, designated areas have been landscaped, and irrigation systems were installed. The project is funded through the Texas Department of Transportation.

Work commenced in April of 2018 for the 2018 Street Reconstruction Project. This project consists of reconstructing eight side streets on the east side of Padre Boulevard as well as an additional three side streets on the bayside. Improvements include five-foot sidewalks, improved drainage and more than 200 additional public parking spaces. The project is scheduled to be completed within seven and a half months for a cost of approximately \$2 million.





The Transportation Department remains on track with the Multimodal Facility Project. The first phase of the project is complete and the second phase has commenced. The basic function of the facility is to be a “transfer station” between different modes of transportation. It serves as a point of transfer between Island Metro’s three different routes, enabling riders to wait for their transfers in a comfortable setting. The entire facility sits on property owned by the Texas Department of Transportation and is leased to the City for a fifty year period with extension options. It will house the South Padre Island Metro Bus System and the City’s Shoreline Department. A \$4.6 million grant, known by its acronym “TIGER” (Transportation Investment Generating Economic Recovery) was obtained in 2014 to fund the construction of the building. Construction began May of 2018 and as of September 30, 2018 approximately 40% of construction has been completed.

#### *Beautification and Beaches*

The City has successfully implemented local programs and campaigns to clean up litter, reduce and recycle waste, educate citizens and beautify and enhance the local community. This year, Keep Texas Beautiful, a statewide grassroots environmental health and community improvement organization, named South Padre Island a Gold Affiliate. The Gold Star recognition is the highest status any community affiliate can achieve.

The Shoreline Department accomplished several improvements to beach access points. To allow easier public access to our beach, several dune walkovers were enhanced. Beach walkovers located at Ocean Circle, Moonlight Circle, and Seaside Circle were part of the Coastal Management Program Grant that have been completed. Each walkover has been built with stronger, more durable materials and constructed with respect to the surrounding dune systems. The new walkovers will provide better accessibility to the beach, include more parking spaces, water fountains and bike racks, and ensuring ADA compliance. The height of the walkovers allows sand dunes to grow naturally without being blocked by the structures. Further, a number of smaller aesthetic improvements were conducted on the City’s public beach access points. These include low rope fencing to guide pedestrian traffic directly from parking areas to the beach, hand-made bike racks, and interpretive signage designed to engage the public with the City’s ongoing dune conservation and restoration programs.

#### *Public Safety*

The South Padre Island Police Department is a member of the United States Department of Homeland Security’s Border Enforcement Security Task Force. As a result of their actions, the department was awarded the International Association of Chiefs of Police’s Leadership in Homeland Security Award. This award recognizes single agencies and multi-agency collaborative efforts that have made meaningful contributions to both their communities and law enforcement as a whole.

The South Padre Island Police Department was awarded with numerous law enforcement grants this year. The department received funds for rifle resistant body armor as well as police department law enforcement operations. These grants enhance our efforts to further protect our community, reduce the number of crimes, and promote accountability, efficiency and effectiveness within the City.

In addition, the City made major investments in public safety during fiscal year 2017-2018. Such investments included the purchase of a new fire pumper truck and two new ambulances. The City utilized vacant space within City Hall to provide new offices for the Criminal Investigation Division of the Police Department. The room consists of multiple offices, a conference area, and an interrogation room.



### *Tourism*

The South Padre Convention and Visitor's Bureau (CVB) works to generate tourism through leisure, group travel and meetings, and convention markets. As tourism is the City's primary economic engine, success is critical. This year, the CVB incorporated new technologies that apply rigorous analysis to produce broad and relevant insights to their marketing efforts. The goal is to determine which marketing efforts are most effective and result in visits to the Island. These improvements were part of a DMAIC project undertaken to improve marketing efforts. During 2017-2018 fiscal year, the CVB booked 30,069 group room nights, and the Visitors Information Center welcomed 40,595 guests from the United States, Mexico, Canada, and European countries.

The South Padre Convention and Visitor's Advisory Board produced, sponsored or directly supported more than 60 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. Events like the Sandcastle Days brought an estimated \$1.2 million in economic impact over a low-season weekend in October, according to a UTRGV special event study.

This year, the City partnered with local airports and airlines to gain additional flights into Harlingen and Brownsville. Four airlines have added flights to the Rio Grande Valley to their flight schedules, which will provide more than 94,900 new flight seats. This increased airlift will provide easy transport to South Padre Island via non-stop flights.

## **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 Business 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, 2018 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### *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, 2017. This was the 28th 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, 2017. This was the 7th 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.



Furthermore, the Texas Comptroller, Glenn Hegar, announced the City of South Padre Island achieved specific transparency goals through the Comptroller's Transparency Stars program. The City received a star in the area of Traditional Finances, which recognizes entities for their outstanding efforts in making their spending and revenue information available. Transparency Stars recognizes local government entities that provide easy online access to important financial data.

*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. Furthermore, 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,

Randy Smith, Interim City Manager

Rodrigo Gimenez, Interim Assistant City Manager  
and Chief Financial Officer



Government Finance Officers Association

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

Presented to

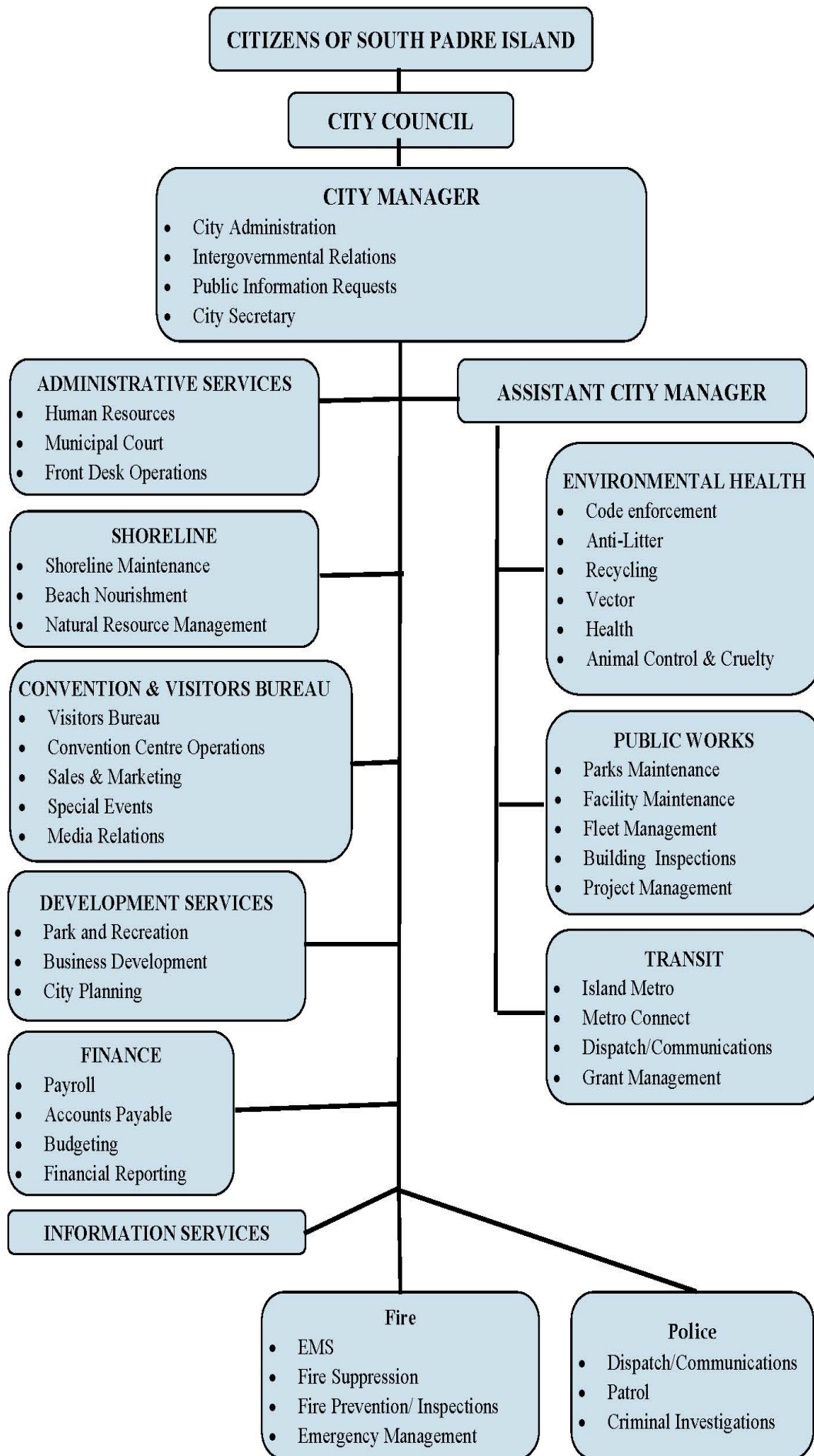
**City of South Padre Island  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



**City of South Padre Island, Texas**  
**List of Principal Officials**  
**September 30, 2018**

**ELECTED OFFICIALS**

NAME	TITLE
DENNIS STAHL	<b>MAYOR</b>
RON PITCOCK	COUNCIL MEMBER, PLACE 2
KEN MEDDERS, JR.	COUNCIL MEMBER, PLACE 1
THERESA METTY	COUNCIL MEMBER, PLACE 3
ALITA BAGLEY	COUNCIL MEMBER, PLACE 4
PAUL MUNARRIZ	MAYOR PRO-TEM, PLACE 5

**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
CLIFFORD CROSS	PLANNING DIRECTOR
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
BRANDON HILL	SHORELINE DIRECTOR
JESSE ARRIAGA	TRANSIT DIRECTOR
SUSAN HILL	CITY SECRETARY
DENTON, NAVARRO, ROCHA, BERNAL & ZECH	CITY ATTORNEY

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**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, 2018 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, 2018 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.

### ***Adoption of New Accounting Pronouncement***

As described in Note 19 to the financial statements, the City of South Padre Island, Texas adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of \$(284,735) and \$(2,313) to the September 30, 2017 net position for governmental activities and the aggregate discretely presented component unit, respectively. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 17 through 26 and 66 through 74 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 6, 2019, 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 solely 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 the effectiveness of the City of South Padre Island's 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.

*Caru, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
March 6, 2019

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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, 2018. 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 1-6 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 \$47,961,791 (net position). Of this amount, \$4,958,764 (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 \$5,331,334 during the fiscal year from the results of current year activities.
- As of the close of the current fiscal year, the City of South Padre Island governmental funds reported combined ending fund balances of \$35,087,265. Approximately 21.5% of this amount, \$7,547,484 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 (\$5,972,371 for 2018) established by the City Charter.
- At the end of the current fiscal year 78.2%, \$27,430,508 of the governmental funds fund balance was restricted and approximately 0.3%, \$109,273 was non-spendable.
- The City of South Padre Island's total bonded debt decreased by \$1,580,000 during the current fiscal year. This decrease is the result of payments made on bonded debt totaling \$1,580,000.

### 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 20 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, Padre Blvd. Improvement 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):

	<b>Total Governmental Activities 2018</b>	<b>Total Governmental Activities 2017</b>
<b><u>ASSETS</u></b>		
Current and other assets	<b>\$38,284,904</b>	\$36,130,314
Capital assets	<b>34,582,759</b>	32,533,426
Total assets	<b>72,867,663</b>	68,663,740
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows related to pension liabilities	<b>877,010</b>	2,014,505
Deferred outflows related to OPEB liabilities	<b>36,915</b>	-
Deferred amount on refunding	<b>163,494</b>	186,851
Total deferred outflows of resources	<b>1,077,419</b>	2,201,356
<b><u>LIABILITIES</u></b>		
Current liabilities	<b>2,618,753</b>	2,068,529
Non-current liabilities	<b>22,318,731</b>	25,629,028
	<b>24,937,484</b>	27,697,557
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred inflows related to pension liabilities	<b>1,045,807</b>	252,347
Total deferred inflows of resources	<b>1,045,807</b>	252,347
<b><u>NET POSITION</u></b>		
Net investment in capital assets	<b>25,616,028</b>	22,437,085
Restricted	<b>17,386,999</b>	15,101,328
Unrestricted	<b>4,958,764</b>	5,376,779
Total net position	<b>\$47,961,791</b>	\$42,915,192

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 \$47,961,791 at the close of the most recent fiscal year.

A large portion of the City's net position (53%) 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 \$5,331,334 from the beginning adjusted net position of \$42,630,457, as a result of current year activities. Total revenues increased approximately \$4.1 million. This includes increases in grants of 72% or \$1,588,201 mainly associated with additional federal funding awarded for the construction of a Transit Multimodal Facility. Additionally, EMS revenues experienced an increase of approximately 45% or \$165,805 contributing to an increase in charges for services.

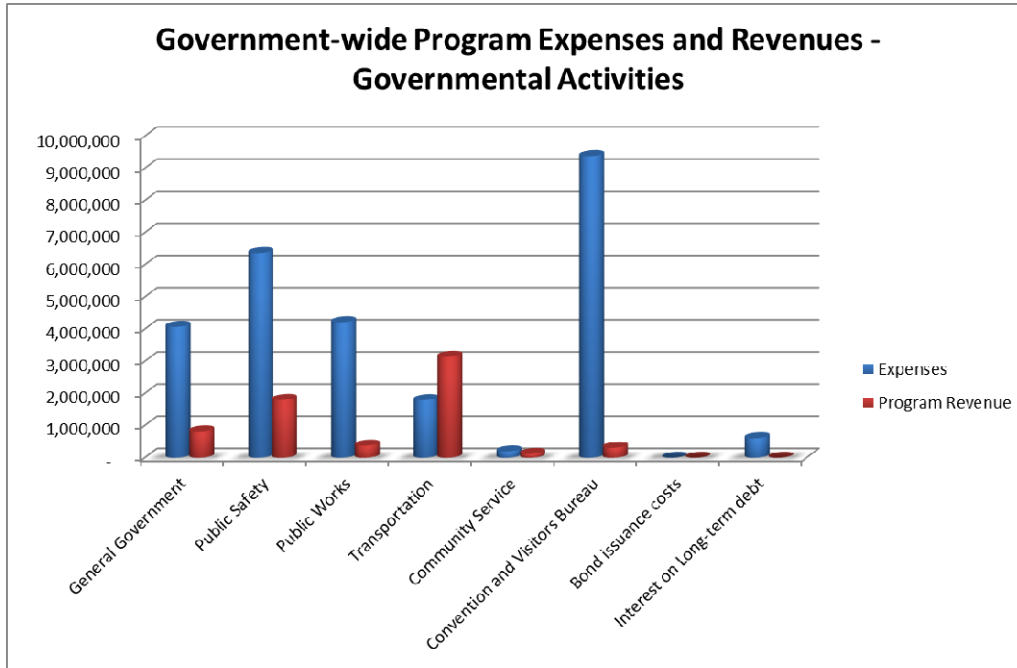
In terms of general revenues, property tax collections increased mainly due to the adoption of the new tax rate for fiscal year 2017-18 which included funding for the preventive maintenance program for City's buildings. Sales tax and hotel motel taxes also contributed to the increases in general revenues. Sales tax collections increased by 4.78% or \$116,724 and state and local occupancy taxes increased by 10.95% or \$1,279,361 million. Finally, due to favorable market conditions and appropriate cash management practices, the City generated additional interest revenue in the amount of approximately \$366,775.

