

**NOTICE OF SPECIAL MEETING
CITY OF SOUTH PADRE ISLAND
CITY COUNCIL**

NOTICE IS HEREBY GIVEN THAT THE COUNCIL MEMBERS OF THE CITY OF SOUTH PADRE ISLAND, TEXAS, WILL HOLD A SPECIAL MEETING ON:

TUESDAY, MARCH 8, 2016
9:00 A.M. AT THE MUNICIPAL BUILDING,
CITY COUNCIL CHAMBERS, 2ND FLOOR
4601 PADRE BOULEVARD, SOUTH PADRE ISLAND, TEXAS

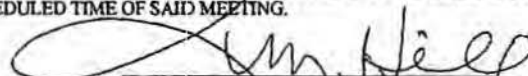
1. Call to order
2. Pledge of Allegiance
3. Public Comments and Announcements: *This is an opportunity for citizens to speak to Council relating to agenda or non-agenda items. Speakers are required to address Council at the podium and give their name before addressing their concerns. [Note: State law will not permit the City Council to discuss, debate or consider items that are not on the agenda. Citizen comments may be referred to City Staff or may be placed on the agenda of a future City Council meeting]*
4. Presentation, discussion and action to approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year 2014-15 presented by Quentin Anderson from Long Chilton, LLP. (Gimenez)
5. Discussion and action to approve revised Tax Increment Reinvestment Zone (TIRZ) Development and Finance Plan, which includes the revised maps. (Jones/DiLibero)
6. Discussion and action to authorize the City Manager to enter into contract with Market & Feasibility Advisors, LLC for recently approved feasibility study on grant application submittals; and approve budget amendment in the amount of \$24,000; \$14,000 from the General Fund; \$10,000 from CVB. (DiLibero)
7. Discussion and action to approve a budget amendment in the amount of \$5,000 from the Beach Maintenance Fund for Beach Patrol temporary employees. (Smith)
8. Adjourn.

WE RESERVE THE RIGHT TO GO INTO EXECUTIVE SESSION REGARDING ANY OF THE ITEMS POSTED ON THIS AGENDA, PURSUANT TO SECTIONS 551.071, CONSULTATION WITH ATTORNEY; 551.072, DELIBERATIONS ABOUT REAL PROPERTY; 551.073, DELIBERATIONS ABOUT GIFTS & DONATIONS; 551.074, PERSONNEL MATTERS; 551.076, DELIBERATIONS ABOUT SECURITY DEVICES; AND/OR 551.086, DISCUSS (A) COMMERCIAL OR FINANCIAL INFORMATION RECEIVED FROM A BUSINESS PROSPECT WITH WHICH THE CITY IS CONDUCTING NEGOTIATIONS, OR (B) FINANCIAL OR OTHER INCENTIVES TO THE BUSINESS PROJECT.

DATED THIS THE 3RD DAY OF MARCH 2016.


Susan M. Hill, City Secretary

I, THE UNDERSIGNED AUTHORITY, DO HEREBY CERTIFY THAT THE ABOVE NOTICE OF MEETING OF THE GOVERNING BODY OF THE CITY OF SOUTH PADRE ISLAND, TEXAS IS A TRUE AND CORRECT COPY OF SAID NOTICE AND THAT I POSTED A TRUE AND CORRECT COPY OF SAID NOTICE ON THE BULLETIN BOARD AT CITY HALL/MUNICIPAL BUILDING ON MARCH 3, 2016 AT/OR BEFORE 5:00 P.M. AND REMAINED SO POSTED CONTINUOUSLY FOR AT LEAST 72 HOURS PRECEDING THE SCHEDULED TIME OF SAID MEETING.


Susan M. Hill, City Secretary

THIS FACILITY IS WHEELCHAIR ACCESSIBLE, AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT BUILDING OFFICIAL, JAY MITCHIM; ADA DESIGNATED RESPONSIBLE PARTY AT (956) 761-1025.

**CITY OF SOUTH PADRE ISLAND
CITY COUNCIL MEETING
AGENDA REQUEST FORM**

MEETING DATE: March 8, 2016

NAME & TITLE: Rodrigo Gimenez, Finance Director

DEPARTMENT: Finance

ITEM

Presentation, discussion and action to approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year 2014-15 presented by Quentin Anderson from Long Chilton, LLP.

ITEM BACKGROUND

BUDGET/FINANCIAL SUMMARY

COMPREHENSIVE PLAN GOAL

LEGAL REVIEW

Sent to Legal: YES: _____

NO: _____

Approved by Legal: YES: _____

NO: _____

Comments:

RECOMMENDATIONS/COMMENTS

CITY OF SOUTH PADRE ISLAND, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
September 30, 2015**

City of South Padre Island, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	5
GFOA Certificate of Achievement	9
Organizational Chart	10
List of Principal Officials	11
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	13
MANAGEMENT'S DISCUSSION AND ANALYSIS	19
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position - 2015	27
Statement of Activities - 2015	28
Fund Financial Statements	
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	30
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	36
Notes to Financial Statements	37
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	66
Hotel/Motel Tax Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	68
Convention Centre Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	69
Transportation Grant	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	70
Gulf Boulevard Rebuild Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	71

City of South Padre Island, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS – CONTINUED

	<u>Page No.</u>
REQUIRED SUPPLEMENTARY INFORMATION - Continued	
Construction in Progress Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	72
Beach Nourishment Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	73
Schedule of Changes in Net Pension Liability and Related Ratios	75
Schedule of Contributions	76
Notes to Schedule of Contributions	77
Notes to the Required Supplementary Information	78
 OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheets	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	82
<i>Debt Service Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	84
 Component Unit	
<i>South Padre Island Economic Development Corporation</i>	
Combining Balance Sheet	86
Reconciliation of the Combining Balance Sheet of the Component Unit to the Statement of Net Position	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	88
Reconciliation of the Combining Statement of Revenues, Expenditures and Changes in Fund Balance of the Component Unit Funds to the Statement of Activities	89
 STATISTICAL SECTION	
Net Position by Component	93
Changes in Net Position	94
Fund Balances of Governmental Funds	95
Changes in Fund Balances of Governmental Funds	96
Assessed Value and Actual Value of Taxable Property	98
Direct and Overlapping Property Tax Rates	99

City of South Padre Island, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS – CONTINUED

	<u>Page No.</u>
STATISTICAL SECTION – Continued	
Principal Property Taxpayers	100
Property Tax Levies and Collections	101
Tax Revenues by Source - Governmental Funds	102
Ratio of Outstanding Debt by Type	103
Ratio of General Bonded Debt Outstanding	104
Direct and Overlapping Governmental Activities Debt	105
Pledged-Revenue Coverage	106
Demographic and Economic Statistics	107
Principal Employers	108
Full-Time Equivalent City Government Employees by Function/Program	109
Operating Indicators by Function	110
Capital Asset Statistics by Function/Program	111
Miscellaneous Statistical Data	112
 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 <i>Government Auditing</i> <i>Standards</i>	115
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	119
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by State of Texas Uniform Grant Management Standards Chapter IV Texas Single Audit Circular	123
Schedule of Findings and Questioned Costs	127
Schedule of Status of Prior Audit Findings	130
Schedule of Expenditures of Federal Awards	131
Notes on Accounting Policies for Federal Awards	133
Exit Conference	134



March 3, 2016

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of South Padre Island (City), Texas for the fiscal year ended September 30, 2015. This report was prepared from the books and records of the City of South Padre Island, Texas and includes the financial activities of the primary government and its component unit. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The goal of the independent audit, conducted by Long Chilton, LLP, was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is included in this document.

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

PROFILE OF THE CITY

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

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



MAJOR INITIATIVES

In order to provide a safe and attractive environment as well as ensure suitable street infrastructure, the Public Works Department continued with street and sidewalk improvements. Phase III of the Gulf Boulevard improvement project has begun and has improved pedestrian safety by relocating street parking to the west side of the street and providing wider walking areas as well as bicycle pathways. The relocation of parking to the opposite side of the street has helped to remove the potential of a pedestrian or cyclist not being seen. Sidewalks have also been added to the west side of Gulf Blvd, providing more pedestrian pathways for visitors and residents to travel freely. A Tax Anticipation Note for Phase IV of the Gulf Boulevard improvement project was issued during fiscal year ending September 30, 2015. Construction for Phase IV of the project is expected to go out for bidding in spring 2016.

The first phase of the approximate \$3 million upgrade to the Convention Centre infrastructure has been completed. This included replacement of the skylights in the lobby with windstorm-rated roofing material, replacing exterior doors, replacing a portion of the parking lot with concrete, improving site drainage, improving parking lot lighting for safety, landscaping, and strengthening the exterior walls of the building to increase structural integrity. The second phase of the upgrade is currently underway. The second phase will be focusing on the interior space and patron amenities.

The beach re-nourishment is accomplished with beneficial use of dredge material and has provided over a mile of sand to beach areas. This sand is the same sand the Island beaches already have, but over time it has traveled with the currents and settled within the Brownsville ship channel. The City's beaches receive the sand removed from the current dredge of the channel, providing a solution for both the Island coastline and the Army Corps of Engineers.

The Transit Department has begun Phase I of the Multimodal Transportation hub. This facility answers the need to support the connection between South Padre Island and the regional metro system throughout the Rio Grande Valley. It will provide passenger services and amenities to residents and visitors in eastern Cameron County allowing better access to intercity travel. Upon completion, South Padre Island will have a dedicated bus service terminal that reflects the City's locally developed transportation plan specifically targeting transportation challenges in the multi-modal network transportation plan to meet the City's current and future transit needs. This project will allow safe, reliable and efficient movement throughout the region while providing a transfer facility with passenger amenities. The second phase of construction is expected to begin summer 2016. The multi-tenant user-friendly building should be completed by summer, 2017. The local transportation system known as Island Metro provides a service that has a significant impact on our island by facilitating travel for visitors and commuters. Additionally, a new intercity bus service transportation program referred to as Metro Connect started during the fiscal year.

The community center project was approved and the renovation of old city hall has begun. The project is expected to be completed and it is anticipated to open within the next few months. The community center will provide the South Padre Island community a facility to use for public programs and events.

City Council implemented a Tax Increment Reinvestment Zone (TIRZ). TIRZs are special zones created by City Council to attract new investment to a specific area. TIRZs help finance the cost of redevelopment and encourage development in an area that would otherwise not attract sufficient market development in a timely manner.



FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The City of South Padre Island is a tourist oriented resort community. The Queen Isabella Causeway crossings are estimated to be 7,800,000 per year per the Texas Department of Transportation. In the most recent Resort Market Analysis, an estimated 4.35 million visitors come to the island annually. As a result of the City's dependence on tourism, visitor travel may reflect the swings in the national and state economy as well as the economy of northern Mexico. Despite the economic uncertainties, the City has experienced stability in revenue receipts. Stable property tax receipts, increases in sales tax as well as hotel/motel tax receipts are key indicators of the strength of the City's economic position.

Long Term Financial Planning

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

POLICIES AND PRACTICES

Internal control

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

Single Audit

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

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2015, identified no material weaknesses of the internal control or violations of applicable laws and regulations.



OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the twenty fifth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the City of South Padre Island was awarded the Distinguished Budget Presentation Award for the Fiscal Years beginning October 1, 2013 and October 1, 2014. 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 and within the four categories, fourteen mandatory criteria must also be met.

Acknowledgments

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

Sincerely,

William DiLibero, City Manager

Rodrigo Gimenez, Finance Director

"A Certified Retirement Community"

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



Government Finance Officers Association

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

Presented to

**City of South Padre Island
Texas**

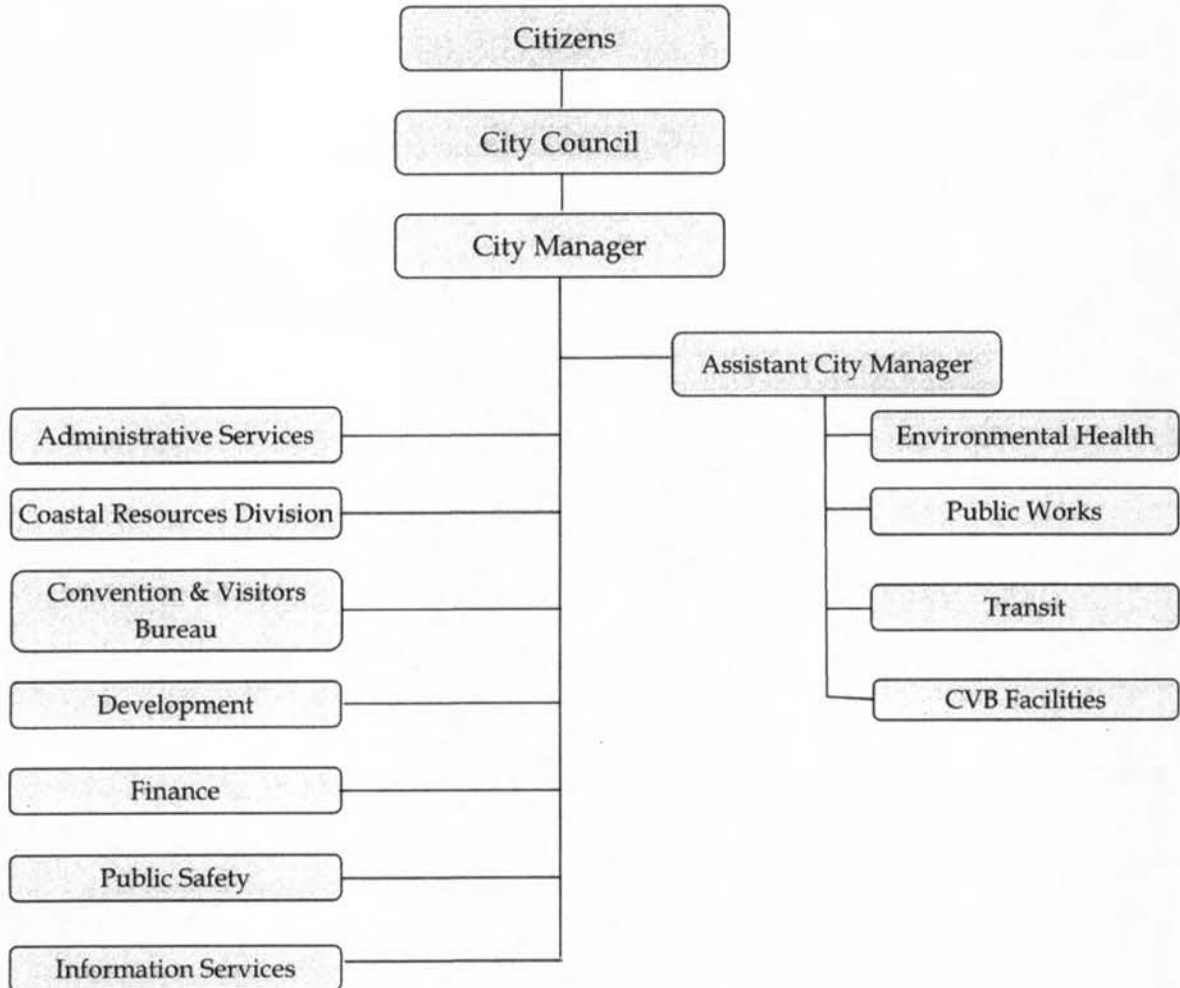
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



City of South Padre Island Organizational Chart



City of South Padre Island, Texas
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

NAME	TITLE
BARRY PATEL	<i>MAYOR</i> , COUNCIL MEMBER
ALEX AVALOS	MAYOR PRO TEM, COUNCIL MEMBER
DENNIS STAHL	COUNCIL MEMBER
SAM A. LISTI	COUNCIL MEMBER
ALITA BAGLEY	COUNCIL MEMBER

APPOINTED OFFICIALS

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

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

(This page intentionally left blank)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Padre Island, Texas, as of September 30, 2015 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.

Change in Accounting Principle

As described in Note A4 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 19 through 26 and 66 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Padre Island's basic financial statements. The introductory section, the other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

(This page intentionally left blank)

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 3, 2016, on our consideration of the City of South Padre Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of South Padre Island's internal control over financial reporting and compliance.



LONG CHILTON, LLP
Certified Public Accountants.

Harlingen, Texas
March 3, 2016

(This page intentionally left blank)

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report.

Financial Highlights

- The assets of the City of South Padre Island exceeded its liabilities at the close of the most recent fiscal year by \$38,205,195 (net position). Of this amount, \$7,484,310 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position for the City of South Padre Island increased by \$3,739,001 during the fiscal year. The change in net position results from \$4,116,858 from current year activities and a reduction in beginning net position of \$377,857 due to implementation of GASBS Statement No. 68 and a lease adjustment as disclosed in Note S.
- As of the close of the current fiscal year, the City of South Padre Island governmental funds reported combined ending fund balances of \$22,261,290. Approximately 31% of this amount, \$6,857,609 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year 62%, \$13,843,005 of the governmental funds fund balance was restricted and approximately 7%, \$1,560,676 was non-spendable.
- The City of South Padre Island's total debt increased by \$2,485,000 during the current fiscal year. This increase is the result of a \$2,905,000 Tax Anticipation Note issued to construct drainage improvements along Gulf Blvd during the fiscal year, net of payments of principal on outstanding debt.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of South Padre Island finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, and deferred inflows of resources and liabilities, including capital assets and long-term obligations. The difference between assets and deferred outflows from liabilities and deferred inflows is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e. roads and drainage systems), in order to more accurately assess the overall financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of South Padre Island include general government, public safety, public works, transportation, 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 for which the City of South Padre Island is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

In fiscal year 2015, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

1. Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
2. Statement No. 69, *Government Combinations and Disposals of Government Operations*
3. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures on the contributions to the TMRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014 was decreased by \$364,892 to reflect the cumulative effect of adoption.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's fiscal year-end, the effect from the City's reported contributions to the plan subsequent to the respective measurement date of the plan is an increase in deferred outflow of resources and a decrease in net position.

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

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

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

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

The City follows Governmental Accounting Standard Board (GASB) Statement 54 - "Fund Balance Reporting and Governmental Fund Type Definitions." This standard provides for a structured classification of fund balance. The hierarchy of five possible classifications is as follows.

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

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

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

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

Government-wide Financial Analysis

The following table reflects a summary of Net Position compared to the prior year:

	Total Governmental Activities 2015	Total Governmental Activities 2014
<u>ASSETS</u>		
Current and other assets	\$24,486,577	\$20,440,552
Capital assets	27,602,796	24,533,139
Total assets	<u>52,089,373</u>	<u>44,973,691</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows related to pension liabilities	913,956	-
Deferred amount on refunding	233,565	256,922
Total deferred outflows of resources	<u>1,147,521</u>	<u>256,922</u>
<u>LIABILITIES</u>		
Current liabilities	1,934,698	1,237,656
Non-current liabilities	12,954,527	9,526,763
	<u>14,889,225</u>	<u>10,764,419</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows related to pension liabilities	142,474	-
<u>NET POSITION</u>		
Net Investment in capital assets	16,920,738	16,216,778
Restricted	13,800,147	11,858,921
Unrestricted	7,484,310	6,390,495
Total net position	<u>\$38,205,195</u>	<u>\$34,466,194</u>

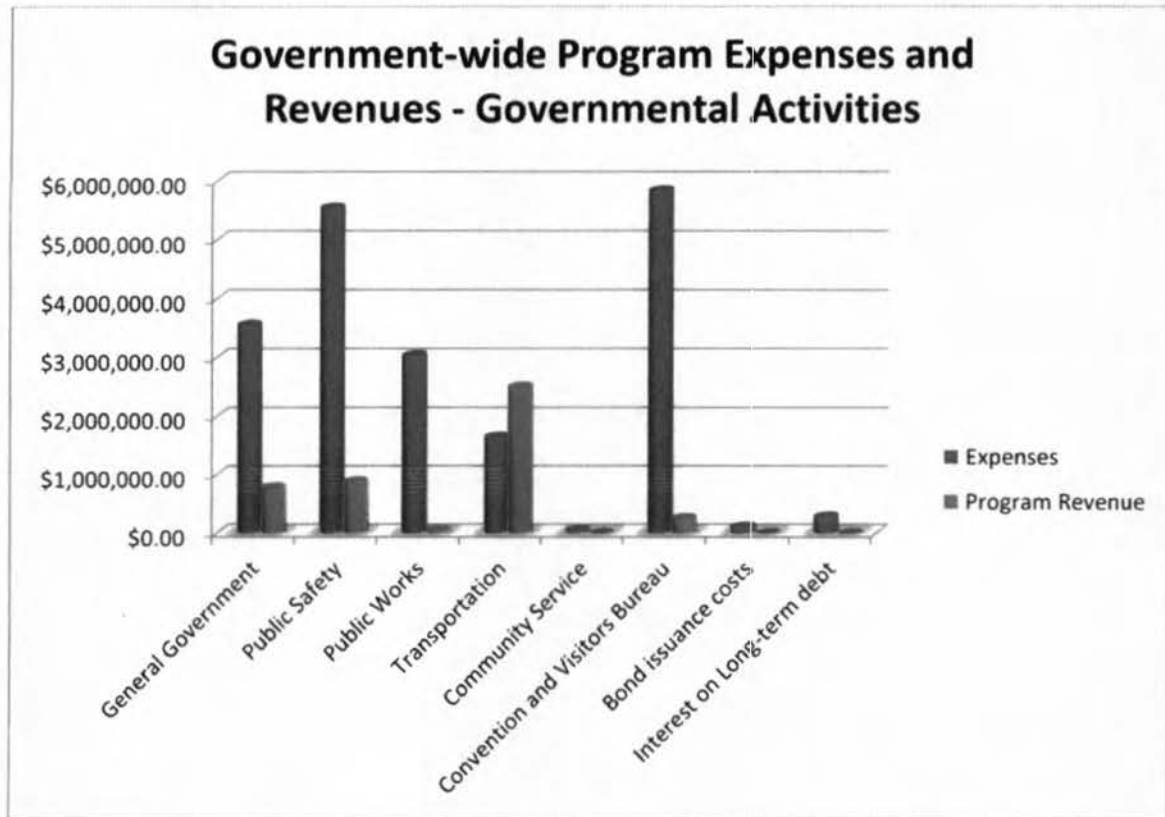
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Padre Island, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$38,205,195 at the close of the most recent fiscal year.

A large portion of the City's net position (44%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

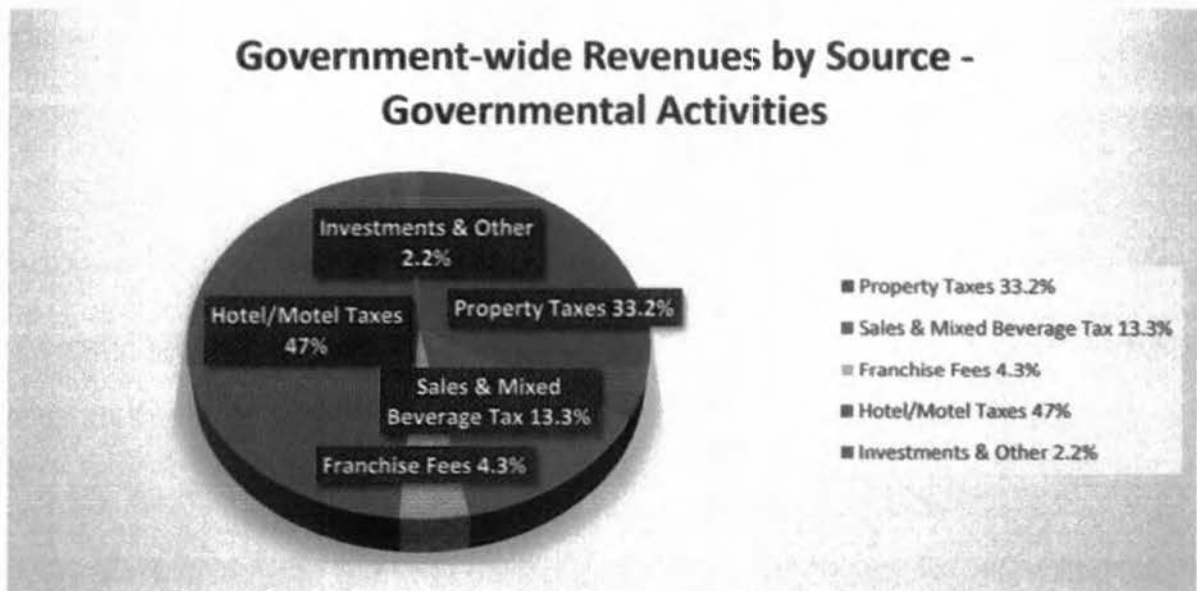
Changes in Net Position. Governmental activities increased the City's net position by \$3,739,001. Total revenues increased approximately \$1,239,794 mainly due to additional grant funds. Other increases in revenue of sales tax (2% or \$44,256), hotel motel tax (1% or \$76,830) and hotel motel beach maintenance tax (1% or \$27,193) contributed to the fund balance increase. The increase on hotel motel beach maintenance tax is associated with the additional 1% hotel/motel occupancy tax allocation from the State. Expenses during the fiscal period increased slightly by (\$100,970 or 1%). This increase was partially due to the cost to issue tax anticipation notes for Gulf Boulevard, and an increase in public works related to additional beach maintenance personnel.

	Total Governmental Activities 2015	Total Governmental Activities 2014
Program Revenues:		
Charges for Services	\$1,626,636	\$1,652,770
Operating Grants & Contributions	2,160,260	1,220,114
Capital Grants & Contributions	662,306	439,114
General Revenues:		
Property Tax	6,551,645	6,520,967
Sales Tax	2,343,830	2,299,574
Franchise Tax	862,253	851,056
Hotel Motel Tax	7,160,795	7,083,965
Hotel Motel Beach Mtn. Tax	2,171,319	2,144,126
Mixed Beverage Tax	319,259	305,351
Gain (loss) on Sale of Capital Assets	58	56,072
Interest & Other	279,083	324,541
Total Revenues	24,137,444	22,897,650
Program Expenses:		
General Government	3,549,479	3,403,281
Public Safety	5,534,493	5,635,589
Public Works	3,033,574	2,778,620
Transportation	1,639,747	1,547,923
Community Service	47,101	135,357
Convention and Visitors Bureau	5,833,410	6,121,250
Bond Issuance costs	103,079	-
Interest on long-term debt	279,703	297,596
Total Expenses	20,020,586	19,919,616
Increase (decrease) in net position	4,116,858	2,978,034
Beginning Net Position	34,466,194	31,488,160
Prior period adjustment	(377,857)	-
Ending Net Position	\$38,205,195	\$34,466,194

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; public works; transportation; community service, convention and visitors bureau, bond issuance costs 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 Tax and Sales & Franchise Tax.



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 \$22,261,290 an increase of \$3,457,034 in comparison with the prior year. Approximately 31%, or \$6,857,609 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 \$5,600,156 and is contained within the unassigned fund balance of the general fund. The restricted funds are 62% or \$13,843,005 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 7% or \$1,560,676 of the fund balance is nonspendable; in this case all of the \$1,560,676 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 \$6,835,686 while total fund balance reached \$6,892,007. 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 65% of total general fund expenditures, while total fund balance represents 66% of that same amount.

The fund balance of the City General Fund decreased by \$14,398 during the current fiscal year:

In comparison with last year, the total actual expenditures increased by \$283,643. The increase is primarily due to capital outlay associated with Old City Hall renovations and Gulf Blvd repairs. Revenues increased by \$111,493 mainly due to an increase in non-property taxes, fees and services, and license and permits.

Non-property taxes for both the Hotel Motel and Convention Centre funds, increased by 1% or \$76,830 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$207,074 while the Convention Centre fund balance decreased \$1,270,348 due to a comprehensive Convention Centre exterior renovation. Costs associated with the renovation are reflected in the Construction in Progress Fund.

The Transportation fund didn't have significant variances in fund balance. A total of \$903,058 was spent in construction and engineering services for the future Transit Multimodal facility. Two new buses were purchased, at a cost of \$159,927 and added to our existing fleet.

A Tax Anticipation Note was issued to finance improvements to Gulf Blvd. This amount is reflected in the Gulf Blvd. Rebuild Fund.

The fund balance of the Beach Nourishment fund increased by 17% or \$414,602 due to reduction of expenditures associated with the beneficial uses of dredge material project.

General Fund budgetary highlights

The original budget of the General Fund was amended 22 times during fiscal year 2014-2015. A community center project was approved for \$144,362 to renovate Old City Hall to create a facility for public programs and events. A beautification initiative worth \$30,000 was approved to add post and rope fencing to vacant lots along Padre Blvd. Gulf Blvd. Phase III improvements as well as sidewalk improvements on Sunset were approved for \$428,000. This amount included \$150,000 from a Texas General Land Office (GLO) Grant.

General Fund budget variances

During the year, revenues were \$235,598 higher than budgeted. This change can be primarily attributed to an increase of \$123,515 in Building Permit activity and miscellaneous revenue received from a legal settlement in the amount of \$110,691.

Total expenditures were \$795,411 less than what was budgeted. All operating and capital outlay expenditures of the general fund departments were under budget. The Police Department was \$177,972 under budget due to lower than anticipated personnel expenses. The Fleet Management department had significant savings in fuel costs, due to lower gas prices, and on vehicle parts and repairs which contributed to being \$110,545 under budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2015 amounts to \$27,602,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, streets and construction in progress. Additional information on capital assets can be found in Note G. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation September 30

	Total Governmental Activities	Total Governmental Activities
	2015	2014
Land	\$ 1,497,793	\$ 1,497,793
Construction in progress	1,279,306	611,836
Buildings	17,574,140	15,246,285
Improvements	2,079,892	1,944,406
Furniture and equipment	1,923,727	2,480,371
Infrastructure	3,247,938	2,752,448
Total net position	<u>\$27,602,796</u>	<u>\$24,533,139</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,505,000. The table below reflects the outstanding debt at the fiscal year end. Additional information can be found in Note J. The City's outstanding bonds underlying rating is "AA+/Stable" by Standard and Poor's Rating Service and Aa2 Moody's rating.

Outstanding Debt September 30

	Total Governmental Activities	Total Governmental Activities
	2015	2014
General Obligation Bonds	\$6,600,000	\$7,020,000
Tax Anticipation Notes	2,905,000	-
	<u>\$9,505,000</u>	<u>\$7,020,000</u>

The City of South Padre Island's total bonded debt increased by \$2,485,000 during the current fiscal year. This change is the result of paying \$235,000 principal on the General Obligation 2005 series bonds, \$160,000 principal on the General Obligation 2011 series bonds, \$25,000 principal on the General Obligation Refunding 2012 series bond and the issuance of a Tax Anticipation Note 2015 of \$2,905,000.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2015-2016 fiscal year.

Certified property tax values for the City showed a decrease in market value by approximately \$2.8 million, or 0.12% from the preceding year. The City Council adopted a tax rate of \$0.285640 cents per hundred which is split between \$0.239110 per hundred for maintenance and operations and \$0.046530 per hundred for the debt service fund and the retirement of the general obligation bonds. The adopted tax rate includes an increase of \$0.022886 cents per hundred primarily due to the additional debt service needed to pay for Gulf Boulevard improvements.