Expenses during the fiscal period increased by \$1,981,921 or 8%. This increase was mostly due to additional sales and marketing allocations in the Hotel Motel Fund for approximately \$1.4 million as well as depreciation of street projects completed last fiscal year that were in a construction in progress status in previous years.

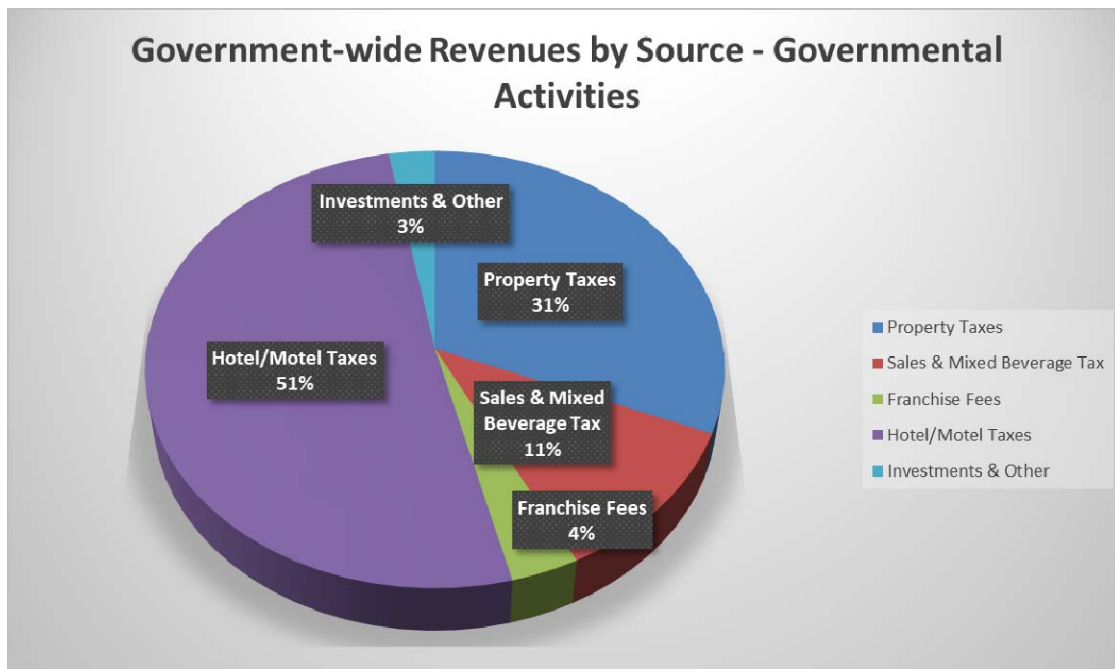
	<u>Total Governmental Activities 2018</u>	<u>Total Governmental Activities 2017</u>
Program Revenues:		
Charges for Services	<b>\$2,773,678</b>	\$2,277,755
Operating Grants & Contributions	<b>3,003,264</b>	1,655,530
Capital Grants & Contributions	<b>802,184</b>	561,717
General Revenues:		
Property Tax	<b>7,904,409</b>	7,604,876
Sales Tax	<b>2,556,853</b>	2,440,129
Franchise Tax	<b>885,011</b>	882,469
Hotel Motel Tax	<b>10,340,024</b>	9,291,508
Hotel Motel Beach Mtn. Tax	<b>2,619,316</b>	2,388,471
Mixed Beverage Tax	<b>339,170</b>	335,422
Gain (loss) on Sale of Capital Assets	<b>42,253</b>	114,022
Interest & Other	<b>671,562</b>	293,772
Total Revenues	<b><u>31,937,724</u></b>	<u>27,845,671</u>
Program Expenses:		
General Government	<b>4,073,602</b>	4,194,171
Public Safety	<b>6,363,761</b>	6,041,026
Public Works/Shoreline	<b>4,215,756</b>	3,476,918
Transportation	<b>1,794,636</b>	1,813,049
Community Service	<b>197,944</b>	136,945
Convention and Visitors Bureau	<b>9,379,337</b>	8,158,210
Bond Issuance Costs	-	323,462
Interest On Long-Term Debt	<b>581,354</b>	480,688
Total Expenses	<b><u>26,606,390</u></b>	<u>24,624,469</u>
Increase (Decrease) In Net Position	<b>5,331,334</b>	3,221,202
Beginning Net Position	<b>42,915,192</b>	39,693,990
Prior Period Adjustment	<b>(284,735)</b>	-
Beginning Net Position, as restated	<b><u>42,630,457</u></b>	<u>39,693,990</u>
Ending Net Position	<b><u>\$47,961,791</u></b>	<u>\$42,915,192</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, convention and visitor's bureau, bond issuance cost, 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 \$35,087,265 an increase of \$1,190,533 in comparison with the prior year. Approximately 21.5%, or \$7,547,484 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 \$5,972,371 and is contained within the unassigned fund balance of the General Fund. The restricted funds are 78% or \$27,430,508 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 \$109,273 of the fund balance is nonspendable; in this case all of the \$109,273 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 \$7,547,484 while total fund balance reached \$7,632,244. 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 61.2% of total General Fund expenditures, while total fund balance represents 61.8% of that same amount.

The fund balance of the City's General Fund increased by \$256,288 during the current fiscal year.

Revenues increased by \$758,208 mainly due to increases in property taxes (\$309,411), EMS revenues (\$165,805) and sales tax (\$116,724). In comparison with last year, the total actual expenditures increased by approximately \$1,446,098. The increase is primarily due to additional law enforcement personnel costs (\$380,000), the purchase of a new fire engine rescue pumper (\$450,000) as well as the purchase of two new ambulances (\$216,000).

Non-property taxes for both the Hotel Motel and Convention Center funds, increased by approximately 8.8% or \$665,779 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$1,396,641 due to enhancements in sales and marketing programs while the Convention Center Fund balance increased by \$697,384.

The Transportation Fund didn't have significant variances in fund balance. A total of \$3,355,229 was spent mainly on the capital expenditures related to the City's Multi-Modal facility.



## 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.

The Padre Blvd. Improvement Fund experienced a decrease in fund balance due to the street and sidewalk improvements during 2018. The project consisted of reconstructing eight side streets on the east side of Padre Boulevard as well as an additional three side streets on the bayside. Improvements include five-foot sidewalks as well as improved drainage.

### **General Fund budgetary highlights**

The original budget of the General Fund was amended by ordinance five times during fiscal year 2017-2018. The City made major investments in public safety during fiscal year 2017-18. Amendments included the purchase of body cameras and rifle resistant body armor for police personnel, overtime and other expenditure associated with the Border Star program, installation of surveillance cameras and the addition of office space for the Police Department. Regarding Fire Department equipment, an amendment was made related to the purchase of a 2019 Ferrara Cinder Custom Pumper (fire truck) and the purchase of two ambulances. Furthermore, the City's ongoing effort to maintain transparency led to an amendment associated with the purchase of OpenGov Operational Performance Bundle, for reporting and analysis performance measures. Other relevant budget amendments made during fiscal year 2017-18 included the purchase of two recycling trailers for Environmental Health Services and additional contributions to Friends of Animal Rescue.

### **General Fund budget variances**

During the year, revenues were \$336,124 higher than budgeted. This change can be primarily attributed to an increase of \$161,836 in sales tax, \$153,953 in EMS revenue, and \$97,317 in interest revenue.

Total expenditures were \$780,477 less than budgeted amount. All operating expenditures of the General Fund departments were under budget. For general government expenditures, savings in the amount of \$255,424 were materialized representing a reduction of 6% compared to what was budgeted. Additionally, for public safety departments had savings in the amount of approximately \$329,840 mainly due to vacant personnel positions in the Police department. Finally, Public Works had savings also related to personnel vacancies in different divisions.

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

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2018 amounts to \$34,582,759 (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:

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

	<b>Total Governmental Activities 2018</b>	<b>Total Governmental Activities 2017</b>
Land	\$1,497,793	\$1,497,793
Construction in progress	3,696,240	3,001,926
Buildings	14,855,954	15,926,795
Improvements	3,974,150	3,290,959
Furniture and equipment	2,181,624	1,787,671
Infrastructure	8,376,998	7,028,282
Total capital assets	<b>\$34,582,759</b>	<b>\$32,533,426</b>


**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$18,750,000. 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

	<b>Total Governmental Activities 2018</b>	<b>Total Governmental Activities 2017</b>
General Obligation Bonds and Anticipation Notes	<b>\$18,750,000</b>	<b>\$20,330,000</b>
	<b>\$18,750,000</b>	<b>\$20,330,000</b>

The City of South Padre Island's total bonded debt decreased by \$1,580,000 during the current fiscal year. This change is the result of paying \$175,000 principal on the General Obligation 2011 series bonds, \$285,000 principal on the General Obligation Refunding 2012 series bonds, \$405,000 principal on the Tax Anticipation Note 2015, \$530,000 principal on the Tax Anticipation Note 2016, and \$185,000 principal on the 2017 Venue Hotel Occupancy Tax Revenue Bond.





## 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 2018-2019 fiscal year.

Certified property tax values for the City showed an increase in property values by approximately \$36.8 million, or 1.52% from the preceding year. The City Council adopted a tax rate of \$0.315640 cents per hundred which is split between \$0.250245 per hundred for maintenance and operations and \$0.065395 per hundred for the debt service fund and the retirement of the general obligation bonds.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the 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, 2018

	Primary Government Total Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and cash equivalents	\$ 25,101,317	\$ 814,792
Cash and cash equivalents- restricted	646,633	769,647
Investments	8,194,824	-
Investments- restricted	-	22,826
Receivables, net	1,732,701	92,024
Due from other governments	2,500,156	-
Prepaid expenses	109,273	-
Loans receivable	-	35,114
Capital assets, net		
Non-depreciable assets	5,194,033	657,236
Depreciable assets	29,388,726	5,414,966
<b>TOTAL ASSETS</b>	<b>72,867,663</b>	<b>7,806,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension liabilities	877,010	7,125
Deferred outflows related to OPEB	36,915	300
Deferred amount on refunding	163,494	163,590
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,077,419</b>	<b>171,015</b>
<b>LIABILITIES</b>		
Accounts payable	2,122,557	-
Other liabilities	422,146	45,582
Unearned revenues	74,050	-
Non-current liabilities		
Net pension liability	1,030,786	7,927
OPEB liability	351,621	2,856
Due within one year	2,368,710	328,872
Due in more than one year	18,567,614	3,268,949
<b>TOTAL LIABILITIES</b>	<b>24,937,484</b>	<b>3,654,186</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension liabilities	1,045,807	8,495
<b>NET POSITION</b>		
Net investment in capital assets	25,616,028	2,637,971
Restricted		
Debt service	1,104,146	792,473
Capital projects	418,858	-
Beach nourishment	2,719,847	-
Transportation	80,739	-
Beach maintenance	2,608,336	-
Municipal court	74,372	-
Criminal justice	19,450	-
Venue project	2,626,997	-
Parks and recreation	27,935	-
Hotel/motel taxes	7,706,319	-
Unrestricted	4,958,764	884,495
<b>TOTAL NET POSITION</b>	<b>\$ 47,961,791</b>	<b>\$ 4,314,939</b>

## City of South Padre Island, Texas Statement of Activities

For the year ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital and Contributions	Primary	
					Governmental Activities	Component Unit
<b>Governmental activities:</b>						
General government	\$ 4,073,602	\$ 660,501	\$ 163,625	\$ -	\$ (3,249,476)	
Public safety	6,363,761	1,778,641	22,070	-	(4,563,050)	
Public works	3,240,988	-	-	-	(3,240,988)	
Shoreline	974,768	-	-	377,471	(597,297)	
Transportation	1,794,636	-	2,817,569	324,713	1,347,646	
Community service	197,944	22,092	-	100,000	(75,852)	
Convention and visitors bureau	9,379,337	312,444	-	-	(9,066,893)	
Interest and fees on long-term debt	581,354	-	-	-	(581,354)	
<b>Total governmental activities</b>	<b>26,606,390</b>	<b>2,773,678</b>	<b>3,003,264</b>	<b>802,184</b>	<b>(20,027,264)</b>	
<b>Component unit:</b>						
Economic development services	670,724	-	-	-		(670,724)
Interest expense	84,647	-	-	-		(84,647)
<b>Total component unit</b>	<b>\$ 755,371</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ (755,371)</b>

General revenues:			
Property taxes, levied for general purposes	6,260,698		-
Property taxes, levied for debt service	1,643,711		-
Sales taxes	2,556,853		852,284
Franchise taxes	885,011		-
Hotel motel taxes	10,340,024		-
Hotel motel beach maintenance taxes	2,619,316		-
Mixed beverage taxes	339,170		-
Unrestricted investment earnings	536,833		-
Gain on disposal of capital assets	42,253		-
Miscellaneous	134,729		19,619
<b>Total general revenues, special items, and transfers</b>	<b>25,358,598</b>		<b>871,903</b>
<b>Change in net position</b>	<b>5,331,334</b>		<b>116,532</b>
Net position - beginning	42,915,192		4,200,720
Prior period adjustment	(284,735)		(2,313)
<b>Net position- beginning, as adjusted</b>	<b>42,630,457</b>		<b>4,198,407</b>
<b>Net position - ending</b>	<b>\$ 47,961,791</b>		<b>\$ 4,314,939</b>

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, 2018

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Fund	Padre Blvd Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,348,294	\$ 3,886,643		\$ 8,946,229	\$ 1,852,598	\$ 9,067,553	\$ 25,101,317
Cash and cash equivalents- restricted	-	-	-	-	-	646,633	646,633
Investments	6,183,784	-	-	-	-	2,011,040	8,194,824
Receivables (net of allowance for uncollectibles)							
Property taxes	188,245	-	-	-	-	41,655	229,900
Accounts	853,489	387,953	-	-	-	261,359	1,502,801
Due from other governments	-	-	1,454,372	-	-	1,045,784	2,500,156
Due from other funds	2,093,100	-	-	-	-	-	2,093,100
Prepaid items	65,310	5,942	4,503	-	-	33,518	109,273
<b>Total assets</b>	<b>\$10,732,222</b>	<b>\$4,280,538</b>	<b>\$ 1,458,875</b>	<b>\$ 8,946,229</b>	<b>\$ 1,852,598</b>	<b>\$ 13,107,542</b>	<b>\$ 40,378,004</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 2,122,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,122,557
Due to other funds	-	-	1,373,633	-	719,467	-	2,093,100
Other liabilities	320,654	-	-	-	-	-	320,654
Unearned revenues - other	12,240	-	-	-	-	61,810	74,050
<b>Total liabilities</b>	<b>2,455,451</b>	<b>-</b>	<b>1,373,633</b>	<b>-</b>	<b>719,467</b>	<b>61,810</b>	<b>4,610,361</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	165,805	-	-	-	-	35,851	201,656
Unavailable revenue - other	478,722	-	-	-	-	-	478,722
<b>Total deferred inflows of resources</b>	<b>644,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,851</b>	<b>680,378</b>
<b>FUND BALANCE</b>							
Nonspendable	65,310	5,942	4,503	-	-	33,518	109,273
Restricted	19,450	4,274,596	80,739	8,946,229	1,133,131	12,976,363	27,430,508
Unassigned	7,547,484	-	-	-	-	-	7,547,484
<b>Total fund balances</b>	<b>7,632,244</b>	<b>4,280,538</b>	<b>85,242</b>	<b>8,946,229</b>	<b>1,133,131</b>	<b>13,009,881</b>	<b>35,087,265</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$10,732,222</b>	<b>\$4,280,538</b>	<b>\$ 1,458,875</b>	<b>\$ 8,946,229</b>	<b>\$ 1,852,598</b>	<b>\$ 13,107,542</b>	<b>\$ 40,378,004</b>

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, 2018

Fund balances of governmental funds	\$ 35,087,265
<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.	34,582,759
Some liabilities, including bonds payable (\$18,750,000 and premiums of \$823,354), and capital leases (\$355,698) are not due in the current period and, therefore, are not reported in the funds.	(19,929,052)
Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	163,494
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(1,007,272)
Certain amounts receivable for property taxes (\$201,656) and other revenues (\$478,722) but which do not represent current financial resources are deferred in the funds.	680,378
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(101,492)
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 (\$1,030,786), a deferred resource inflow in the amount of (\$1,045,807), and a deferred resource outflow in the amount of \$877,010. This resulted in a decrease in net position of \$(1,199,583).	(1,199,583)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(351,621) and a deferred resource outflow in the amount of \$36,915. This resulted in a decrease in net position by \$(314,706).	(314,706)
<b>Net position of governmental activities</b>	<b>\$ 47,961,791</b>

*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, 2018*

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Funds	Padre Blvd Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 6,169,298	\$ -	\$ -	\$ -	\$ -	\$ 1,709,348	\$ 7,878,646
Nonproperty taxes	3,781,034	6,514,631	-	-	-	6,444,709	16,740,374
Fees and services	1,458,098	8,525	-	-	-	307,944	1,774,567
Fines and forfeitures	449,740	-	-	-	-	15,601	465,341
Licenses and permits	214,353	-	-	-	-	-	214,353
Intergovernmental	285,694	-	3,104,782	-	-	377,472	3,767,948
Miscellaneous	219,023	96,080	38,589	166,907	34,542	153,922	709,063
<b>Total revenues</b>	<b>12,577,240</b>	<b>6,619,236</b>	<b>3,143,371</b>	<b>166,907</b>	<b>34,542</b>	<b>9,008,996</b>	<b>31,550,292</b>
<b>EXPENDITURES</b>							
Current							
General government	3,559,367	-	-	-	-	109,316	3,668,683
Public safety	5,602,513	-	-	-	-	405,212	6,007,725
Public works	1,996,395	-	-	-	-	-	1,996,395
Shoreline	-	-	-	-	-	974,768	974,768
Transportation	-	-	1,620,754	-	-	-	1,620,754
Community service	-	-	-	-	-	73,096	73,096
Convention and visitors bureau	-	6,969,320	-	-	-	1,217,126	8,186,446
Capital outlay	957,964	22,350	1,734,475	350,109	1,268,735	1,067,490	5,401,123
Debt service							
Principal retirement - bonds	-	-	-	-	-	1,580,000	1,580,000
Principal retirement - capital lease	179,108	-	-	-	-	7,502	186,610
Interest	18,909	-	-	-	-	656,716	675,625
Administrative charges	26,132	-	-	-	-	7,027	33,159
<b>Total expenditures</b>	<b>12,340,388</b>	<b>6,991,670</b>	<b>3,355,229</b>	<b>350,109</b>	<b>1,268,735</b>	<b>6,098,253</b>	<b>30,404,384</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>236,852</b>	<b>(372,434)</b>	<b>(211,858)</b>	<b>(183,202)</b>	<b>(1,234,193)</b>	<b>2,910,743</b>	<b>1,145,908</b>
Other financing sources (uses)							
Sale of capital assets	26,566	-	14,190	-	-	3,869	44,625
Transfers in	435,073	-	101,532	-	-	863,472	1,400,077
Transfers out	(442,203)	-	-	-	-	(957,874)	(1,400,077)
<b>Total other financing sources (uses)</b>	<b>19,436</b>	<b>-</b>	<b>115,722</b>	<b>-</b>	<b>-</b>	<b>(90,533)</b>	<b>44,625</b>
<b>Net change in fund balances</b>	<b>256,288</b>	<b>(372,434)</b>	<b>(96,136)</b>	<b>(183,202)</b>	<b>(1,234,193)</b>	<b>2,820,210</b>	<b>1,190,533</b>
<b>Fund balance -- beginning</b>	<b>7,375,956</b>	<b>4,652,972</b>	<b>181,378</b>	<b>9,129,431</b>	<b>2,367,324</b>	<b>10,189,671</b>	<b>33,896,732</b>
<b>Fund balance -- ending</b>	<b>\$ 7,632,244</b>	<b>\$ 4,280,538</b>	<b>\$ 85,242</b>	<b>\$ 8,946,229</b>	<b>\$ 1,133,131</b>	<b>\$ 13,009,881</b>	<b>\$ 35,087,265</b>

*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, 2018*

Net change in fund balances -total governmental funds	\$	1,190,533
<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 \$5,401,123 and including depreciation (\$3,349,418), in the current period is to increase net position.</p>		
		2,051,705
<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>		
		(2,372)
<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>		
		1,766,610
<p>The increase in compensated absences payable of (\$99,908) 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 \$82,133 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>		
		(41,132)
<p>GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$799,057. 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 (\$742,011). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by (\$74,918). The result of these changes is to decrease net position.</p>		
		(17,872)
<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 \$345,179 and interest expense decreased by \$68,654 in 2018. Recognition of these amounts in the statement of activities results in a decrease in the change in net position.</p>		
		413,833
<p>The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$10,546. 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 totalling \$(10,037). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(30,480). The result of these changes is to decrease the change in net position by \$(29,971).</p>		
		(29,971)
Change in net position of governmental activities	\$	5,331,334

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





**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):* the seven-member board of directors, are 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 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

**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.

**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 funds reported as major funds are:

**Venue Tax Construction Fund** is used to account for bond proceeds received and expenditures associated with venue tax projects.

**Padre Boulevard Improvement Fund** is used to account for expenditures associated with improvements to Padre Boulevard and side streets.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. Statement 75 requires governments in all types to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transaction in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The City has determined that this statement does not impact the City.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recently Issued Accounting Pronouncements*

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, 2018 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.

**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.

**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- continued**

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.

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

**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**

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

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

**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*.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**h. Other Post-Employment Benefits (OPEB)**

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the Supplemental Death Benefit's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's Total Net OPEB 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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.

**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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**I. 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, 2018 is \$5,972,371. Since the City's unassigned fund balance exceeds this amount at September 30, 2018, 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.

**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."

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***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 and OPEB amounts as further described in Note 15 and 16.

**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.

**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 2018, 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, 2018 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, 2018 are as follows:

	Investment Maturities (in years)		Greater than 1 year
	Value	1 or less	
<b>Primary Government</b>			
Cash equivalents			
Money Markets	\$ 14,105,188	\$ 14,105,188	\$ -
	14,105,188	14,105,188	-
Investments			
TexPool	7,610	7,610	-
Texas Term	117,145	117,145	-
Certificates of deposit	8,070,069	8,070,069	-
	\$ 22,300,012	\$ 22,300,012	\$ -
<b>Component Unit</b>			
Investments			
TexPool	\$ 22,826	\$ 22,826	\$ -
	\$ 22,826	\$ 22,826	\$ -

A reconciliation of cash and investments follows:

	Primary Governmental Activities	Component Units	Total
Cash and cash equivalents:			
Cash and cash equivalents	\$ 25,101,317	\$ 814,792	\$ 25,916,109
Cash- restricted	646,633	769,647	1,416,280
Total cash	25,747,950	1,584,439	27,332,389
Investments:			
Texas Term	117,145	22,826	139,971
TexPool	7,610	-	7,610
Certificates of deposit	8,070,069	-	8,070,069
Total investments	8,194,824	22,826	8,217,650
Total cash and investments	\$ 33,942,774	\$ 1,607,265	\$ 35,550,039

As of September 30, 2018 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	2.00%	\$ 2,023,349	February 7, 2019
Certificate of Deposit	2.00%	505,837	February 12, 2019
Certificate of Deposit	2.20%	1,516,713	March 22, 2019
Certificate of Deposit	2.60%	2,013,130	June 19, 2019
Certificate of Deposit	2.60%	1,006,568	June 19, 2019
Certificate of Deposit	2.63%	1,004,472	July 26, 2019
Total Certificates of Deposit		\$ 8,070,069	

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, 2018 the investments in TexPool and Texas Term investment risk pools were rated AAAM and AAAF 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, 2017 upon which the 2017 levy was based, was \$2,523,614,600. 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, 2018 was \$.31564 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, 2018 were 98.39 percent of the tax levy. In regards to the TIRZ fund, property taxes include a contribution from the County in the amount of \$39,663.

**NOTE 5: RECEIVABLES**

Receivables at September 30, 2018, consist of the following:

	Primary Government				
	General Fund	Hotel Motel Fund	Other Governmental Funds	Total Governmental Funds	Component Unit
Receivables					
Property Taxes	\$ 198,153	\$ -	\$ 43,847	\$ 242,000	\$ -
Accounts	1,284,818	387,953	261,359	1,934,130	92,024
Gross receivables	1,482,971	387,953	305,206	2,176,130	92,024
Less allowance for uncollectibles					
Property taxes	(9,908)	-	(2,192)	(12,100)	-
Accounts	(431,329)	-	-	(431,329)	-
	(441,237)	-	(2,192)	(443,429)	
Total receivables, net	\$ 1,041,734	\$ 387,953	\$ 303,014	\$ 1,732,701	\$ 92,024

As of September 30, 2018 the component unit had a loan receivable of \$35,114. 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, 2018 consist of the following:

**Primary Government**

	Primary Government		
	Transportation Grant Fund	Other Governmental Funds	Total Governmental Funds
Texas State Comptroller - Occupancy Tax	\$ -	\$ 1,045,784	\$ 1,045,784
State of Texas - Department of Transportation	1,454,372	-	1,454,372
	<u>\$ 1,454,372</u>	<u>\$ 1,045,784</u>	<u>\$ 2,500,156</u>

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 is as follows:

**Governmental Activities**

	Beginning Balance October 01, 2017	Additions	Transfers	Retirements	Ending Balance September 30, 2018
Capital assets, not being depreciated:					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Constuction in progress	3,001,926	1,734,475	(1,040,161)	-	3,696,240
	<u>4,499,719</u>	<u>1,734,475</u>	<u>(1,040,161)</u>	<u>-</u>	<u>5,194,033</u>
Capital assets, being depreciated:					
Buildings	34,000,847	423,021	-	(9,855)	34,414,013
Improvements	6,620,578	704,394	339,951	-	7,664,923
Furniture and equipment	7,867,063	1,082,589	-	(411,113)	8,538,539
Infrastructure	13,991,044	1,456,644	700,210	-	16,147,898
	<u>62,479,532</u>	<u>3,666,648</u>	<u>1,040,161</u>	<u>(420,968)</u>	<u>66,765,373</u>
Less accumulated depreciation for:					
Buildings	(18,074,052)	(1,493,774)	-	9,768	(19,558,058)
Improvements	(3,329,619)	(361,154)	-	-	(3,690,773)
Furniture and equipment	(6,079,392)	(686,351)	-	408,828	(6,356,915)
Infrastructure	(6,962,762)	(808,139)	-	-	(7,770,901)
Total accumulated depreciation	<u>(34,445,825)</u>	<u>(3,349,418)</u>	<u>-</u>	<u>418,596</u>	<u>(37,376,647)</u>
Total capital assets, being depreciated, net	28,033,707	317,230	1,040,161	(2,372)	29,388,726
Governmental activities, capital assets, net	<u>\$ 32,533,426</u>	<u>\$ 2,051,705</u>	<u>\$ -</u>	<u>\$ (2,372)</u>	<u>\$ 34,582,759</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	\$ 295,725
Convention and visitors bureau	1,192,891
Community service	120,891
Public works	1,238,579
Public safety	332,296
Transportation	169,036
<b>Total depreciation - governmental activities</b>	<b>\$ 3,349,418</b>

**Component Unit:**

Activity for Economic Development Corporation is as follows:

	Beginning Balance October 1, 2017	Additions	Transfers	Retirements	Ending Balance September 30, 2018
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	(1,270,627)	(136,147)	-	-	(1,406,774)
Improvements	(96,790)	(25,485)	-	-	(122,275)
Furniture and equipment	(21,604)	-	-	-	(21,604)
Total accumulated depreciation	(1,389,021)	(161,632)	-	-	(1,550,653)
Total capital assets, being depreciated, net	5,576,598	(161,632)	-	-	5,414,966
Governmental activities, capital assets, net	\$ 6,233,834	\$ (161,632)	\$ -	\$ -	\$ 6,072,202

**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	\$ 201,656
Grants and other	478,722
Total deferred/inflows of resources for governmental funds	\$ 680,378

The component unit reported \$35,114 in unavailable revenue related to noncurrent receivables at September 30, 2018.