Requests for Information

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

City of South Padre Island, Texas
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government Total Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 14,564,896	\$ 1,130,455
Investments	4,503,907	-
Receivables, net	1,409,837	95,956
Due from other governments	2,447,261	-
Prepaid expenses	1,560,676	321,442
Loans receivable	-	65,524
Capital assets, net		
Non-depreciable assets	2,777,099	657,236
Depreciable assets	24,825,697	5,899,862
TOTAL ASSETS	<u>52,089,373</u>	<u>8,170,475</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	913,956	7,473
Deferred amount on refunding	233,565	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,147,521</u>	<u>7,473</u>
LIABILITIES		
Accounts payable	1,578,401	-
Other liabilities	301,790	1,952
Unearned revenues	54,507	-
Non-current liabilities		
Net pension liability	1,197,469	9,791
Due within one year	1,544,914	230,000
Due in more than one year	10,212,144	3,955,000
TOTAL LIABILITIES	<u>14,889,225</u>	<u>4,196,743</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liabilities	142,474	1,165
NET POSITION		
Net investment in capital assets	16,920,738	2,372,098
Restricted		
Debt service	343,578	531,809
Capital projects	3,603,413	-
Beach nourishment	1,416,745	-
Transportation	320,366	-
Beach maintenance	2,050,584	-
Municipal court	72,385	-
Criminal justice	3,644	-
Parks and recreation	3,117	-
Hotel/motel taxes	5,986,315	-
Unrestricted	7,484,310	1,076,133
TOTAL NET POSITION	<u>\$ 38,205,195</u>	<u>\$ 3,980,040</u>

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

City of South Padre Island, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 3,549,479	\$ 453,066	\$ 5,228
Public safety	5,534,493	878,790	2,363
Public works	3,033,574	44,853	-
Transportation	1,639,747	-	2,152,669
Community service	47,101	-	-
Convention and visitors bureau	5,833,410	249,927	-
Bond issuance costs	103,079	-	-
Interest on long-term debt	279,703	-	-
Total governmental activities	20,020,586	1,626,636	2,160,260
Component unit:			
Economic development	355,359	-	-
Interest expense	187,295	-	-
Total component unit	\$ 542,654	\$ -	\$ -

General revenues:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales tax
Franchise taxes
Hotel motel taxes
Hotel motel beach maintenance taxes
Mixed beverage taxes
Unrestricted investment earnings
Gain on disposal of capital assets
Miscellaneous

Total general revenues, special items, and transfers

Change in net assets

Net position - beginning

Prior period adjustment

Net position - ending

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

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
Capital Grants and Contributions	Total Governmental Activities	Component Unit
\$ 319,276	\$ (2,771,909)	\$ -
-	(4,653,340)	-
-	(2,988,721)	-
343,030	855,952	-
-	(47,101)	-
-	(5,583,483)	-
-	(103,079)	-
-	(279,703)	-
662,306	(15,571,384)	-
-	-	(355,359)
-	-	(187,295)
\$ -	\$ -	\$ (542,654)

5,869,702	-
681,943	-
2,343,830	781,277
862,253	-
7,160,795	-
2,171,319	-
319,259	-
31,952	4,364
58	-
247,131	253
19,688,242	785,894
4,116,858	243,240
34,466,194	3,738,628
(377,857)	(1,828)
\$ 38,205,195	\$ 3,980,040

City of South Padre Island, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Hotel Motel Fund	Convention Centre Fund	Transportation Grant Fund	Gulf Boulevard Rebuild Fund
ASSETS					
Cash and cash equivalents	\$ 5,328,282	\$2,801,867	\$ 2,740,642	\$ -	\$ 199,559
Investments	1,752,174	-	-	-	2,751,733
Receivables (net of allowance for uncollectibles)					
Property taxes	210,748	-	-	-	-
Accounts	541,340	313,162	179,866	-	4,184
Due from other governments	-	-	-	1,382,537	-
Due from other funds	1,157,499	-	-	-	-
Prepaid items	56,321	34,771	27,846	3,419	-
TOTAL ASSETS	\$ 9,046,364	\$3,149,800	\$ 2,948,354	\$ 1,385,956	\$ 2,955,476
LIABILITIES					
Accounts payable	\$ 1,578,382	\$ -	\$ 19	\$ -	\$ -
Due to other funds	-	-	-	1,062,171	-
Other liabilities	237,224	-	-	-	-
Unearned revenues - other	5,304	-	49,203	-	-
Total liabilities	1,820,910	-	49,222	1,062,171	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	189,392	-	-	-	-
Unavailable revenue - other	144,055	-	-	-	-
Total deferred inflows of resources	333,447	-	-	-	-
FUND BALANCE					
Nonspendable	56,321	34,771	27,846	3,419	-
Restricted	-	3,115,029	2,871,286	320,366	2,955,476
Unassigned	6,835,686	-	-	-	-
Total fund balances	6,892,007	3,149,800	2,899,132	323,785	2,955,476
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 9,046,364	\$3,149,800	\$ 2,948,354	\$ 1,385,956	\$ 2,955,476

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

Construction In Progress Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,388,768	\$ 2,105,778	\$ 14,564,896
-	-	-	4,503,907
-	-	24,206	234,954
95,328	27,977	13,026	1,174,883
-	-	1,064,724	2,447,261
-	-	-	1,157,499
-	1,433,824	4,495	1,560,676
<u>\$ 95,328</u>	<u>\$ 2,850,569</u>	<u>\$ 3,212,229</u>	<u>\$ 25,644,076</u>
\$ -	\$ -	\$ -	\$ 1,578,401
95,328	-	-	1,157,499
-	-	-	237,224
-	-	-	54,507
95,328	-	-	3,027,631
-	-	21,708	211,100
-	-	-	144,055
-	-	21,708	355,155
-	1,433,824	4,495	1,560,676
-	1,416,745	3,164,103	13,843,005
-	-	21,923	6,857,609
-	2,850,569	3,190,521	22,261,290
<u>\$ 95,328</u>	<u>\$ 2,850,569</u>	<u>\$ 3,212,229</u>	<u>\$ 25,644,076</u>

(This page intentionally left blank)

City of South Padre Island, Texas
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
September 30, 2015

Fund balances of governmental funds	\$ 22,261,290
-------------------------------------	---------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,602,796
---	------------

Some liabilities, including bonds payable (\$9,505,000 and premiums of \$453,172), capital leases (\$957,451) are not due in the current period and therefore not reported in the funds.	(10,915,623)
--	--------------

Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	233,565
---	---------

Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(841,435)
---	-----------

Certain amounts receivable for property taxes (\$211,100) and other revenues (\$144,055) but which do not represent current financial resources are deferred in the funds.	355,155
--	---------

Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(64,566)
---	----------

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 (\$1,197,469), a deferred resource inflow in the amount of (\$142,474), and a deferred resource outflow in the amount of \$913,956. This resulted in a decrease in net position of \$425,987.	<u>(425,987)</u>
---	------------------

Net position of governmental activities	<u>\$ 38,205,195</u>
---	----------------------

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, 2015

	General Fund	Hotel Motel Fund	Convention Centre Fund	Transportation Fund	Gulf Boulevard Rebuild Fund
REVENUES					
Property taxes	\$ 5,920,039	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	3,525,342	4,494,515	2,666,280	-	-
Fees and services	720,754	7,710	242,217	-	-
Fines and forfeitures	429,905	-	-	-	-
Licenses and permits	257,990	-	-	-	-
Intergovernmental	7,591	-	-	2,445,699	-
Miscellaneous	191,404	75,096	5,578	50,000	1,733
Total revenues	11,053,025	4,577,321	2,914,075	2,495,699	1,733
EXPENDITURES					
Current					
General government	3,143,244	-	-	-	-
Public safety	4,842,260	-	-	-	-
Public works	1,806,525	-	-	-	-
Transportation	-	-	-	1,491,095	-
Community service	-	-	-	-	-
Convention and visitors bureau	-	3,875,087	1,100,763	-	-
Capital outlay	284,412	13,760	136,582	1,062,986	50,441
Debt service					
Principal retirement - bonds	-	-	-	-	-
Principal retirement - capital lease	312,013	-	5,249	7,580	-
Interest	48,736	-	522	753	-
Bond issue costs	-	-	-	-	103,079
Administrative charges	2,494	-	142	205	-
Total expenditures	10,439,684	3,888,847	1,243,258	2,562,619	153,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	613,341	688,474	1,670,817	(66,920)	(151,787)
Other financing sources (uses)					
Sale of capital assets	1,200	-	4,978	-	-
Issuance of debt	-	-	-	-	2,905,000
Premium on issuance of debt	-	-	-	-	202,263
Transfers in	96,521	-	-	86,630	-
Transfers out	(725,460)	-	(2,946,143)	-	-
Total other financing sources (uses)	(627,739)	-	(2,941,165)	86,630	3,107,263
Net change in fund balances	(14,398)	688,474	(1,270,348)	19,710	2,955,476
Fund balance - beginning	6,906,405	2,461,326	4,169,480	304,075	-
Fund balance - ending	\$ 6,892,007	\$ 3,149,800	\$ 2,899,132	\$ 323,785	\$ 2,955,476

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

Construction In Progress Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 686,247	\$ 6,606,286
-	447,550	1,723,769	12,857,456
-	-	-	970,681
-	-	17,761	447,666
-	-	-	257,990
-	-	319,275	2,772,565
-	2,922	2,355	329,088
-	450,472	2,749,407	24,241,732
-	-	41,348	3,184,592
-	-	200,166	5,042,426
-	-	554,352	2,360,877
-	-	-	1,491,095
-	35,870	14,940	50,810
-	-	-	4,975,850
2,946,143	-	1,196,447	5,690,771
-	-	420,000	420,000
-	-	5,701	330,543
-	-	225,730	275,741
-	-	-	103,079
-	-	1,404	4,245
2,946,143	35,870	2,660,088	23,930,029
(2,946,143)	414,602	89,319	311,703
-	-	31,890	38,068
-	-	-	2,905,000
-	-	-	202,263
2,946,143	-	945,872	4,075,166
-	-	(403,563)	(4,075,166)
2,946,143	-	574,199	3,145,331
-	414,602	663,518	3,457,034
-	2,435,967	2,527,003	18,804,256
\$ -	\$ 2,850,569	\$ 3,190,521	\$ 22,261,290

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, 2015

Net change in fund balances --total governmental funds	\$ 3,457,034
Amounts reported for <i>governmental activities</i> in the statement of activities	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of removing capital outlays (\$5,690,771) and including depreciation (\$2,583,104), in the current period is to increase net position.	3,107,667
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.	(38,010)
Governmental funds report the issuance of debt as an other financing source, but in governmental activities the issuance of debt is recorded as a long term liability. The effect of removing the bond proceeds of \$2,905,000 and bond premium of \$202,263 from the statement of activities change in net position is to decrease the overall change in net position.	(3,107,263)
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.	750,543
The increase in compensated absences payable of (\$24,250) 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 \$27,345 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.	(20,262)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/14 caused the change in the ending net position to increase in the amount of \$674,152. 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 (\$667,653). The City's reported TMRS net pension expense had to be recorded. The pension expense increased the change in net position by \$68,701. The result of these changes is to increase net position.	75,200
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 (\$104,346) and interest expense increased by (\$3,705) in 2015. Recognition of these amounts in the statement of activities results in a decrease in the change in net position.	(108,051)
Change in net position of governmental activities	<u>\$ 4,116,858</u>

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. *Government-Wide and Fund Financial Statements*

Government-wide Financial Statements

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

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

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

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

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

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

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

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

Transportation Grant Fund is used to account for the grant proceeds and expenditures that pertain to the Wave and Metro Connect bus programs and other grants received from Texas Department of Transportation.

Other major funds are:

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.

Capital Project Fund: Construction in Progress Fund is used to account for the expenditures associated with the construction of the rehabilitation and improvement of the Convention Centre.

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

4. *New Accounting Standards Adopted*

In June 2012, the GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions”. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 68 in this annual report. Pension information is disclosed in Note O and the impact on beginning net position recognized as a prior period adjustment is disclosed in Note S.

In January 2013, the GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations”. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City has implemented GASB No. 69 in this annual report, however, it does not have any current impact on the City.

In November 2013, the GASB issued Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 71 in this annual report. Pension information related to this Statement is disclosed in Note O.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

a. *Cash and Cash Equivalents*

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

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

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

c. *Inventories*

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

d. *Prepaid Items*

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2015 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.

e. *Capital Assets*

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

f. Compensated Absences

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

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

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts 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.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS – CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

h. 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.

i. Bond Discounts/Issue Costs

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

j. Comparative Data

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

k. 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.

l. Interfund Transfers

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

m. Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council Members. Committed amounts cannot be released without formal action from the council.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager, 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, 2015 is \$5,600,156. Since the City's unassigned fund balance exceeds this amount at September 30, 2015, 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.

n. Net Position

The City's net position is classified as follows:

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

a. *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.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Information*

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

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

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

During fiscal year 2015 various transfers of appropriations were made for the Governmental Funds. The original and final amended budget are presented in the Required Supplementary Information for the General Fund and major Special Revenue Funds (Hotel/Motel, Convention Centre, Transportation, Gulf Boulevard Rebuild, Construction in Progress and Beach Nourishment), that have adopted a budget.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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.

2. Expenditures over Appropriations

None noted.

NOTE C - DEPOSITS AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. During the year ended September 30, 2015 the City's cash deposits were covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

Investments

Investments at fair value, including accrued interest, as of September 30, 2015 are as follows:

	<u>Investment Maturities (in years)</u>		<u>Greater than 1 year</u>
	<u>Fair Value</u>	<u>1 or less</u>	
Primary Government			
Cash and cash equivalents	\$14,443,392	\$14,443,392	\$ -
TexPool	7,421	7,421	-
Texas Term	<u>114,083</u>	<u>114,083</u>	-
	14,564,896	14,564,896	-
Investments			
Certificates of deposit	<u>4,503,907</u>	<u>3,502,660</u>	<u>1,001,247</u>
	<u>\$19,068,803</u>	<u>\$18,067,556</u>	<u>\$1,001,247</u>
Component Unit			
Cash and cash equivalents	\$ 1,108,197	\$ 1,108,197	\$ -
Tex Pool	<u>22,258</u>	<u>22,258</u>	-
	<u>\$ 1,130,455</u>	<u>\$ 1,130,455</u>	<u>\$ -</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE C - DEPOSITS AND INVESTMENTS – Continued

A reconciliation of cash and investments follows:

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>	<u>Total</u>
Cash	\$14,443,392	\$1,108,197	\$15,551,589
Cash equivalents			
Texas Term	114,083	22,258	136,341
TexPool	<u>7,421</u>	<u>-</u>	<u>7,421</u>
	121,504	22,258	143,762
Investments			
Certificates of deposit	<u>4,503,907</u>	<u>-</u>	<u>4,503,907</u>
	<u>\$19,068,803</u>	<u>\$1,130,455</u>	<u>\$20,199,258</u>

Interest Rate Risk

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

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

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

<u>Description</u>	<u>Rate</u>	<u>Amount</u>	<u>Maturity</u>
Certificate of deposit	0.57%	\$ 504,525	February 10, 2016
Certificate of deposit	1.00%	246,403	March 4, 2016
Certificate of deposit	0.46%	2,751,733	February 12, 2016
Certificate of deposit	0.91%	<u>1,001,246</u>	February 1, 2017
		<u>\$4,503,907</u>	

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

Credit Risk

As of September 30, 2015 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.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Public Funds Investment Pools

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

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

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

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

NOTE D - PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2014 upon which the 2014 levy was based, was \$2,516,386,826. State statutes require that all assessments be made on one hundred percent (100%) of fair market value.

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE D - PROPERTY TAXES - Continued

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

The City is permitted by the Municipal Finance Law of Texas to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental service and the payment of principal and interest on long-term debt for the year ended September 30, 2015 was \$.262754 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, 2015 were 98.24 percent of the tax levy.

NOTE E - RECEIVABLES

Receivables at September 30, 2015, consist of the following:

	Primary Government							Total Governmental Funds	Component Unit
	General Fund	Hotel/Motel Fund	Convention Centre Fund	Gulf Blvd. Rebuild Fund	Construction in Progress Fund	Beach Nourishment Fund	Other Governmental Funds		
Receivables									
Taxes	\$221,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,480	\$ 247,320	\$ -
Accounts	541,340	313,162	179,866	4,184	95,328	27,977	13,026	1,174,883	95,956
Gross receivables	763,180	313,162	179,866	4,184	95,328	27,977	38,506	1,422,203	95,956
Less allowance for uncollectibles	(11,092)	-	-	-	-	-	(1,274)	(12,366)	-
Total receivables, net	\$752,088	\$313,162	\$179,866	\$4,184	\$95,328	\$27,977	\$37,232	\$1,409,837	\$95,956

NOTE F - DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2015 consist of the following:

	Primary Government		Total
	Transportation Fund	Other Governmental Funds	
Texas State Comptroller – occupancy taxes	\$ -	\$1,064,724	\$1,064,724
State of Texas – Department of Transportation	1,382,537	-	1,382,537
Net total receivables	\$1,382,537	\$1,064,724	\$2,447,261

As of September 30, 2015 the component unit had a loan receivable of \$65,524. 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 - CONTINUED
September 30, 2015

NOTE G - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 is as follows:

Governmental Activities

	Beginning Balance October 1, 2014	Additions	Transfers	Retirements	Ending Balance September 30, 2015
Capital assets, not being depreciated:					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Construction in progress	<u>611,836</u>	<u>3,917,511</u>	<u>(3,250,041)</u>	<u>-</u>	<u>1,279,306</u>
	2,109,629	3,917,511	(3,250,041)	-	2,777,099
Capital assets, being depreciated:					
Buildings	29,385,203	317,744	3,234,816	(238,450)	32,699,313
Improvements	4,549,318	348,105	15,225	(1,893)	4,910,755
Furniture and equipment	7,606,055	277,212	-	(403,995)	7,479,272
Infrastructure	<u>8,504,231</u>	<u>830,199</u>	<u>-</u>	<u>-</u>	<u>9,334,430</u>
	50,044,807	1,773,260	3,250,041	(644,338)	54,423,770
Less accumulated depreciation for:					
Buildings	(14,138,918)	(1,198,447)	-	212,192	(15,125,173)
Improvements	(2,604,912)	(227,844)	-	1,893	(2,830,863)
Furniture and equipment	(5,125,684)	(822,104)	-	392,243	(5,555,545)
Infrastructure	<u>(5,751,783)</u>	<u>(334,709)</u>	<u>-</u>	<u>-</u>	<u>(6,086,492)</u>
Total accumulated depreciation	<u>(27,621,297)</u>	<u>(2,583,104)</u>	<u>-</u>	<u>606,328</u>	<u>(29,598,073)</u>
Total capital assets, being depreciated, net	<u>22,423,510</u>	<u>(809,844)</u>	<u>3,250,041</u>	<u>(38,010)</u>	<u>24,825,697</u>
Governmental activities, capital assets, net	<u>\$24,533,139</u>	<u>\$3,107,667</u>	<u>\$-</u>	<u>\$ (38,010)</u>	<u>\$27,602,796</u>

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

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

Depreciation was charged to government functions as follows:

General government	\$ 352,847
Public safety	527,514
Public works	684,141
Community service	5,600
Convention and visitors bureau	857,560
Transportation	<u>155,442</u>
Total depreciation - governmental activities	<u>\$2,583,104</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE G - CAPITAL ASSETS - Continued

Component Unit:

Activity for Economic Development Corporation is as follows:

	Beginning Balance October 1, 2014	Additions	Transfers	Retirements	Ending Balance September 30, 2015
Capital assets, not being depreciated					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
Construction in progress	-	-	-	-	-
	<u>657,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,236</u>
Capital assets, being depreciated					
Buildings	6,569,015	-	-	-	6,569,015
Improvements	375,000	-	-	-	375,000
Furniture and equipment	21,604	-	-	-	21,604
	<u>6,965,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,965,619</u>
Less accumulated depreciation					
Buildings	(862,186)	(136,147)	-	-	(998,333)
Improvements	(20,335)	(25,485)	-	-	(45,820)
Furniture and equipment	(21,604)	-	-	-	(21,604)
Total accumulated depreciation	<u>(904,125)</u>	<u>(161,632)</u>	<u>-</u>	<u>-</u>	<u>(1,065,757)</u>
Total capital assets being depreciated, net	<u>6,061,494</u>	<u>(161,632)</u>	<u>-</u>	<u>-</u>	<u>5,899,862</u>
Governmental activities, capital assets, net	<u>\$6,718,730</u>	<u>\$ (161,632)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,557,098</u>

NOTE H - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

	<u>Unavailable</u>
Governmental funds	
Delinquent property taxes receivable	\$211,100
Grants and other	<u>144,055</u>
Total deferred/inflows of resources for governmental funds	<u>\$355,155</u>

In governmental activities, deferred outflows of resources consist of \$233,565 of deferred charges on refundings of long-term debt and \$913,956 of deferred charges related to pension liabilities. Deferred inflows related to pensions are \$142,474 at September 30, 2015.