In governmental activities, deferred outflows of resources consist of \$163,494 of deferred charges on refundings of long-term debt and \$877,010 and \$36,915 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pensions are \$1,045,807 at September 30, 2018. In the component unit deferred outflows of resources consist of \$163,590 of deferred charges on refundings of long-term debt and \$7,125 and \$300 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pensions are \$8,495 at September 30, 2018 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, 2018, \$74,050 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, 2017	Additions	Reductions	Ending Balance September 30, 2018	Due In One Year
<i>General Government:</i>					
Series 2011 General Obligation Bond	\$ 3,150,000	\$ -	\$ (175,000)	\$ 2,975,000	\$ 180,000
Series 2012 General Obligation Refunding Bonds	2,565,000	-	(285,000)	2,280,000	300,000
Series 2015 Tax Anticipation Notes	2,160,000	-	(405,000)	1,755,000	415,000
Series 2016 Tax Anticipation Notes	3,370,000	-	(530,000)	2,840,000	540,000
Series 2017 Venue Hotel Occupancy Tax Revenue Bonds	9,085,000	-	(185,000)	8,900,000	185,000
<b>Total bonds</b>	<b>\$ 20,330,000</b>	<b>\$ -</b>	<b>\$ (1,580,000)</b>	<b>\$ 18,750,000</b>	<b>\$ 1,620,000</b>

The following table summarizes the restricted cash and investments as of September 30, 2018:

<b>Restricted</b>	<b>Governmental Activities</b>
Cash and cash equivalents	
Cash restricted for Venue Seasonal Reserve	\$ 129,276
Cash Restricted for Venue Debt Reserve	517,357
<b>Total</b>	<b>\$ 646,633</b>

Cash and cash equivalents of \$405,818 and \$363,829 are restricted for EDC Debt Service Reserve and EDC Debt Service fund, respectively. In addition, the EDC Debt Service fund reported \$22,826 in restricted investments.

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	
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	545,000	102,338	600,000	9,000	205,000	303,738	1,350,000	415,076	1,765,076
2024-2028	1,870,000	300,450	-	-	1,115,000	1,422,990	2,985,000	1,723,440	4,708,440
2029-2033	825,000	50,300	-	-	1,325,000	1,206,940	2,150,000	1,257,240	3,407,240
2034-2038	-	-	-	-	1,630,000	911,339	1,630,000	911,339	2,541,339
2039-2043	-	-	-	-	1,995,000	543,575	1,995,000	543,575	2,538,575
2044-2047	-	-	-	-	1,860,000	165,725	1,860,000	\$ 165,725	2,025,725
	<b>\$ 5,255,000</b>	<b>\$ 1,027,888</b>	<b>\$ 4,595,000</b>	<b>\$ 341,875</b>	<b>\$ 8,900,000</b>	<b>\$ 5,816,259</b>	<b>\$ 18,750,000</b>	<b>\$ 7,186,022</b>	<b>\$ 25,936,022</b>

**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, 2017	Additions	Reductions	Ending Balance September 30, 2018	Due In One Year
2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,440,000	\$ -	\$ (30,000)	\$ 3,410,000	\$ 310,000
2007 Series, Sales Tax Bond	265,000	-	(265,000)	-	-
<b>Total Revenue Bond</b>	<b>\$ 3,705,000</b>	<b>\$ -</b>	<b>\$ (295,000)</b>	<b>\$ 3,410,000</b>	<b>\$ 310,000</b>

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

Year Ending	2016 Revenue Bonds		Total
	Principal	Interest	Principal & Interest
September 30,			
2019	310,000	83,750	393,750
2020	310,000	77,550	387,550
2021	320,000	71,250	391,250
2022	320,000	64,850	384,850
2023	335,000	58,300	393,300
2024-2028	1,815,000	155,725	1,970,725
	<b>\$ 3,410,000</b>	<b>\$ 511,425</b>	<b>\$ 3,921,425</b>

**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 tax notes 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, but not limited, to finance the cost of improvements on Padre Boulevard. The tax notes 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 \$2,485,000.

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.

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.

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, 2018:

Year ending September 30,	Fire Ladder Truck	Police Radio Equipment	TYMCO Street Sweeper	Total
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	211,512	126,124	37,458	375,094
Less the amount representing interest	(14,535)	(3,930)	(931)	(19,396)
Present value of net minimum lease payments	\$ 196,977	\$ 122,194	\$ 36,527	\$ 355,698

**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM DEBT (Continued)**

*Changes in Long-term Liabilities for Governmental Activities*

During the year ended September 30, 2018, the following changes occurred in liabilities reported as non-current liabilities.

	October 1, 2017	Additions	Reductions	September 30, 2018	Amount Due Within One Year
Compensated absences*	\$ 907,364	\$ 746,522	\$ (646,614)	\$ 1,007,272	\$ 523,773
Bonds payable	20,330,000	-	(1,580,000)	18,750,000	1,620,000
Premium on bond issuances	905,487	-	(82,133)	823,354	82,133
Capital leases	542,308	-	(186,610)	355,698	142,804
Net pension liability	2,943,869	-	(1,913,083)	1,030,786	-
Net OPEB liability	-	351,621	-	351,621	-
<b>Total long-term debt</b>	<b>\$ 25,629,028</b>	<b>\$ 1,098,143</b>	<b>\$ (4,408,440)</b>	<b>\$ 22,318,731</b>	<b>\$ 2,368,710</b>

*\*Compensated absences are generally liquidated by the fund in which the expenditure related to compensation is incurred.*

The City's other non-current liabilities including pension liabilities are liquidated in the fund where the liability was incurred. Thus, the most significant of these funds is the general fund which 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, 2017	Additions	Reductions	September 30, 2018	Amount Due Within One Year
2007 Series, Sales Tax Bond	\$ 265,000	\$ -	\$ (265,000)	\$ -	\$ -
2016 Series, Sales Tax Revenue Refunding Bond	3,440,000	-	(30,000)	3,410,000	310,000
Premium on Bond Issuance	206,603	-	(18,782)	187,821	18,782
Net pension liability	23,466	-	(15,539)	7,927	-
Net OPEB liability	-	2,856	-	2,856	-
<b>Total Long Term Debt</b>	<b>\$ 3,935,069</b>	<b>\$ 2,856</b>	<b>\$ (329,321)</b>	<b>\$ 3,608,604</b>	<b>\$ 328,782</b>

**NOTE 11: INTERFUND ASSETS/LIABILITIES**

*Due to/from other funds:*

Payable Fund	<u>Receivable Fund</u>	
	General	Total Due From Other Funds
General Fund	\$ -	\$ -
Transportation Grant Fund	1,373,633	\$ 1,373,633
Padre Blvd Improvement Fund	719,467	\$ 719,467
Other Governmental Funds	-	-
<b>Total due to other funds</b>	<b>\$ 2,093,100</b>	<b>\$ 2,093,100</b>

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

**NOTE 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	<u>Transfer In Funds</u>				Total
	General Fund	Hotel Motel Fund	Transportation Grant Fund	Other Governmental Funds	
General	\$ -	\$ -	\$ 101,532	\$ 340,671	\$ 442,203
Other Governmental Funds	435,073	-	-	522,801	957,874
<b>Total transfers</b>	<b>\$ 435,073</b>	<b>\$ -</b>	<b>\$ 101,532</b>	<b>\$ 863,472</b>	<b>\$ 1,400,077</b>



**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 12: TRANSFERS (Continued)**

Transfer between funds within the Component Units

	Transfer In Funds
Transfer Out Funds	EDC Debt
Economic Development Corporation	Service Fund
	\$ 396,850

**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, 2018, 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](http://www.TMRS.com).

**A. Plan Description**

The City of South Padre Island participates as one of 883 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](http://www.tmr.com).

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

**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.

**NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Benefits Provided - continued**

*Employees covered by benefit terms*

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	89
Active employees	<u>171</u>
	322

**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 12.49% and 12.88% in calendar year 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$1,097,022, and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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

**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial assumptions- continued***

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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvement subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. 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.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
<b>Total</b>	<b>100.0%</b>	

**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)**

***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.

***Net Pension Liability***

	City			EDC		
	Increase (Decrease)			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, 2016	\$ 31,455,209	\$ 28,511,340	\$ 2,943,869	\$ 250,903	\$ 227,437	\$ 23,466
Changes for the year:						
Service cost	1,489,634	-	1,489,634	12,100	-	12,100
Interest	2,133,501	-	2,133,501	17,330	-	17,330
Change in benefit terms	-	-	-	-	-	-
Difference between expected/actual experience	(4,377)	-	(4,377)	(36)	-	(36)
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	1,026,795	(1,026,795)	-	8,340	(8,340)
Contributions - employee	-	575,466	(575,466)	-	4,674	(4,674)
Net investment income	-	3,951,093	(3,951,093)	-	32,094	(32,094)
Benefit payments, including refunds of employee contributions	(1,176,090)	(1,176,090)	-	(9,553)	(9,553)	-
Administrative expenses	-	(20,476)	20,476	-	(166)	166
Other charges	-	(1,037)	1,037	-	(9)	9
Net changes	2,442,668	4,355,751	(1,913,083)	19,841	35,380	(15,539)
Balance at December 31, 2017	\$ 33,897,877	\$ 32,867,091	\$ 1,030,786	\$ 270,744	\$ 262,817	\$ 7,927

***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	\$ 6,501,982	\$ 1,030,786	\$ (3,384,408)
EDC (component unit) net pension liability	52,814	7,927	(27,491)
City's net pension liability	\$ 6,554,796	\$ 1,038,713	\$ (3,411,899)

**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, 2018 the City and the EDC recognized combined pension expense in the amounts of \$1,101,711 and \$8,949, respectively. At September 30, 2018 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)	\$ 13,084	\$ 180,697	\$ 106	\$ 1,468
Changes in actuarial assumptions	64,869	-	528	-
Differences between projected and actual investment earnings (net of current year amortization)	-	865,110	-	7,027
Contributions subsequent to the measurement date	799,057	-	6,491	-
<b>Total</b>	<b>\$ 877,010</b>	<b>\$ 1,045,807</b>	<b>\$ 7,125</b>	<b>\$ 8,495</b>

The \$799,057 and \$6,491 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, 2019. 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
2019	\$ (43,233)	\$ (351)	\$ (43,584)
2020	(101,698)	(826)	(102,524)
2021	(418,682)	(3,401)	(422,083)
2022	(403,945)	(3,281)	(407,226)
2023	(296)	(2)	(298)
Thereafter	-	-	-

**NOTE 16: OTHER POST EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>171</u>
	238

***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.

Employees for the City of South Padre Island were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 0.17% and 0.17% in calendar year 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$14,599, and were equal to the required contributions.

***Actuarial assumptions:***

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2017
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	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.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*the discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.

**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Actuarial assumptions- continued:***

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

***Total OPEB Liability***

The City's Total OPEB Liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

The following presents a summary of the changes in Total OPEB liability:

	City Increase (Decrease)	EDC Increase (Decrease)
	Total OPEB Liability (a)	Total OPEB Liability (a)
Balance at December 31, 2016	\$ 294,772	\$ 2,394
Changes for the year:		
Service cost	17,264	140
Interest	11,422	93
Change in benefit terms	-	-
Difference between expected/actual experience	-	-
Changes of assumptions	30,629	249
Contributions - employer	-	-
Contributions - employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(2,466)	(20)
Administrative expenses	-	-
Other charges	-	-
Net changes	56,849	462
Balance at December 31, 2017	\$ 351,621	\$ 2,856

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB liability	\$ 431,736	\$ 351,621	\$ 290,390
EDC (component unit) total OPEB liability	3,507	2,856	2,359
City's total OPEB liability	\$ 435,243	\$ 354,477	\$ 292,749



**City of South Padre Island, Texas**  
**Notes to Financial Statements**

**NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

For the year ended September 30, 2018 the City and the EDC recognized combined OPEB expense in the amounts of \$32,946 and \$268, respectively. At September 30, 2018 the City and the EDC reported combined deferred outflows of related to OPEB from the following sources:

	City	EDC
	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ -
Changes in actuarial assumptions	26,369	214
Contributions subsequent to the measurement date	10,546	86
<b>Total</b>	<b>\$ 36,915</b>	<b>\$ 300</b>

The \$10,546 and \$86 in the City and EDC which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2019	\$ 4,260	\$ 35	\$ 4,295
2020	4,260	35	4,295
2021	4,260	35	4,295
2022	4,260	35	4,295
2023	4,260	35	4,295
Thereafter	5,067	41	5,108

**NOTE 17: 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	Padre Blvd. Improvement Fund	Other Governmental Funds	Total Government Funds
Fund balance (deficit)							
Non-spendable							
Prepaid	\$ 65,310	\$ 5,942	\$ 4,503	\$ -	\$ -	\$ 33,518	\$ 109,273
Restricted							
Debt service	-	-	-	-	-	1,068,295	1,068,295
Capital projects	-	-	-	8,946,229	1,133,131	418,858	10,498,218
Beach nourishment	-	-	-	-	-	2,719,847	2,719,847
Transportation	-	-	80,739	-	-	-	80,739
Beach maintenance	-	-	-	-	-	2,608,336	2,608,336
Municipal court	-	-	-	-	-	74,372	74,372
Criminal justice	19,450	-	-	-	-	-	19,450
Venue project	-	-	-	-	-	2,626,997	2,626,997
Parks and recreation	-	-	-	-	-	27,935	27,935
Hotel/Motel tax	-	4,274,596	-	-	-	3,431,723	7,706,319
Unassigned	7,547,484	-	-	-	-	-	7,547,484
	<b>\$7,632,244</b>	<b>\$ 4,280,538</b>	<b>\$ 85,242</b>	<b>\$ 8,946,229</b>	<b>\$ 1,133,131</b>	<b>\$ 13,009,881</b>	<b>\$35,087,265</b>

**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	\$ 34,582,759	\$ 6,072,202
Deferred outflows of resources - deferred amount on refunding	163,494	163,590
Less related liabilities (bonds, net of premium, and capital leases)	(19,929,052)	(3,597,821)
Restricted cash (unexpended bond proceeds)	10,798,827	-
Net investment in capital assets- total	25,616,028	2,637,971
Restricted net position consists of the following:		
Restricted for debt service	1,104,146	792,473
Restricted for capital projects	418,858	-
Restricted for beach nourishment	2,719,847	-
Restricted for transportation	80,739	-
Restricted for beach maintenance	2,608,336	-
Restricted for municipal court	74,372	-
Restricted for criminal justice	19,450	-
Restricted for venue project	2,626,997	-
Restricted for parks and recreation	27,935	-
Restricted for hotel/motel taxes	7,706,319	-
Restricted net position- total	17,386,999	792,473
Unrestricted net position	4,958,764	884,495
Total net position	\$ 47,961,791	\$ 4,314,939

**NOTE 19: PRIOR PERIOD ADJUSTMENT**

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the City must report their total OPEB liability under the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The prior period adjustment totaled \$(284,735) and \$(2,313) for governmental activities and the aggregate discretely presented component unit, respectively. The prior period adjustment resulted in a restated beginning net position balance of \$42,630,457 and \$4,198,407 for governmental activities and the aggregate discretely presented component unit, respectively.



**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, 2018*

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes - including penalty and interest	\$ 6,308,696	\$ 6,308,696	\$ 6,169,298	\$ (139,398)
Nonproperty taxes	3,606,828	3,606,828	3,781,034	174,206
Fees and services	945,243	1,297,521	1,458,098	160,577
Fines and forfeitures	450,000	450,000	449,740	(260)
Licenses and permits	175,250	175,250	214,353	39,103
Intergovernmental	57,625	315,474	285,694	(29,780)
Miscellaneous and program revenues	74,000	87,347	219,023	131,676
Total revenues	11,617,642	12,241,116	12,577,240	336,124
<b>EXPENDITURES</b>				
Current				
General government				
City council	20,000	20,000	10,239	9,761
City administration	611,572	632,673	622,282	10,391
Finance	427,693	430,193	423,637	6,556
Planning	173,046	173,046	157,219	15,827
Human Resources	301,382	303,382	267,665	35,717
Information services	506,154	536,185	522,186	13,999
Environmental health services	447,168	447,168	426,391	20,777
General services	892,381	892,381	846,414	45,967
Special projects	76,000	379,763	283,334	96,429
Total general government	3,455,396	3,814,791	3,559,367	255,424
Public safety				
Municipal court	219,380	219,380	178,583	40,797
Police	2,940,245	3,282,049	3,019,965	262,084
Fire	2,299,421	2,414,554	2,389,630	24,924
Emergency management	16,370	16,370	14,335	2,035
Total public safety	5,475,416	5,932,353	5,602,513	329,840
Public works				
Building maintenance	155,140	155,140	143,449	11,691
Inspections	192,383	192,383	191,852	531
Fleet Management	479,827	476,827	463,829	12,998
Public works	1,205,829	1,228,700	1,197,265	31,435
Total public works	2,033,179	2,053,050	1,996,395	56,655
Capital outlay	129,400	1,095,059	957,964	137,095
Debt service				
Principal retirement - capital lease	180,193	180,193	179,108	1,085
Interest and fees	20,000	45,419	45,041	378
Total debt service	200,193	225,612	224,149	1,463
Total expenditures	11,293,584	13,120,865	12,340,388	780,477

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of fixed asset	\$ -	\$ -	\$ 26,566	\$ 26,566
Transfers in	123,643	343,143	435,073	91,930
Transfers out	(442,854)	(440,354)	(442,203)	1,849
<b>Total other financing sources (uses)</b>	<b>(319,211)</b>	<b>(97,211)</b>	<b>19,436</b>	<b>116,647</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 4,847</b>	<b>\$ (976,960)</b>	<b>256,288</b>	<b>\$ 1,233,248</b>
Fund balance -- beginning			7,375,956	
Fund balance -- ending			\$ 7,632,244	

**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, 2018*

	Budget			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
<b>REVENUES</b>				
Nonproperty taxes	\$ 5,889,329	\$ 5,889,329	\$ 6,514,631	\$ 625,302
Fees and services	7,000	7,000	8,525	1,525
Miscellaneous and program revenues	65,000	89,750	96,080	6,330
<b>Total revenues</b>	<b>5,961,329</b>	<b>5,986,079</b>	<b>6,619,236</b>	<b>633,157</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Convention and visitors bureau				
Visitors bureau	238,040	242,577	214,373	28,204
Sales and marketing	1,778,492	1,882,634	1,687,222	195,412
Events marketing	861,519	1,271,834	1,175,894	95,940
Marketing	2,990,000	3,911,000	3,891,831	19,169
<b>Total convention and visitors bureau</b>	<b>5,868,051</b>	<b>7,308,045</b>	<b>6,969,320</b>	<b>338,725</b>
<b>Capital outlay</b>	<b>-</b>	<b>47,350</b>	<b>22,350</b>	<b>25,000</b>
<b>Total expenditures</b>	<b>5,868,051</b>	<b>7,355,395</b>	<b>6,991,670</b>	<b>363,725</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENDITURES</b>	<b>93,278</b>	<b>(1,369,316)</b>	<b>(372,434)</b>	<b>996,882</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 93,278</b>	<b>\$ (1,369,316)</b>	<b>(372,434)</b>	<b>\$ 996,882</b>
Fund balance -- beginning			4,652,972	
Fund balance -- ending			\$ 4,280,538	

**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, 2018*

	Budget			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 5,130,912	\$ 6,155,431	\$ 3,104,782	\$ (3,050,649)
Miscellaneous and program revenues	50,000	50,000	38,589	(11,411)
<b>Total revenues</b>	<b>5,180,912</b>	<b>6,205,431</b>	<b>3,143,371</b>	<b>(3,062,060)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>Transportation</b>				
SPI metro	1,336,967	1,463,967	1,201,806	262,161
Metro connect	446,128	446,128	418,948	27,180
<b>Total transportation</b>	<b>1,783,095</b>	<b>1,910,095</b>	<b>1,620,754</b>	<b>289,341</b>
<b>Capital outlay</b>	<b>3,500,000</b>	<b>4,472,519</b>	<b>1,734,475</b>	<b>2,738,044</b>
<b>Total expenditures</b>	<b>5,283,095</b>	<b>6,382,614</b>	<b>3,355,229</b>	<b>3,027,385</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(102,183)</b>	<b>(177,183)</b>	<b>(211,858)</b>	<b>(34,675)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	102,183	99,683	101,532	1,849
Sale of capital asset	-	-	14,190	14,190
<b>Total other financing sources (uses)</b>	<b>102,183</b>	<b>99,683</b>	<b>115,722</b>	<b>16,039</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (77,500)</b>	<b>(96,136)</b>	<b>\$ (18,636)</b>
Fund balance -- beginning			181,378	
Fund balance -- ending			\$ 85,242	

**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,*

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 1,501,734	\$ 1,362,970	\$ 1,328,713	\$ 1,221,450
Interest (on the total pension liability)	2,150,831	1,991,081	1,904,228	1,754,638
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(4,413)	20,476	(254,650)	(172,667)
Changes of assumptions	-	-	136,482	-
Benefit payments, including refunds of employee contributions	(1,185,643)	(968,845)	(706,482)	(733,635)
<b>Net change in total pension liability</b>	<b>2,462,509</b>	<b>2,405,682</b>	<b>2,408,291</b>	<b>2,069,786</b>
Total pension liability – beginning	31,706,112	29,300,430	26,892,139	24,822,353
Total pension liability – ending (a)	\$ 34,168,621	\$ 31,706,112	\$ 29,300,430	\$ 26,892,139
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	\$ 1,035,135	\$ 950,341	\$ 941,947	\$ 920,340
Contributions – employee	580,140	533,900	521,648	516,630
Net investment income	3,983,187	1,788,988	37,906	1,352,871
Benefit payments, including refunds of employee contributions	(1,185,643)	(968,845)	(706,482)	(733,635)
Administrative expense	(20,642)	(20,192)	(23,085)	(14,122)
Other	(1,046)	(1,088)	(1,140)	(1,161)
<b>Net change in plan fiduciary net position</b>	<b>4,391,131</b>	<b>2,283,104</b>	<b>770,794</b>	<b>2,040,923</b>
Plan fiduciary net position – beginning	28,738,777	26,455,673	25,684,879	23,643,956
Plan fiduciary net position – ending (b)	33,129,908	28,738,777	26,455,673	25,684,879
Net pension liability – ending (a) – (b)	\$ 1,038,713	\$ 2,967,335	\$ 2,844,757	\$ 1,207,260
Plan fiduciary net position as a percentage of total pension liability	96.96%	90.64%	90.29%	95.51%
Covered payroll	\$ 8,287,714	\$ 7,627,140	\$ 7,452,122	\$ 7,380,428
Net pension liability as a percentage of covered payroll	12.53%	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,*

	<b>2018</b>	2017	2016	2015
Actuarially determined contribution	\$ <b>1,097,022</b>	\$ 1,009,664	\$ 952,539	\$ 926,892
Contributions in relation to actuarially determined contribution	<b>(1,097,022)</b>	(1,009,664)	(952,539)	(926,892)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ <b>8,587,911</b>	\$ 7,980,143	\$ 7,614,798	\$ 7,359,671
Contributions as a percentage of covered payroll	12.77%	12.65%	12.51%	12.59%

***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 Changes in Total OPEB Liability and Related Ratios**  
**Texas Municipal Retirement System**

*For the Year ended September 30,*

	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 17,404
Interest (on the total OPEB liability)	11,515
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	30,878
Benefit payments, including refunds of employee contributions	(2,486)
<b>Net Change in Total OPEB Liability</b>	57,311
<b>Total OPEB Liability - Beginning</b>	297,166
<b>Total OPEB Liability - Ending (a)</b>	\$ 354,477
 <b>Covered Employee Payroll</b>	\$ 8,287,714
 <b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	4.28%

Notes to Schedule:

- (1) Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
- (3) Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

**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, 2018**

**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	28 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, 2018**

**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.



**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.

*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, 2018

	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
<b>ASSETS</b>								
Cash and cash equivalents	\$ 3,388,678	\$ 2,503,490	\$ 20,277	\$ 54,095	\$ -	\$ 27,935	\$ 142,897	\$ 558,080
Cash and cash equivalents- Restricted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	1,004,472
Receivables (net of allowance)								
Taxes	-	-	-	-	-	-	-	-
Accounts	104,855	123,507	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	1,045,784
Prepaid items	30,617	-	-	-	-	-	-	2,901
<b>TOTAL ASSETS</b>	<b>\$ 3,524,150</b>	<b>\$ 2,626,997</b>	<b>\$ 20,277</b>	<b>\$ 54,095</b>	<b>\$ -</b>	<b>\$ 27,935</b>	<b>\$ 142,897</b>	<b>\$ 2,611,237</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	61,810	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>61,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>								
Nonspendable	30,617	-	-	-	-	-	-	2,901
Restricted	3,431,723	2,626,997	20,277	54,095	-	27,935	142,897	2,608,336
<b>TOTAL FUND BALANCE</b>	<b>3,462,340</b>	<b>2,626,997</b>	<b>20,277</b>	<b>54,095</b>	<b>-</b>	<b>27,935</b>	<b>142,897</b>	<b>2,611,237</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 3,524,150</b>	<b>\$ 2,626,997</b>	<b>\$ 20,277</b>	<b>\$ 54,095</b>	<b>\$ -</b>	<b>\$ 27,935</b>	<b>\$ 142,897</b>	<b>\$ 2,611,237</b>

Capital Projects Funds							Total Non Major Governmental Funds	
Beach Nourishment 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
\$ 1,682,484	\$ 13,348	\$ -	\$ 42,383	\$ 178,840	\$ 41,390	\$ 8,653,897	\$ 413,656	\$ 9,067,553
-	-	-	-	-	-	-	646,633	646,633
1,006,568	-	-	-	-	-	2,011,040	-	2,011,040
-	-	-	-	-	-	-	41,655	41,655
30,795	-	-	-	-	-	259,157	2,202	261,359
-	-	-	-	-	-	1,045,784	-	1,045,784
-	-	-	-	-	-	33,518	-	33,518
<u>\$ 2,719,847</u>	<u>\$ 13,348</u>	<u>\$ -</u>	<u>\$ 42,383</u>	<u>\$ 178,840</u>	<u>\$ 41,390</u>	<u>\$ 12,003,396</u>	<u>\$ 1,104,146</u>	<u>\$ 13,107,542</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	61,810	-	61,810
-	-	-	-	-	-	61,810	-	61,810
-	-	-	-	-	-	-	35,851	35,851
-	-	-	-	-	-	-	35,851	35,851
-	-	-	-	-	-	33,518	-	33,518
2,719,847	13,348	-	42,383	178,840	41,390	11,908,068	1,068,295	12,976,363
<u>2,719,847</u>	<u>13,348</u>	<u>-</u>	<u>42,383</u>	<u>178,840</u>	<u>41,390</u>	<u>11,941,586</u>	<u>1,068,295</u>	<u>13,009,881</u>
<u>\$ 2,719,847</u>	<u>\$ 13,348</u>	<u>\$ -</u>	<u>\$ 42,383</u>	<u>\$ 178,840</u>	<u>\$ 41,390</u>	<u>\$ 12,003,396</u>	<u>\$ 1,104,146</u>	<u>\$ 13,107,542</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, 2018