NOTE I - UNEARNED REVENUE

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

For the year ended September 30, 2015, \$54,507 of unearned revenues are reported in the government funds and in the statement of net position for amounts received for in advance of the City performing the related services.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE J - 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:

1. Bonds

	Beginning Balance 10-1-14	Additions	Reductions	Ending Balance 9-30-15	Due In One Year
<i>General Government:</i>					
2005 Series, General Obligation Bonds	\$ 235,000	\$ -	\$(235,000)	\$ -	\$ -
2011 Series, General Obligation Bonds	3,645,000	-	(160,000)	3,485,000	165,000
2012 Series, General Obligation Refunding Bonds	3,140,000	-	(25,000)	3,115,000	270,000
Series 2015 Tax Anticipation Notes	-	2,905,000	-	2,905,000	350,000
Total bonds	<u>\$7,020,000</u>	<u>\$2,905,000</u>	<u>\$(420,000)</u>	<u>\$9,505,000</u>	<u>\$785,000</u>

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

Year Ending September 30,	General Obligation Bonds		Tax Anticipation Notes		Total		Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 435,000	\$ 210,700	\$ 350,000	\$ 95,545	\$ 785,000	\$ 306,245	\$ 1,091,245
2017	450,000	197,425	395,000	79,825	845,000	277,250	1,122,250
2018	460,000	183,775	405,000	67,825	865,000	251,600	1,116,600
2019	480,000	168,775	415,000	55,525	895,000	224,300	1,119,300
2020	500,000	152,225	430,000	42,850	930,000	195,075	1,125,075
2021-2025	2,715,000	512,688	910,000	36,800	3,625,000	549,488	4,174,488
2026-2030	1,275,000	188,500	-	-	1,275,000	188,500	1,463,500
2031-2034	285,000	5,700	-	-	285,000	5,700	290,700
	<u>\$6,600,000</u>	<u>\$1,619,788</u>	<u>\$2,905,000</u>	<u>\$378,370</u>	<u>\$9,505,000</u>	<u>\$1,998,158</u>	<u>\$11,503,158</u>

Component Unit

1. Revenue Bond

	Beginning Balance October 1, 2014	Additions	Reductions	Ending Balance September 30, 2015	Amount Due In One Year
2007 Series, Sales Tax Bond	<u>\$4,395,000</u>	<u>\$ -</u>	<u>\$(210,000)</u>	<u>\$4,185,000</u>	<u>\$230,000</u>
Total Revenue Bond	<u>\$4,395,000</u>	<u>\$ -</u>	<u>\$(210,000)</u>	<u>\$4,185,000</u>	<u>\$230,000</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE J - LONG-TERM DEBT - Continued

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 230,000	\$ 177,859	\$ 407,859
2017	250,000	167,371	417,371
2018	265,000	156,118	421,118
2019	280,000	144,210	424,210
2020	290,000	131,756	421,756
2021-2025	1,670,000	451,421	2,121,421
2026-2030	<u>1,200,000</u>	<u>80,408</u>	<u>1,280,408</u>
	<u>\$4,185,000</u>	<u>\$1,309,143</u>	<u>\$5,494,143</u>

Primary Government

On April 20, 2005, the City issued 2005 Series General Obligation Bonds in order to construct and equip a new City Hall Complex, 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.

Advance Refunding

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE J - LONG-TERM DEBT – Continued

Advance Refunding - Continued

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, 2015, the defeased portion of the 2005 Series General Obligation bonds had a balance of \$2,985,000.

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

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. Lease payments are due annually beginning October 18, 2010.

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

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

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE J - LONG-TERM DEBT – Continued

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the next minimum lease payments as of September 30, 2015:

Year ending September 30,	Fire Ladder Truck	Ambulance	Ambulance	Police Radio Equipment	Vehicles Merchant	Total
2016	\$106,439	\$ 25,700	\$ 29,987	\$ 63,062	\$ 77,130	\$ 302,318
2017	349,228	-	29,987	63,062	55,326	254,814
2018	-	-	20,132	63,062	36,346	362,328
2019	-	-	-	63,062	-	63,062
2020	-	-	-	63,062	-	63,062
Total minimum lease payments	455,666	25,700	80,106	315,310	168,802	1,045,584
Less the amount representing interest	(37,174)	(839)	(7,772)	(28,718)	(13,630)	(88,133)
Present value of net minimum lease payments	\$418,492	\$ 24,861	\$ 72,334	\$286,592	\$155,172	\$ 957,451

Changes in Long-term Liabilities for Governmental Activities

During the year ended September 30, 2015, the following changes occurred in liabilities reported as non-current liabilities.

	October 1, 2014	Additions	Reductions	September 30, 2015	Amount Due Within One Year
Compensated absences*	\$ 817,185	\$ 626,725	\$ (602,475)	\$ 841,435	\$ 448,373
Bonds payable	7,020,000	2,905,000	(420,000)	9,505,000	785,000
Premium on bond issuances	278,254	202,263	(27,345)	453,172	51,424
Capital leases	1,287,994	-	(330,543)	957,451	260,117
Net pension obligation	136,295	-	(136,295)	-	-
General long-term debt	9,539,728	3,733,988	(1,516,658)	11,757,058	1,544,914
Net pension liability	1,168,840	28,629	-	1,197,469	-
Total long-term debt	\$10,708,568	\$3,762,617	\$(1,516,658)	\$12,954,527	\$1,544,914

Compensated absences are generally liquidated by the General Fund.

Component Unit

During July 2007, the Economic Development Corporation ("EDC") issued Sales Tax Revenue Bond Series 2007 for the purpose of paying the costs of the acquisition and construction of land, buildings, equipment, facilities and improvements relating to a birding and nature center as a public facility, funding a debt service reserve fund and paying the costs of issuance. The bonds are collateralized 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 - CONTINUED
September 30, 2015

NOTE J- LONG-TERM DEBT – Continued

Changes in Long-term Liabilities for Component Units

	October 1, 2014	Additions	Reductions	September 30, 2015	Amount Due Within One Year
2007 Series, Sales Tax Bond	\$4,395,000	\$ -	\$(210,000)	\$4,185,000	\$230,000
Net pension obligation	2,270	-	(2,270)	-	-
General long-term debt	4,397,270	-	(212,270)	4,185,000	230,000
Net pension liability	9,557	234	-	9,791	-
Total long-term debt	<u>\$4,406,827</u>	<u>\$ 234</u>	<u>\$(212,270)</u>	<u>\$4,194,791</u>	<u>\$230,000</u>

NOTE K - INTERFUND ASSETS/LIABILITIES

Due to/from other funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>
	<u>General</u>
Transportation Grant	\$1,062,171
Construction in progress fund	95,328
	<u>\$1,157,499</u>

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

NOTE L – TRANSFERS

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

<u>Transfer Out Funds</u>	<u>General</u>	<u>Parks and Beautification Fund</u>	<u>Transportation Grant</u>	<u>Street Improvement</u>	<u>Bay Access</u>	<u>Beach Access</u>	<u>Construction in Progress Fund</u>	<u>Total</u>
General	\$ -	\$ 15,000	\$ 86,630	\$600,250	\$ 23,580	\$ -	\$ -	\$ 725,460
Convention Center Fund	-	-	-	-	-	-	2,946,143	2,946,143
Beach maintenance	<u>96,521</u>	-	-	-	-	<u>307,042</u>	-	<u>403,563</u>
Total transfers	<u>\$ 96,521</u>	<u>\$ 15,000</u>	<u>\$ 86,630</u>	<u>\$600,250</u>	<u>\$ 23,580</u>	<u>\$307,042</u>	<u>\$2,946,143</u>	<u>\$4,075,166</u>

Transfer between funds within the Component Units

<u>Transfer Out Funds</u>	<u>Transfer in Funds</u>
	<u>EDC</u>
Economic Development Corporation General Fund	<u>Debt Service Fund</u>
	<u>\$412,895</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE M - COMMITMENTS AND CONTINGENT LIABILITIES

1. *Litigation*

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

2. *Grant Programs*

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

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

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$392,000,000 (as of September 30, 2015, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on the type of insurance coverage. The City must promptly pay contributions to the risk pool as outlined by the coverage contracts, comply with underwriting standards and implement loss control recommendations deemed necessary by a risk pool representative due to an eminent high risk of loss situation. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE O - DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE O – DEFINED BENEFIT PENSION PLANS – Continued

A. Plan Description

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

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

B. Benefits Provided

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

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

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	67
Active employees	<u>157</u>
	252

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 any unfunded accrued liability.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE O – DEFINED BENEFIT PENSION PLANS – Continued

C. Contributions - Continued

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 12.47% and 12.64% in calendar year 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$926,892, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009 first used in the December 31, 2010 valuation. 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.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE O – DEFINED BENEFIT PENSION PLANS – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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 Pension was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE O – DEFINED BENEFIT PENSION PLANS – Continued

Net Pension Liability

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Pension	(a) – (b) Net Pension Liability
Balance at December 31, 2013	\$24,822,353	\$23,643,956	\$1,178,397
Changes for the year			
Service cost	1,221,450	-	1,221,450
Interest	1,754,638	-	1,754,638
Change in benefit terms	-	-	-
Difference between expected/actual experience	(172,667)	-	(172,667)
Changes of assumptions	-	-	-
Contributions – employer	-	920,340	(920,340)
Contributions – employee	-	516,630	(516,630)
Net investment income	-	1,352,871	(1,352,871)
Benefit payments, including refunds of employee contributions	(733,635)	(733,635)	-
Administrative expenses	-	(14,122)	14,122
Other charges	-	(1,161)	1,161
Net changes	<u>2,069,786</u>	<u>2,040,923</u>	<u>28,863</u>
Balance at December 31, 2014	<u>\$26,892,139</u>	<u>\$25,684,879</u>	<u>\$1,207,260</u>

Net pension liability amounts are allocated between the primary government and component unit on the statement of net position. The City's portion of the liability is \$1,197,469 and the EDC's is \$9,791.

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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	<u>\$5,745,779</u>	<u>\$1,207,260</u>	<u>\$(2,449,432)</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE O – 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, 2015 the City and the EDC recognized combined pension expense in the amount of \$851,077. At September 30, 2015 the City and the EDC reported combined deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$143,639
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings (net of current year amortization)	241,765	-
Contributions subsequent to the measurement date	<u>679,664</u>	<u>-</u>
Total	<u>\$921,429</u>	<u>\$143,639</u>

\$679,664 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2015	\$31,413
2016	31,413
2017	31,413
2018	31,413
2019	(27,527)
Thereafter	-

NOTE P - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits

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

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE P - OTHER POST EMPLOYMENT BENEFITS – Continued

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2014 and 2015 were \$1,382, \$1,395 and \$1,448, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.02%	0.02%	100.0%
2014	0.02%	0.02%	100.0%
2015	0.02%	0.02%	100.0%

NOTE Q – GASB STATEMENT NO. 54 FUND BALANCE REPORTING

Nonspendable – These funds were used for prepaid items.