	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
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,036	\$ -
Nonproperty taxes	1,759,401	2,065,992	-	-	-	-	-	2,102,221
Fees and services	303,919	-	-	-	-	4,025	-	-
Fines and forfeitures	-	-	8,915	6,686	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	377,472
Miscellaneous	40,917	20,209	275	691	-	3,250	1,737	25,037
<b>Total revenues</b>	<b>2,104,237</b>	<b>2,086,201</b>	<b>9,190</b>	<b>7,377</b>	<b>-</b>	<b>7,275</b>	<b>73,773</b>	<b>2,504,730</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	-	2,280	-	-	-	-	1,000	82,097
Public safety	-	-	9,365	2,109	-	-	-	393,738
Public works	-	-	-	-	-	-	-	-
Shoreline	-	-	-	-	-	-	-	808,488
Community service	-	-	-	-	-	73,096	-	-
Convention and visitors bureau	1,217,126	-	-	-	-	-	-	-
Capital outlay	183,969	-	-	-	-	-	-	168,103
<b>Debt service</b>								
Principal - bonds	-	-	-	-	-	-	-	-
Principal - capital lease	4,176	-	-	-	-	-	-	3,326
Interest	348	-	-	-	-	-	-	330
Administrative charges	1,634	-	-	-	-	-	-	1,893
<b>Total expenditures</b>	<b>1,407,253</b>	<b>2,280</b>	<b>9,365</b>	<b>2,109</b>	<b>-</b>	<b>73,096</b>	<b>1,000</b>	<b>1,457,975</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES</b>								
	696,984	2,083,921	(175)	5,268	-	(65,821)	72,773	1,046,755
<b>Other financing sources (uses)</b>								
Sale of capital assets	400	-	-	-	-	-	-	3,469
Transfers in	-	-	-	-	-	85,671	-	-
Transfers (out)	-	(437,004)	-	-	(3,644)	-	(50,000)	(247,726)
<b>Total other financing sources (uses)</b>	<b>400</b>	<b>(437,004)</b>	<b>-</b>	<b>-</b>	<b>(3,644)</b>	<b>85,671</b>	<b>(50,000)</b>	<b>(244,257)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>697,384</b>	<b>1,646,917</b>	<b>(175)</b>	<b>5,268</b>	<b>(3,644)</b>	<b>19,850</b>	<b>22,773</b>	<b>802,498</b>
Fund balance, beginning of year	2,764,956	980,080	20,452	48,827	3,644	8,085	120,124	1,808,739
<b>Fund balance, end of year</b>	<b>\$ 3,462,340</b>	<b>\$ 2,626,997</b>	<b>\$ 20,277</b>	<b>\$ 54,095</b>	<b>\$ -</b>	<b>\$ 27,935</b>	<b>\$ 142,897</b>	<b>\$ 2,611,237</b>

Beach Nourishment 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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,036	\$ 1,637,312	\$ 1,709,348
517,095	-	-	-	-	-	6,444,709	-	6,444,709
-	-	-	-	-	-	307,944	-	307,944
-	-	-	-	-	-	15,601	-	15,601
-	-	-	-	-	-	377,472	-	377,472
35,903	1,028	-	-	3,319	745	133,111	20,811	153,922
552,998	1,028	-	-	3,319	745	7,350,873	1,658,123	9,008,996
-	-	-	23,939	-	-	109,316	-	109,316
-	-	-	-	-	-	405,212	-	405,212
-	-	-	-	-	-	-	-	-
126,063	-	-	-	4,658	35,559	974,768	-	974,768
-	-	-	-	-	-	73,096	-	73,096
-	-	-	-	-	-	1,217,126	-	1,217,126
-	-	12,661	212,809	489,948	-	1,067,490	-	1,067,490
-	-	-	-	-	-	-	1,580,000	1,580,000
-	-	-	-	-	-	7,502	-	7,502
-	-	-	-	-	-	678	656,038	656,716
-	-	-	-	-	-	3,527	3,500	7,027
126,063	-	12,661	236,748	494,606	35,559	3,858,715	2,239,538	6,098,253
426,935	1,028	(12,661)	(236,748)	(491,287)	(34,814)	3,492,158	(581,415)	2,910,743
-	-	-	-	-	-	3,869	-	3,869
-	-	-	255,000	-	35,797	376,468	487,004	863,472
-	(219,500)	-	-	-	-	(957,874)	-	(957,874)
-	(219,500)	-	255,000	-	35,797	(577,537)	487,004	(90,533)
426,935	(218,472)	(12,661)	18,252	(491,287)	983	2,914,621	(94,411)	2,820,210
2,292,912	231,820	12,661	24,131	670,127	40,407	9,026,965	1,162,706	10,189,671
\$ 2,719,847	\$ 13,348	\$ -	\$ 42,383	\$ 178,840	\$ 41,390	\$ 11,941,586	\$ 1,068,295	\$ 13,009,881

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,556,201	\$ 1,556,200	\$ 1,637,312	\$ 81,112
Miscellaneous and program revenues	-	-	20,811	20,811
Total revenues	1,556,201	1,556,200	1,658,123	101,923
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	1,580,000	1,580,000	1,580,000	-
Interest	656,039	656,038	656,038	-
Administrative charges	3,000	3,000	3,500	(500)
Total expenditures	2,239,039	2,239,038	2,239,538	(500)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(682,838)	(682,838)	(581,415)	101,423
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	559,838	559,838	487,004	(72,834)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (123,000)</b>	<b>\$ (123,000)</b>	(94,411)	<b>\$ 28,589</b>
Fund balance -- beginning			1,162,706	
Fund balance -- ending			\$ 1,068,295	

**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, 2018*

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Nonproperty taxes	\$ 1,611,147	\$ 1,611,147	\$ 1,759,401	\$ 148,254
Fees and services	235,000	235,000	303,919	68,919
Miscellaneous and program revenues	-	-	40,917	40,917
Total revenues	1,846,147	1,846,147	2,104,237	258,090
<b>EXPENDITURES</b>				
Current				
Convention and visitors bureau	1,361,079	1,372,868	1,217,126	155,742
Total convention and visitors bureau	1,361,079	1,372,868	1,217,126	155,742
Capital outlay	219,420	219,420	183,969	35,451
Debt service				
Principal- capital lease	3,639	3,639	4,176	(537)
Interest	348	347	348	(1)
Administrative charges	94	1,728	1,634	94
Total expenditures	1,584,580	1,598,002	1,407,253	190,749
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	261,567	248,145	696,984	448,839
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	400	400
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 261,567</b>	<b>\$ 248,145</b>	697,384	<b>\$ 449,239</b>
Fund balance -- beginning			2,764,956	
Fund balance -- ending			\$ 3,462,340	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 8,915	\$ (1,085)
Miscellaneous and program revenues	-	-	275	275
Total revenues	10,000	10,000	9,190	(810)
<b>EXPENDITURES</b>				
Current				
Public safety	9,993	9,993	9,365	628
Total expenditures	9,993	9,993	9,365	628
NET CHANGE IN FUND BALANCE	\$ 7	\$ 7	(175)	\$ (182)
Fund balance -- beginning			20,452	
Fund balance -- ending			\$ 20,277	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 6,686	\$ (314)
Miscellaneous and program revenues	-	-	691	691
Total revenues	7,000	7,000	7,377	377
<b>EXPENDITURES</b>				
Current				
Public safety	6,348	6,348	2,109	4,239
Total expenditures	6,348	6,348	2,109	4,239
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 652</b>	<b>\$ 652</b>	5,268	<b>\$ 4,616</b>
Fund balance -- beginning			48,827	
Fund balance -- ending			\$ 54,095	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Fees & Services	\$ 2,000	\$ 2,000	\$ 4,025	\$ 2,025
Miscellaneous and program revenues	3,500	3,500	3,250	(250)
<b>Total revenues</b>	<b>5,500</b>	<b>5,500</b>	<b>7,275</b>	<b>1,775</b>
<b>EXPENDITURES</b>				
Current				
Community service	88,771	88,771	73,096	15,675
<b>Total expenditures</b>	<b>88,771</b>	<b>88,771</b>	<b>73,096</b>	<b>15,675</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(83,271)</b>	<b>(83,271)</b>	<b>(65,821)</b>	<b>17,450</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,671	85,671	85,671	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 2,400</b>	<b>\$ 2,400</b>	<b>19,850</b>	<b>\$ 17,450</b>
Fund balance -- beginning			8,085	
Fund balance -- ending			\$ 27,935	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 70,871	\$ 70,871	\$ 72,036	\$ 1,165
Miscellaneous and program revenues	-	-	1,737	1,737
Total revenues	70,871	70,871	73,773	2,902
<b>EXPENDITURES</b>				
Current				
General government	3,000	3,000	1,000	2,000
Total expenditures	3,000	3,000	1,000	2,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	67,871	67,871	72,773	4,902
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(50,000)	(50,000)	(50,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 17,871</b>	<b>\$ 17,871</b>	22,773	<b>\$ 4,902</b>
Fund balance -- beginning			120,124	
Fund balance -- ending			\$ 142,897	



**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Nonproperty taxes	\$ 1,875,119	\$ 1,875,119	\$ 2,102,221	\$ 227,102
Intergovernmental	-	-	377,472	377,472
Miscellaneous and program revenues	-	-	25,037	25,037
<b>Total revenues</b>	<b>1,875,119</b>	<b>1,875,119</b>	<b>2,504,730</b>	<b>629,611</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	104,127	104,127	82,097	22,030
Public safety	394,741	394,741	393,738	1,003
Shoreline	800,420	886,642	808,488	78,154
Capital outlay	80,000	191,808	168,103	23,705
<b>Debt service</b>				
Principal- capital lease	3,501	3,501	3,326	175
Interest	330	330	330	-
Administrative charges	90	1,893	1,893	-
<b>Total expenditures</b>	<b>1,383,209</b>	<b>1,583,042</b>	<b>1,457,975</b>	<b>125,067</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>491,910</b>	<b>292,077</b>	<b>1,046,755</b>	<b>754,678</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	3,469	3,469
Transfers (out)	(155,797)	(155,797)	(247,726)	(91,929)
<b>Total other financing sources (uses)</b>	<b>(155,797)</b>	<b>(155,797)</b>	<b>(244,257)</b>	<b>(88,460)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 336,113</b>	<b>\$ 136,280</b>	<b>802,498</b>	<b>\$ 666,218</b>
<b>Fund balance -- beginning</b>			<b>1,808,739</b>	
<b>Fund balance -- ending</b>			<b>\$ 2,611,237</b>	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Nonproperty taxes	\$ 468,780	\$ 468,780	\$ 517,095	\$ 48,315
Miscellaneous and program revenues	-	-	35,903	35,903
<b>Total revenues</b>	<b>468,780</b>	<b>468,780</b>	<b>552,998</b>	<b>84,218</b>
<b>EXPENDITURES</b>				
Current				
Shoreline	60,000	226,000	126,063	99,937
<b>Total expenditures</b>	<b>60,000</b>	<b>226,000</b>	<b>126,063</b>	<b>99,937</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 408,780</b>	<b>\$ 242,780</b>	<b>426,935</b>	<b>\$ 184,155</b>
Fund balance -- beginning			2,292,912	
Fund balance -- ending			\$ 2,719,847	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Miscellaneous and program revenues	\$ -	\$ -	\$ 34,542	\$ 34,542
Total revenues	-	-	34,542	34,542
<b>EXPENDITURES</b>				
Capital outlay	-	2,168,341	1,268,735	899,606
Total expenditures	-	2,168,341	1,268,735	899,606
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$(2,168,341)</b>	<b>(1,234,193)</b>	<b>\$ 934,148</b>
Fund balance -- beginning			2,367,324	
Fund balance -- ending			\$ 1,133,131	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Miscellaneous and program revenues	\$ -	\$ -	\$ 1,028	\$ 1,028
Total revenues	-	-	1,028	1,028
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	1,028	1,028
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	-	(219,500)	(219,500)	-
Total other financing sources (uses)	-	(219,500)	(219,500)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (219,500)</b>	<b>(218,472)</b>	<b>\$ 1,028</b>
Fund balance -- beginning			231,820	
Fund balance -- ending			\$ 13,348	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	-	-	23,939	(23,939)
Capital outlay	255,000	255,000	212,809	42,191
<b>Total expenditures</b>	<b>255,000</b>	<b>255,000</b>	<b>236,748</b>	<b>18,252</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(255,000)</b>	<b>(255,000)</b>	<b>(236,748)</b>	<b>18,252</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Transfers in	255,000	255,000	255,000	-
<b>Total other financing sources (uses)</b>	<b>255,000</b>	<b>255,000</b>	<b>255,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>18,252</b>	<b>\$ 18,252</b>
Fund balance -- beginning			24,131	
Fund balance -- ending			\$ 42,383	

**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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Miscellaneous and program revenues	\$ -	\$ -	\$ 3,319	\$ 3,319
Total revenues	-	-	3,319	3,319
<b>EXPENDITURES</b>				
Current				
Shoreline	-	17,646	4,658	12,988
Capital outlay	-	492,119	489,948	2,171
Total expenditures	-	509,765	494,606	15,159
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(509,765)	(491,287)	18,478
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (509,765)</b>	<b>(491,287)</b>	<b>\$ 18,478</b>
Fund balance -- beginning			670,127	
Fund balance -- ending			\$ 178,840	

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, 2018*

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
<b>REVENUES</b>				
Miscellaneous and program revenues	\$ -	\$ -	\$ 745	\$ 745
Total revenues	-	-	745	745
<b>EXPENDITURES</b>				
Current				
Shoreline	35,797	35,797	35,559	238
Total expenditures	35,797	35,797	35,559	238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,797)	(35,797)	(34,814)	983
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	35,797	35,797	35,797	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>983</b>	<b>\$ 983</b>
Fund balance -- beginning			40,407	
Fund balance -- ending			\$ 41,390	



**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, 2018

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 814,792	\$ 405,818	\$ 363,829	\$ 1,584,439
Investments	-	-	22,826	22,826
Receivables	92,024	-	-	92,024
Loans receivable	35,114	-	-	35,114
<b>Total assets</b>	<b>\$ 941,930</b>	<b>\$ 405,818</b>	<b>\$ 386,655</b>	<b>\$ 1,734,403</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 2,337	\$ -	\$ -	\$ 2,337
<b>Total liabilities</b>	<b>2,337</b>	<b>-</b>	<b>-</b>	<b>2,337</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - noncurrent receivables	35,114	-	-	35,114
<b>Total deferred inflows of resources</b>	<b>35,114</b>	<b>-</b>	<b>-</b>	<b>35,114</b>
<b>FUND BALANCE</b>				
Restricted	-	405,818	386,655	792,473
Unassigned	904,479	-	-	904,479
<b>Total fund balances</b>	<b>904,479</b>	<b>405,818</b>	<b>386,655</b>	<b>1,696,952</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 941,930</b>	<b>\$ 405,818</b>	<b>\$ 386,655</b>	<b>\$ 1,734,403</b>

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, 2018*

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Fund balances of the component unit funds	\$	1,696,952
-------------------------------------------	----	-----------

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.