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

Unassigned – The unassigned fund balance has no constraints.

	General Fund	Hotel/Motel Fund	Convention Centre Fund	Transportation Grant Fund	Gulf Blvd. Rebuild Fund	Beach Nourishment Fund	Other Governmental Funds	Total Governmental Funds
Fund balance (deficit)								
Non-spendable								
Prepaid	\$ 56,321	\$ 34,771	\$ 27,846	\$ 3,419	\$ -	\$1,433,824	\$ 4,495	\$ 1,560,676
Restricted								
Debt service	-	-	-	-	-	-	386,436	386,436
Capital projects	-	-	-	-	2,955,476	-	647,937	3,603,413
Beach nourishment	-	-	-	-	-	1,416,745	-	1,416,745
Transportation	-	-	-	320,366	-	-	-	320,366
Beach maintenance	-	-	-	-	-	-	2,050,584	2,050,584
Municipal court	-	-	-	-	-	-	72,385	72,385
Criminal justice	-	-	-	-	-	-	3,644	3,644
Parks and recreation	-	-	-	-	-	-	3,117	3,117
Hotel/motel tax	-	3,115,029	2,871,286	-	-	-	-	5,986,315
Unassigned	6,835,686	-	-	-	-	-	21,923	6,857,609
	<u>\$6,892,007</u>	<u>\$3,149,800</u>	<u>\$2,899,132</u>	<u>\$323,785</u>	<u>\$2,955,476</u>	<u>\$2,850,569</u>	<u>\$3,190,521</u>	<u>\$22,261,290</u>

City of South Padre Island, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE R – NET POSITION

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

	<u>Governmental Activities</u>	<u>Component Units</u>
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$27,602,796	\$6,557,098
Deferred outflows of resources – deferred amount on refunding	233,565	-
Less related liabilities (bonds, net of premium, and capital leases)	<u>(10,915,623)</u>	<u>(4,185,000)</u>
Net investment in capital assets – total	16,920,738	2,372,098
Restricted net position consist of the following:		
Restricted for debt service	343,578	531,809
Restricted for capital projects	3,603,413	-
Restricted for beach nourishment	1,416,745	-
Transportation	320,366	-
Restricted for beach maintenance	2,050,584	-
Restricted for municipal court	72,385	-
Restricted for criminal justice	3,644	-
Restricted for parks and recreation	3,117	-
Restricted for hotel/motel taxes	<u>5,986,315</u>	<u>-</u>
Restricted net position – total	13,800,147	531,809
Unrestricted net position	<u>7,484,310</u>	<u>1,076,133</u>
Total net position	<u>\$38,205,195</u>	<u>\$3,980,040</u>

NOTE S – PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the City must assume the Net Pension Liability of the City's defined benefit retirement plan through the Texas Municipal Retirement System (TMRS). Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior adjustment is \$(364,892) and \$(1,828) in the City and EDC, respectively.

Correction of an Error

During 2015, an error in the valuation of capital lease amounting to \$12,965 was discovered. This difference is recorded as a decrease in the beginning net position and an increase in beginning balance of outstanding capital leases.

The combined effect of the above adjustments is \$(377,857) and \$(1,828) in the City and EDC, 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, 2015

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes - including penalty and interest	\$ 6,003,858	\$ 6,003,858	\$ 5,920,039	\$ (83,819)
Nonproperty taxes	3,455,318	3,455,318	3,525,342	70,024
Fees and services	707,478	707,478	720,754	13,276
Fines and forfeitures	410,000	410,000	429,905	19,905
Licenses and permits	134,475	134,475	257,990	123,515
Intergovernmental	23,000	25,585	7,591	(17,994)
Miscellaneous and program revenues	53,000	80,713	191,404	110,691
Total revenues	10,787,129	10,817,427	11,053,025	235,598
EXPENDITURES				
Current				
General government				
City council	20,000	20,000	11,406	8,594
City administration	675,862	679,648	649,802	29,846
Finance	337,913	337,913	332,608	5,305
Planning	166,445	166,445	162,177	4,268
Information services	462,158	468,865	430,025	38,840
Environmental health services	408,005	413,505	401,425	12,080
General services	855,541	851,755	793,800	57,955
Special projects	232,940	500,079	362,001	138,078
Total general government	3,158,864	3,438,210	3,143,244	294,966
Public safety				
Municipal court	190,318	190,318	185,795	4,523
Police	2,751,092	2,751,092	2,573,120	177,972
Fire	2,149,875	2,152,460	2,073,259	79,201
Emergency management	14,380	14,380	10,086	4,294
Total public safety	5,105,665	5,108,250	4,842,260	265,990
Public works				
Building maintenance	192,262	201,918	190,169	11,749
Inspections	189,942	189,942	189,741	201
Fleet Management	494,829	493,400	382,855	110,545
Public works	1,091,211	1,141,422	1,043,760	97,662
Total public works	1,968,244	2,026,682	1,806,525	220,157
Capital outlay	24,000	329,241	284,412	44,829
Debt service				
Principal retirement - capital lease	303,225	312,013	312,013	-
Interest and fees	50,022	51,230	51,230	-
Total debt service	353,247	363,243	363,243	-
Total expenditures	10,610,020	11,265,626	10,439,684	825,942
EXCESS OF REVENUES OVER EXPENDITURES	177,109	(448,199)	613,341	1,061,540

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, 2015

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Sale of fixed asset	-	\$ -	\$ 1,200	\$ 1,200
Transfers in	230,000	230,000	96,521	(133,479)
Transfers out	(344,264)	(803,514)	(725,460)	78,054
Total other financing sources (uses)	(114,264)	(573,514)	(627,739)	(54,225)
NET CHANGE IN FUND BALANCE	\$ 62,845	\$ (1,021,713)	(14,398)	\$ 1,007,315
Fund balance -- beginning			6,906,405	
Fund balance -- ending			\$ 6,892,007	

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, 2015

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 4,220,111	\$ 4,220,111	\$ 4,494,515	\$ 274,404
Fees and services	7,000	7,000	7,710	710
Miscellaneous and program revenues	<u>50,700</u>	<u>50,700</u>	<u>75,096</u>	<u>24,396</u>
Total revenues	4,277,811	4,277,811	4,577,321	299,510
EXPENDITURES				
Current				
Convention and visitors bureau				
Visitors bureau	225,906	225,906	196,645	29,261
Sales and marketing	1,029,285	1,094,785	1,004,337	90,448
Events marketing	522,620	522,620	470,176	52,444
Marketing	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,203,929</u>	<u>296,071</u>
Total community service	4,277,811	4,343,311	3,875,087	468,224
Capital outlay	<u>-</u>	<u>16,000</u>	<u>13,760</u>	<u>2,240</u>
Total expenditures	<u>4,277,811</u>	<u>4,359,311</u>	<u>3,888,847</u>	<u>470,464</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(81,500)	688,474	769,974
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (81,500)</u>	688,474	<u>\$ 769,974</u>
Fund balance – beginning			<u>2,461,326</u>	
Fund balance – ending			<u>\$ 3,149,800</u>	

City of South Padre Island, Texas
CONVENTION CENTRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	2,503,496	2,503,496	\$ 2,666,280	\$ 162,784
Convention centre revenue	202,500	202,500	242,217	39,717
Miscellaneous and program revenues	2,500	2,500	5,578	3,078
Total revenues	2,708,496	2,708,496	2,914,075	205,579
EXPENDITURES				
Current				
Convention and visitors bureau				
Convention centre	1,406,482	1,296,631	1,100,763	195,868
Total community service	1,406,482	1,296,631	1,100,763	195,868
Debt service				
Principal retirement - capital lease	5,249	5,249	5,249	-
Interest and fees	664	664	664	-
Capital outlay	43,000	152,852	136,582	16,270
Total expenditures	1,455,395	1,455,396	1,243,258	212,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,253,101	1,253,100	1,670,817	417,717
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	4,978	4,978
Transfers out	-	(4,869,506)	(2,946,143)	1,923,363
Total other financing sources (uses)	-	(4,869,506)	(2,941,165)	1,928,341
NET CHANGE IN FUND BALANCE	\$ 1,253,101	\$ (3,616,406)	(1,270,348)	\$ 2,341,080
Fund balance -- beginning			4,169,480	
Fund balance -- ending			<u>\$ 2,899,132</u>	

City of South Padre Island, Texas
TRANSPORTATION GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,284,159	\$ 3,443,515	\$ 2,445,699	\$ (997,816)
Miscellaneous and program revenues	50,000	50,000	50,000	-
Total revenues	3,334,159	3,493,515	2,495,699	(997,816)
EXPENDITURES				
Current				
Transportation				
Transportation	1,689,544	1,732,010	1,491,095	240,915
Total transportation	1,689,544	1,732,010	1,491,095	240,915
Capital outlay	1,800,000	2,046,891	1,062,986	983,905
Debt service				
Principal retirement - capital lease	7,580	7,580	7,580	-
Interest and fees	958	958	958	-
Total debt service	8,538	8,538	8,538	-
Total expenditures	3,498,082	3,787,439	2,562,619	1,224,820
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(163,923)	(293,924)	(66,920)	(2,222,636)
OTHER FINANCING SOURCES (USES)				
Transfers in	164,684	164,684	86,630	(78,054)
Total other financing sources (uses)	164,684	164,684	86,630	(78,054)
NET CHANGE IN FUND BALANCE	\$ 761	\$ (129,240)	19,710	\$ (2,300,690)
Fund balance -- beginning			304,075	
Fund balance -- ending			\$ 323,785	

City of South Padre Island, Texas
GULF BOULEVARD REBUILD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 1,733	\$ 1,733
Total revenues	-	-	1,733	1,733
EXPENDITURES				
Capital outlay	-	-	50,441	(50,441)
Debt Service				
Bond issue costs	-	-	103,079	
Total expenditures	-	-	153,520	(50,441)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(151,787)	(48,708)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	2,905,000	2,905,000
Premium on issuance of debt	-	-	202,263	202,263
Total other financing sources (uses)	-	-	3,107,263	3,107,263
NET CHANGE IN FUND BALANCE	-	-	2,955,476	3,058,555
Fund balance -- beginning			-	
Fund balance -- ending			<u>\$ 2,955,476</u>	