6,072,202

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

35,114

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

(3,597,821)

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

163,590

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

(43,245)

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 (\$7,927), a deferred resource inflow in the amount of (\$8,495), and a deferred resource outflow in the amount of \$7,125. This resulted in a decrease in net position of \$(9,297).

(9,297)

Included in the noncurrent liabilities is the recognition of the EDC's portion of the net OPEB liability required by GASB 75 in the amount of \$(2,856) and a deferred resource outflow in the amount of \$300. This resulted in a decrease in net position by \$(2,556).

(2,556)

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Net position of governmental type activities	\$	4,314,939
----------------------------------------------	----	-----------

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**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, 2018*

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
<b>REVENUES</b>				
Sales taxes	\$ 852,284	\$ -	\$ -	\$ 852,284
Loan revenue	11,128	-	-	11,128
Miscellaneous and program revenues	11,017	5,255	3,347	19,619
<b>Total revenues</b>	<b>874,429</b>	<b>5,255</b>	<b>3,347</b>	<b>883,031</b>
<b>EXPENDITURES</b>				
Current				
Community service	508,705	-	-	508,705
Debt service				
Principal retirement	-	-	295,000	295,000
Interest expense	-	-	92,940	92,940
Administrative fees	-	-	400	400
<b>Total expenditures</b>	<b>508,705</b>	<b>-</b>	<b>388,340</b>	<b>897,045</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>365,724</b>	<b>5,255</b>	<b>(384,993)</b>	<b>(14,014)</b>
Other financing sources (uses)				
Transfers out	(396,850)	-	-	(396,850)
Transfers in	-	-	396,850	396,850
<b>Total other financing sources (uses)</b>	<b>(396,850)</b>	<b>-</b>	<b>396,850</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(31,126)</b>	<b>5,255</b>	<b>11,857</b>	<b>(14,014)</b>
<b>Fund balance -- beginning</b>	<b>935,605</b>	<b>400,563</b>	<b>374,798</b>	<b>1,710,966</b>
<b>Fund balance -- ending</b>	<b>\$ 904,479</b>	<b>\$ 405,818</b>	<b>\$ 386,655</b>	<b>\$ 1,696,952</b>

**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, 2018*

Net change in fund balances --total component unit funds \$ (14,014)

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 12/31/17 caused the change in the ending net position to increase in the amount of \$6,491. 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 (\$6,027). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(608). The result of these changes is to decrease net position. (144)

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. 6,270

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. (11,128)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$86. 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 totalling \$(81). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(248). The result of these changes is to decrease the change in net position by \$(243). (243)

Change in net position of governmental activities \$ 116,532

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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)

	2009	2010	2011	2012	2013*	2014**	2015	2016	2017***	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 25,616,028
Restricted	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	17,386,999
Unrestricted	10,088,864	5,768,869	6,174,054	5,697,496	6,588,837	6,025,603	7,484,310	5,485,644	5,092,044	4,958,764
<b>Total governmental activities net position</b>	<b>\$ 29,654,273</b>	<b>\$ 28,686,152</b>	<b>\$ 28,295,141</b>	<b>\$ 30,089,674</b>	<b>\$ 31,488,160</b>	<b>\$ 34,088,337</b>	<b>\$ 38,205,195</b>	<b>\$ 39,693,990</b>	<b>\$ 42,630,457</b>	<b>\$ 47,961,791</b>

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.  
\*\*\* The City of South Padre Island implemented GASB Statement No. 75 in 2018, resulting in an adjustment to the beginning net position for fiscal year ended September 30, 2017; the effect of this prior period adjustment is reflected in the 2017 balance of net position in this schedule, but no other prior years have been adjusted to reflect implementation of this standard.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 4,073,602
Public safety	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	6,363,761
Public works/Shoreline	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	4,215,756
Transportation	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	1,794,636
Community service	832,168	40,494	820,784	119,300	621,036	135,357	47,101	1,519,768	136,945	197,944
Convention and visitors bureau	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	9,379,337
Interest on long-term debt	295,920	310,207	327,532	559,912	306,808	297,596	382,782	434,901	804,150	581,354
<b>Total primary governmental activities expenses</b>	<b>18,736,663</b>	<b>18,822,228</b>	<b>19,497,268</b>	<b>19,032,764</b>	<b>20,139,025</b>	<b>19,919,616</b>	<b>20,020,586</b>	<b>23,587,837</b>	<b>24,624,469</b>	<b>26,606,390</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	28,222	27,973	222,573	218,276	156,108	277,881	453,066	472,715	747,718	660,501
Public safety	410,295	424,681	497,934	990,410	881,900	1,108,781	878,790	1,188,668	1,228,417	1,778,641
Public works	280,498	639,148	36,843	22,646	31,246	39,717	44,853	45,623	-	-
Transportation	30,000	74,500	30,000	52,250	30,000	-	-	-	-	-
Community service	337,470	300,690	-	-	-	-	-	-	-	22,092
Convention and visitors bureau	-	-	270,838	244,750	286,963	226,391	249,927	256,369	301,620	312,444
Operating grants and contributions	1,373,380	714,938	996,779	1,074,032	954,301	1,220,114	2,160,260	1,765,405	1,655,530	3,003,264
Capital grants and contributions	249,808	190,604	682,935	1,296,789	1,277,434	439,114	662,306	893,030	561,717	802,184
<b>Total governmental activities program revenues</b>	<b>2,709,673</b>	<b>2,372,534</b>	<b>2,737,902</b>	<b>3,899,153</b>	<b>3,617,952</b>	<b>3,311,998</b>	<b>4,449,202</b>	<b>4,621,810</b>	<b>4,495,002</b>	<b>6,579,126</b>
<b>Net (Expense)/Revenue</b>										
Total primary government net expense	(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)	(20,027,264)
<b>General Revenues</b>										
Property taxes	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	7,904,409
Sales & mixed beverage taxes	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	2,896,023
Franchise taxes	792,501	802,819	821,796	806,646	819,865	851,056	862,253	886,363	882,469	885,011
Hotel motel taxes	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	10,340,024
Hotel motel padre Blvd. taxes	-	-	-	-	-	-	-	-	-	-
Hotel motel beach mtn. taxes	751,950	945,050	988,132	1,086,920	1,644,572	2,144,126	2,171,319	2,217,195	2,388,471	2,619,316
Unrestricted investment earnings	198,941	143,463	97,265	49,345	38,830	31,373	31,952	82,464	180,490	536,833
Sale of capital assets	14,234	16,810	(17,050)	4,545	-	56,072	58	48,779	114,022	42,253
Insurance recoveries	4,401,118	16,510	-	-	-	-	-	-	-	-
Miscellaneous	101,551	218,133	311,078	130,510	59,156	293,168	247,131	128,478	113,282	134,729
<b>Total general revenues</b>	<b>19,283,827</b>	<b>15,481,573</b>	<b>16,368,355</b>	<b>16,928,144</b>	<b>18,030,295</b>	<b>19,585,652</b>	<b>19,688,242</b>	<b>20,449,047</b>	<b>23,350,669</b>	<b>25,358,598</b>
<b>Changes in Net Assets</b>										
Total governmental activities	\$ 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	\$ 5,331,334

Source: Statement of Activities

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Pre GASB 54										
Reserved	\$ 35,092	\$ 31,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,477,049	6,144,362	-	-	-	-	-	-	-	-
<b>Total pre GASB 54</b>	<b>\$ 6,512,141</b>	<b>\$ 6,175,985</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Post GASB 54</b>										
Nonspendable	\$ -	\$ -	\$ 45,959	\$ 21,542	\$ 55,701	\$ 57,868	\$ 56,321	\$ 58,086	\$ 57,138	\$ 65,310
Restricted	-	-	-	-	-	-	-	113,072	93,690	19,450
Unassigned	-	-	6,243,764	6,357,093	6,158,124	6,848,537	6,835,686	6,685,288	7,225,128	7,547,484
<b>Total post GASB 54</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,289,723</b>	<b>\$ 6,378,635</b>	<b>\$ 6,213,825</b>	<b>\$ 6,906,405</b>	<b>\$ 6,892,007</b>	<b>\$ 6,856,446</b>	<b>\$ 7,375,956</b>	<b>\$ 7,632,244</b>
<b>All Other Governmental Funds</b>										
Pre GASB 54										
Reserved	\$ 729,340	\$ 696,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,040,415	2,590,794	-	-	-	-	-	-	-	-
Capital projects funds	478,262	1,691,350	-	-	-	-	-	-	-	-
<b>Total pre GASB 54</b>	<b>\$ 4,248,017</b>	<b>\$ 4,978,608</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Post GASB 54</b>										
Nonspendable	\$ -	\$ -	\$ 114,554	\$ 148,890	\$ 54,786	\$ 42,639	\$ 1,504,355	\$ 37,490	\$ 45,835	\$ 43,963
Restricted:										
Debt service	-	-	429,784	273,133	309,533	346,602	386,436	413,573	1,162,706	1,068,295
Capital projects	-	-	4,914,411	1,502,659	2,636,575	700,897	3,603,413	6,362,226	12,596,025	10,498,218
Beach nourishment	-	-	-	-	-	2,435,967	1,416,745	1,872,911	2,292,912	2,719,847
Transportation	-	-	154,277	235,999	287,934	301,277	320,366	231,280	179,071	80,739
Beach maintenance	-	-	78,887	264,395	790,655	1,382,753	2,050,584	2,260,996	1,808,674	2,608,336
Municipal court	-	-	43,562	48,913	53,594	63,068	72,385	61,026	69,279	74,372
Criminal justice	-	-	3,433	3,644	3,644	3,644	3,644	3,644	3,644	-
Venue project	-	-	-	-	-	-	-	-	980,080	2,626,997
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	27,935
Hotel/motel tax	-	-	2,442,154	3,603,561	5,068,679	6,596,864	5,986,315	6,630,832	7,374,465	7,706,319
Unassigned	-	-	-	(172,892)	(7,167)	22,303	21,923	-	-	-
<b>Total post GASB 54</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,431,474</b>	<b>\$ 6,115,962</b>	<b>\$ 9,383,338</b>	<b>\$ 11,897,851</b>	<b>\$ 15,369,283</b>	<b>\$ 17,877,862</b>	<b>\$ 26,520,776</b>	<b>\$ 27,455,021</b>

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

	2009	2010	2011	2012	2013
<b>REVENUES</b>					
Property taxes	\$6,115,209	\$6,042,754	\$6,407,899	\$6,572,035	\$6,666,348
Nonproperty taxes	8,478,004	8,988,221	9,585,210	10,231,694	11,333,958
Fees and services	353,545	529,702	411,771	847,528	786,089
Fines and forfeitures	295,990	379,684	424,124	517,776	455,300
Licenses and permits	322,645	557,605	222,292	191,105	150,583
Intergovernmental	1,056,767	905,542	1,679,714	2,202,888	2,231,734
Miscellaneous and program	981,229	361,596	408,344	179,856	158,989
<b>Total revenues</b>	<b>17,603,389</b>	<b>17,765,104</b>	<b>19,139,354</b>	<b>20,742,882</b>	<b>21,783,001</b>
<b>EXPENDITURES</b>					
General	3,124,195	3,801,677	3,441,451	2,912,655	3,204,508
Public safety	4,101,247	4,478,384	4,313,528	4,806,764	4,954,525
Public works & Shoreline	2,156,348	2,158,644	2,188,234	2,424,423	2,079,739
Transportation	552,966	782,525	957,492	1,078,641	1,104,987
Community service	832,168	40,494	820,784	119,300	418,152
Convention and visitors	5,532,594	4,653,373	4,972,074	4,740,409	5,313,518
Debt service					
Principal retirement	1,160,000	1,205,000	932,358	982,225	634,920
Interest	285,443	275,612	261,642	400,165	301,716
Bond issue costs	-	-	94,968	103,287	-
Administrative charges	-	-	2,736	800	(900)
Capital outlay	4,816,260	906,820	2,417,098	5,628,071	1,591,360
<b>Total expenditures</b>	<b>22,561,221</b>	<b>18,302,529</b>	<b>20,402,365</b>	<b>23,196,740</b>	<b>19,602,525</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,957,832)</b>	<b>(537,425)</b>	<b>(1,263,011)</b>	<b>(2,453,858)</b>	<b>2,180,476</b>
<b>Other financing sources (uses)</b>					
Sale of capital assets	14,989	85,350	25,933	4,771	22,777
Lease Proceeds	-	-	902,220	119,200	899,313
Proceeds from issuance of	-	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	(2,371,184)	(1,587,679)	(853,568)	(1,200,089)	(1,155,679)
Transfers in	2,371,184	1,587,679	853,568	1,200,089	1,155,679
<b>Total other financing sources</b>	<b>4,416,107</b>	<b>931,860</b>	<b>4,829,615</b>	<b>227,258</b>	<b>922,090</b>
<b>Net change in fund balances</b>	<b>(\$541,725)</b>	<b>\$394,435</b>	<b>\$3,566,604</b>	<b>(\$2,226,600)</b>	<b>\$3,102,566</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.15%</b>	<b>8.51%</b>	<b>6.64%</b>	<b>7.87%</b>	<b>5.20%</b>

2014	2015	2016	2017	2018
\$6,554,043	\$6,606,286	\$7,103,497	\$7,611,725	\$7,878,646
12,684,073	12,857,456	13,114,187	15,337,999	16,740,374
879,384	970,681	1,007,064	1,256,654	1,774,567
576,361	447,666	627,825	577,801	465,341
137,367	257,990	264,933	447,276	214,353
1,609,228	2,772,565	2,654,058	2,167,247	3,767,948
374,541	329,088	259,646	343,772	709,063
22,814,997	24,241,732	25,031,210	27,742,474	31,550,292
3,022,645	3,184,592	3,308,828	3,744,505	3,668,683
5,079,755	5,042,426	5,173,137	5,301,832	6,007,725
2,115,599	2,360,877	2,402,321	2,594,156	2,971,163
1,336,549	1,491,095	1,513,709	1,667,605	1,620,754
131,262	50,810	1,456,385	77,028	73,096
5,319,014	4,975,850	5,867,540	6,912,159	8,186,446
696,201	750,543	1,083,087	1,619,609	1,766,610
297,548	275,741	372,256	401,337	675,625
-	103,079	89,736	323,462	-
4,308	4,245	4,337	4,748	33,159
1,676,803	5,690,771	5,586,040	5,513,541	5,401,123
19,679,684	23,930,029	26,857,376	28,159,982	30,404,384
3,135,313	311,703	(1,826,166)	(417,508)	1,145,908
71,780	38,068	54,420	144,037	44,625
-	-	144,335	-	-
-	2,905,000	3,890,000	9,085,000	-
-	202,263	210,429	350,895	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,362,784)	(4,075,166)	(957,804)	(2,717,149)	(1,400,077)
1,362,784	4,075,166	957,804	2,717,149	1,400,077
71,780	3,145,331	4,299,184	9,579,932	44,625
\$3,207,093	\$3,457,034	\$2,473,018	\$9,162,424	\$1,190,533
5.52%	5.63%	6.84%	8.92%	9.77%

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			
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
2018	2,579,281,031	35,135,283	90,801,714	2,523,614,600	0.31564

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.

Schedule 6  
 City of South Padre Island, Texas  
**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					
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
2018	0.249640	0.066000	0.043860	1.081634	0.410803	0.162407	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	2018			2009		
	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%			
Agora USA LP	10,312,156	2	0.42%			
Peninsula Island Resort & Spa LLC	10,310,357	3	0.42%	\$ 9,601,770	3	0.39%
Bahia Mar Tower LLC	9,365,606	4	0.38%			
Sapphire VP LP	9,000,000	5	0.36%	62,483,163	1	2.57%
Affiliated Hospitality LLC	7,939,537	6	0.32%			
SPI Management Co.	6,700,888	7	0.27%			
AEP Texas Inc	6,424,700	8	0.26%			
SPI La Copa Ltd.	6,294,771	9	0.25%	7,652,111	6	0.31%
SPI Oleander Ltd.	6,284,227	10	0.25%	7,465,218	7	0.31%
ICS Management Company				11,212,212	2	0.46%
Sapphire VP LP (2)				8,763,485	4	0.36%
Shores Development Inc.				7,844,672	5	0.32%
Bayside Capital LLC.				7,081,722	8	0.29%
AEP Texas Central Co.				6,727,450	9	0.28%
SSPIBR, Ltd				6,770,780	8	0.28%
Brashear Clayton				1,501,130	10	0.06%
<b>Total</b>	<b>\$ 83,514,416</b>		<b>3.37%</b>	<b>\$ 137,103,713</b>		<b>5.63%</b>

Source: Cameron County Appraisal District



Schedule 8  
 City of South Padre Island, Texas  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2009	2008	\$ 6,072,211	\$ 5,804,355	95.59%	\$ 258,122	\$ 6,062,477	99.84%
2010	2009	6,073,653	5,804,071	95.56%	263,924	6,067,995	99.91%
2011	2010	6,310,281	6,123,665	97.04%	177,463	6,301,128	99.85%
2012	2011	6,520,822	6,294,365	96.53%	210,628	6,504,993	99.76%
2013	2012	6,521,119	6,384,778	97.91%	131,196	6,515,974	99.92%
2014	2013	6,512,667	6,374,024	97.87%	132,521	6,506,545	99.91%
2015	2014	6,565,849	6,450,296	98.24%	109,186	6,559,482	99.90%
2016	2015	7,100,989	6,984,635	98.36%	109,161	7,093,796	99.90%
2017	2016	7,511,750	7,407,581	98.61%	85,033	7,492,614	99.75%
2018	2017	7,897,131	7,771,172	98.41%	-	7,771,172	98.41%

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
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
2018	7,878,646	2,896,023	885,011	10,852,466	22,512,146

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 <sup>1</sup>
	General Obligation Bonds	Combination Tax & Revenue Refunding Bonds	Tax Anticipation Notes	Venue Hotel Occupancy Tax Revenue Bonds	Capital Leases			
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
2018	5,255,000	-	4,595,000	8,900,000	355,698	19,105,698	15.49%	6,616

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The EDC is not included in the figures on this schedule.

<sup>1</sup> 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)
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
2018	5,255,000	1,068,295	4,186,705	0.17%	1,820

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**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cameron County	\$ 166,985,000	13.01%	\$ 21,724,749
Point Isabel Independent School District	14,825,000	68.10%	10,095,825
Laguna Madre Water District #1	14,355,000	72.90%	10,464,795
Texas Southmost College	42,580,000	19.75%	8,409,550
Subtotal, overlapping debt			50,694,919
*City direct debt	19,105,698	100.00%	19,105,698
<b>Total direct and overlapping debt</b>			<b>\$ 69,800,617</b>

**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.

\* Amount includes a combination of the City's bonded debt and captial lease debt.

Source: The Municipal Advisory Council 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	
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	-	-	-	-
2018	2,104,637	1,223,284	881,353	-	-	-	-

(1) Convention Center Fund revenues, including interest.

(2) Convention Center Fund operating expenditures, exclusive of capital outlay & construction in progress.

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
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%
2018	2,888	123,303,160	42,695	60	2,314	5.7%

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 and 2018, ESRI Demographics Report was used to obtain population data.

2 The US. Census Bureau was used to obtain the data for 2009 though 2016. In 2017 and 2018, the information was obtained using a ESRI Demographics Report.

3 Point Isabel Independent School District was used to obtain school enrollment data.

4 Texas Workforce Commission: Information is for the entire Cameron County, as no data is available for the City only.

\* 2012 and 2013 Personal Income is not available, thus data from 2011 was used for both years.

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

Employer	2018			2009		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Schlitterbahn Beach Water Park	1,211	1	27.26%	350	1	6.55%
City of South Padre Island	325	2	7.31%	170	5	3.18%
Sea Ranch Enterprises *	223	3	5.02%	100	8	1.87%
Isla Grand Resort	210	4	4.73%	204	3	3.82%
Louie's Backyard	170	5	3.83%	130	6	2.43%
Hilton Garden Inn	160	6	3.60%			
The Pearl Beach Resort	148	7	3.33%			
Blackbeard's Restaurant	142	8	3.20%	180	4	3.37%
Cameron Parks	87	9	1.96%			
Origins Recovery Center	79	10	1.78%			
La Quinta Inn & Suites				125	7	2.34%
Sheraton Fiesta Beach Resort				225	2	4.21%
Blue Marlin Supermarket				55	10	1.03%
Amberjack's Restaurant				85	9	1.59%
<b>Total</b>	<b>2,755</b>		<b>62.02%</b>	<b>1,624</b>		<b>30.39%</b>

Source: South Padre Island Economic Development Corporation

\*Includes Sea Ranch, Pier 19, and Laguna Bob's, F&B



Schedule 16  
City of South Padre Island, Texas  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAM**  
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
City Administration	6	6	4	4	4	4.4	4.25	4.25	5	5
Finance	4	5	5	5	5	5	4.9	4.9	5	6
Development Services *	2	2	1.75	1.75	2	2	2	2	3	2
Technology	2	2	3	3	3.25	3	2.95	2.8	3	3
Human Resources	1	2	3	3	3	3	3	3	3	3
Municipal Court	2	3	2	2	2	2	2	3	3	3
Police	39	39	39	38	38	38	37.95	37.75	36.75	37.75
Fire	21	21	21	27	27	27	26.75	26	26.75	26.75
Environmental Health Serv.	6	6	5	5	6	6	5.85	5.85	5.85	5.85
Fleet Management	2	2	2	2	2	2	2	2	2	2
Building Maintenance	3	3	3	3	3	3	3	3	3	2
Inspections	4	4	3	3	3	3	3	3	3	3
Public Works	18	18	19	19	18	19	18.85	17.85	19.85	19.85
<b>Hotel Motel Fund</b>										
Visitor's Center	2	2	2	2	2	3	3	3	3	3
Hotel Motel	13	9.5	9.5	9.5	8.75	9.5	9.5	9.5	10	10
Events Marketing	2	1	1	1	2	1	1	0.5	0	1
<b>Convention Centre</b>										
Convention Centre	13	13.5	11.5	10.5	12	10	11.2	10.35	11	10
<b>Parks and Recreation</b>										
Parks and Recreation	0	0	0	0	0	0	0	0	0	1
<b>Transportation</b>										
Island Metro	7	9	9.25	15.25	15	16.1	16.2	14.2	14	14
Metro Connect	0	0	0	0	0	4	3	4	7	7
<b>Shoreline**</b>										
Police	0	0	0	0	0	0	0.05	0.05	0	0.25
Fire	0	0	0	0	0	0	0.25	0	0	1.25
Environmental Health Serv.	0	0	0	0	0	0	0.15	0	0	0.15
Public Works	0	0	0	0	0	0	0.15	0	0	0.15
Beach Maintenance	0	4	4	4	4	4	6	7	7.6	7
Bay Access	0	0	0	0	0	0	0	0	1.2	1
<b>Total Operating Budget FTE's</b>	<b>147</b>	<b>152</b>	<b>148</b>	<b>158</b>	<b>160</b>	<b>165</b>	<b>167</b>	<b>164</b>	<b>173</b>	<b>175</b>

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police</b>										
Physical arrests	952	1,002	1,199	1,454	1,258	1,246	1,246	1,403	1,367	1,430
Parking violations	1,643	2,123	1,897	1,138	724	1,435	793	647	420	217
Traffic violations	995	1,204	1,038	748	481	658	245	242	434	562
Number of commissioned police officers	29	28	28	28	29	28	28	27	27	30
Number of employees - police officers & civilians	40	39	38	38	39	38	38	37	37	40
<b>Fire</b>										
Number of calls answered	1,667	1,783	1,858	1,964	2,107	2,243	2,105	2,410	2,348	2,536
EMS calls	816	1,082	1,172	1,415	1,377	1,486	1,543	1,542	1,102	1,876
Inspections	475	369	490	327	288	150	166	76	162	194
Number of firefighters	18	18	20	26	26	26	25	25	26	27
Number of employees - firefighters & civilians	21	21	21	27	27	27	26	26	27	28
<b>Streets</b>										
Street resurfacing (square yards)	6,956	8,611	9,032	7,867	12,050	-	8,891	32,314	2,559	12,807
Sidewalk construction (square yards)	693	-	73	2,069	440	368	1,540	3,523	8,942	3,880

Source: City Departments

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public Safety</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
<b>Development Services</b>										
Streets (miles)	47.09	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39
City Area (acres)	1,640	1,640	1,640	1,527	1,901	1,901	1,905	2,371	2,371	2,371
<b>Parks and Recreation</b>										
Playground	1	2	2	2	2	2	2	2	3	3
Parks	2	2	3	3	3	3	3	3	5	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	19	19	19	19	20	23	23	27
Beach Accesses (undeveloped)	6	6	5	5	5	5	4	1	3	0
<b>Transportation</b>										
Transit - Minibuses	12	10	9	10	11	10	11	10	11	8

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](http://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, 2018, 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 6, 2019.

**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.

*Carly Riggs & Ingram, L.L.C.*

Harlingen, Texas  
March 6, 2019



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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, 2018. 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, 2018.

### **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.

*Caru, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
March 6, 2019

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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?                         yes                      X   no

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

Noncompliance material to financial statements  
 noted?                         yes                      X   no

*Federal Awards*

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to  
 be reported in accordance with the Uniform  
 Guidance.                         yes                      X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?                      X   yes                         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, 2018

(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
<b>U.S. Department of Commerce</b>				
Passed through Texas General Land Office				
Coastal Zone Management Administration Awards	11.419	NA14NOS4190139	\$ -	\$ 128,314
Coastal Zone Management Administration Awards	11.419	NA15NOS4190162		245,000
Total passed through Texas General Land Office				373,314
Total U.S. Department of Commerce				373,314
<b>U.S. Department of Transportation</b>				
Passed through Texas Department of Transportation				
Formula Grants for Rural Areas	20.509	RPT 1602	-	238,865
Formula Grants for Rural Areas	20.509	RPT 1702	-	750,781
Formula Grants for Rural Areas	20.509	RPT 1801	-	30,342
Formula Grants for Rural Areas	20.509	ICB 1801	-	700,000
				1,719,988
Passed through City of Brownsville, Texas				
Formula Grants for Rural Areas	20.509	ICB 1701	-	222,177
Total Formula Grants for Rual Areas				1,942,165
* Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1701	-	40,645
* Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1801	-	66,205
Total Transit Services Program Cluster				106,850
National Infrastructure Investments	20.933	TGR 1701	-	235,160
National Infrastructure Investments	20.933	RPT 1701	-	239,000
				474,160
Total passed through Texas Department of Transportation				2,300,998
Total U.S. Department of Transportation				2,523,175
<b>U.S. Department of Health and Human Services</b>				
Food and Drug Administration Research	93.103	G-SP-1611-07321	-	3,000
<b>U.S. Department of Homeland Security</b>				
Passed through Texas Department of Public Safety				
Homeland Security Grant Porgram	97.067	EMW-2015-SS-00080	-	6,563
Homeland Security Grant Porgram	97.067	EMW-2016-SS-00056	-	12,660
Homeland Security Grant Porgram	97.067	EMW-2017-SS-00005	-	23,748
Total passed through Texas Department of Public Safety				42,971
Total U.S. Department of Homeland Security				42,971
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 2,942,460</b>

\* 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, 2018**

**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, 2018. 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, 2018, 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, 2018**

**NOTE 4- FEDERAL LOANS AND LOAN GUARANTEES**

During the year ended September 30, 2018, the City had no outstanding federal loans payable or loan guarantees.

**NOTE 5- FEDERALLY FUNDED INSURANCE**

During the year ended September 30, 2018, the City had no federally funded insurance.

**NOTE 6- NONCASH AWARDS**

During the year ended September 30, 2018, 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, Chief Financial Officer/Interim Assistant City  
Manager  
Randy Smith, Interim City Manager

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