City of South Padre Island, Texas
CONSTRUCTION IN PROGRESS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	-	4,869,506	2,946,143	1,923,363
Total expenditures	-	4,869,506	2,946,143	1,923,363
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(4,869,506)	(2,946,143)	1,923,363
 OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,869,506	2,946,143	(1,923,363)
Total other financing sources (uses)	-	4,869,506	2,946,143	(1,923,363)
 NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
 Fund balance – beginning			-	
 Fund balance – ending			\$ -	

City of South Padre Island, Texas
BEACH NOURISHMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 415,635	\$ 415,635	\$ 447,550	\$ 31,915
Miscellaneous and program revenues	-	-	2,922	2,922
Total revenues	415,635	415,635	450,472	34,837
EXPENDITURES				
Current				
Community service	720,000	720,000	35,870	684,130
Total expenditures	720,000	720,000	35,870	684,130
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(304,365)</u>	<u>(304,365)</u>	<u>414,602</u>	<u>718,967</u>
NET CHANGE IN FUND BALANCE	<u>\$ (304,365)</u>	<u>\$ (304,365)</u>	414,602	<u>\$ 718,967</u>
Fund balance -- beginning			<u>2,435,967</u>	
Fund balance -- ending			<u>\$ 2,850,569</u>	

(This page intentionally left blank)

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 Year Ended September 30, 2015

Total Pension Liability	
Service cost	\$ 1,221,450
Interest (on the total pension liability)	1,754,638
Changes of benefit terms	-
Difference between expected and actual experience	(172,667)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(733,635)</u>
Net change in total pension liability	2,069,786
Total pension liability – beginning	<u>24,822,353</u>
Total pension liability – ending (a)	<u>\$26,892,139</u>
Plan Fiduciary Net Position	
Contributions – employer	\$ 920,340
Contributions – employee	516,630
Net investment income	1,352,871
Benefit payments, including refunds of employee contributions	(733,635)
Administrative expense	(14,122)
Other	<u>(1,161)</u>
Net change in plan fiduciary net position	2,040,923
Plan fiduciary net position – beginning	<u>23,643,956</u>
Plan fiduciary net position – ending (b)	<u>\$25,684,879</u>
Net pension liability – ending (a) – (b)	<u>\$ 1,207,260</u>
Plan fiduciary net position as a percentage of total pension liability	95.51%
Covered employee payroll	\$7,380,428
Net pension liability as a percentage of covered employee payroll	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 Year Ended September 30, 2015

Actuarially determined contribution	\$ 926,892
Contributions in relation to actuarially determined contribution	<u>(926,892)</u>
Contribution deficiency (excess)	\$ _____:
Covered employee payroll	\$7,359,671
Contributions as a percentage of covered employee payroll	12.59%

City of South Padre Island, Texas
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR AGENT MULTIPLE EMPLOYER PENSION PLAN –
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

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	29 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience – based table based on rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
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
Year Ended September 30, 2015

Stewardship, compliance, and accountability

1. Budgetary information

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

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

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

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

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

2. Expenditures over Appropriations

None noted.

NON-MAJOR GOVERNMENTAL FUND STATEMENTS AND SCHEDULES

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

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

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

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

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: **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: **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, 2015

	Special Revenue Funds					
	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Parks and Recreation Fund	Beach Maintenance Fund	Street Improvement Fund
ASSETS						
Cash and cash equivalents	\$ 15,416	\$ 56,969	\$ 3,644	\$ 3,117	\$ 985,860	\$ 502,170
Receivables (net of allowance)						
Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Due from other governments	-	-	-	-	1,064,724	-
Prepaid items	-	-	-	-	4,495	-
TOTAL ASSETS	<u>\$ 15,416</u>	<u>\$ 56,969</u>	<u>\$ 3,644</u>	<u>\$ 3,117</u>	<u>\$ 2,055,079</u>	<u>\$ 502,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
TOTAL LIABILITIES	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCE						
Nonspendable	-	-	-	-	4,495	-
Restricted	15,416	56,969	3,644	3,117	2,050,584	502,170
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCE	<u>15,416</u>	<u>56,969</u>	<u>3,644</u>	<u>3,117</u>	<u>2,055,079</u>	<u>502,170</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 15,416</u>	<u>\$ 56,969</u>	<u>\$ 3,644</u>	<u>\$ 3,117</u>	<u>\$ 2,055,079</u>	<u>\$ 502,170</u>

Capital Projects Funds			Total	Debt Service	Total Non Major Governmental Funds
Capital Replacement Fund	Beach Access Fund	Bay Access Fund			
\$ 20,038	\$ 113,877	\$ 21,923	\$ 1,723,014	\$ 382,764	\$2,105,778
-	-	-	-	24,206	24,206
11,852	-	-	11,852	1,174	13,026
-	-	-	1,064,724	-	1,064,724
-	-	-	4,495	-	4,495
<u>\$ 31,890</u>	<u>\$ 113,877</u>	<u>\$ 21,923</u>	<u>\$ 2,804,085</u>	<u>\$ 408,144</u>	<u>\$3,212,229</u>
-	-	-	-	-	-
-	-	-	-	21,708	21,708
-	-	-	-	21,708	21,708
-	-	-	4,495	-	4,495
31,890	113,877	-	2,777,667	386,436	3,164,103
-	-	21,923	21,923	-	21,923
<u>31,890</u>	<u>113,877</u>	<u>21,923</u>	<u>2,804,085</u>	<u>386,436</u>	<u>3,190,521</u>
<u>\$ 31,890</u>	<u>\$ 113,877</u>	<u>\$ 21,923</u>	<u>\$ 2,804,085</u>	<u>\$ 408,144</u>	<u>\$3,212,229</u>

City of South Padre Island, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended September 30, 2015

	Special Revenue Funds					
	Municipal Court Technology Fund	Municipal Court Security Fund	Criminal Justice Grant	Parks and Recreation Fund	Beach Maintenance Fund	Street Improvement Fund
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	1,723,769	-
Fines and forfeitures	10,149	7,612	-	-	-	-
Intergovernmental	-	-	-	-	196,447	122,828
Miscellaneous	-	-	-	1,220	1,135	-
Total revenues	10,149	7,612	-	1,220	1,921,351	122,828
Expenditures						
Current						
General government	-	-	-	-	41,348	-
Public safety	6,944	1,500	-	-	191,722	-
Public works	-	-	-	-	539,772	-
Community service	-	-	-	14,940	-	-
Capital outlay	-	-	-	-	92,135	762,497
Debt service						
Principal - bonds	-	-	-	-	-	-
Principal - capital lease	-	-	-	-	5,701	-
Interest	-	-	-	-	567	-
Administrative charges	-	-	-	-	154	-
Total expenditures	6,944	1,500	-	14,940	871,399	762,497
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	3,205	6,112	-	(13,720)	1,049,952	(639,669)
Other financing sources (uses)						
Sale of capital assets	-	-	-	-	20,038	-
Transfers in	-	-	-	15,000	-	600,250
Transfers (out)	-	-	-	-	(403,563)	-
Total other financing sources (uses)	-	-	-	15,000	(383,525)	600,250
NET CHANGE IN FUND BALANCES	3,205	6,112	-	1,280	666,427	(39,419)
Fund balance, beginning of year	12,211	50,857	3,644	1,837	1,388,652	541,589
Fund balance, end of year	\$ 15,416	\$ 56,969	\$ 3,644	\$ 3,117	\$ 2,055,079	\$ 502,170

Capital Projects Funds					
Capital Replacement Fund	Beach Access Fund	Bay Access Fund	Total	Debt Service	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 686,247	\$ 686,247
-	-	-	1,723,769	-	1,723,769
-	-	-	17,761	-	17,761
-	-	-	319,275	-	319,275
-	-	-	2,355	-	2,355
-	-	-	2,063,160	686,247	2,749,407
-	-	-	-	-	-
-	-	-	41,348	-	41,348
-	-	-	200,166	-	200,166
-	-	14,580	554,352	-	554,352
-	-	-	14,940	-	14,940
-	332,435	9,380	1,196,447	-	1,196,447
-	-	-	-	420,000	420,000
-	-	-	5,701	-	5,701
-	-	-	567	225,163	225,730
-	-	-	154	1,250	1,404
-	332,435	23,960	2,013,675	646,413	2,660,088
-	(332,435)	(23,960)	49,485	39,834	89,319
11,852	-	-	31,890	-	31,890
-	307,042	23,580	945,872	-	945,872
-	-	-	(403,563)	-	(403,563)
11,852	307,042	23,580	574,199	-	574,199
11,852	(25,393)	(380)	623,684	39,834	663,518
20,038	139,270	22,303	2,180,401	346,602	2,527,003
\$ 31,890	\$ 113,877	\$ 21,923	\$ 2,804,085	\$ 386,436	\$ 3,190,521

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, 2015

	Budget		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 645,913	\$ 645,913	\$ 686,247	\$ 40,334
Total revenues	645,913	645,913	686,247	40,334
EXPENDITURES				
Debt service				
Principal retirement	420,000	420,000	420,000	-
Interest	225,163	225,163	225,163	-
Administrative charges	750	750	1,250	(500)
Total expenditures	645,913	645,913	646,413	(500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	39,834	39,834
NET CHANGE IN FUND BALANCE	\$ -	\$ -	39,834	\$ 39,834
Fund balance -- beginning			346,602	
Fund balance -- ending			\$ 386,436	

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, 2015

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 664,170	\$ 439,758	\$ 26,527	\$ 1,130,455
Receivables	95,956	-	-	95,956
Prepaid items	-	-	321,442	321,442
Loans receivable	65,524	-	-	65,524
TOTAL ASSETS	\$ 825,650	\$ 439,758	\$ 347,969	\$ 1,613,377
LIABILITIES				
Other liabilities	\$ 1,952	\$ -	\$ -	\$ 1,952
TOTAL LIABILITIES	1,952	-	-	1,952
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - noncurrent receivables	65,524	-	-	65,524
TOTAL DEFERRED INFLOWS OF RESOURCES	65,524	-	-	65,524
FUND BALANCE				
Nonspendable	-	-	321,442	321,442
Restricted	-	439,758	26,527	466,285
Unassigned	758,174	-	-	758,174
TOTAL FUND BALANCES	758,174	439,758	347,969	1,545,901
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 825,650	\$ 439,758	\$ 347,969	\$ 1,613,377

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, 2015

Fund balances of the component unit funds	\$ 1,545,901
---	--------------

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

Capital assets used in governmental type activities are not financial resources and therefore are not reported in the	6,557,098
---	-----------

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	65,524
--	--------

Long term liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.	(4,185,000)
--	-------------

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 (\$9,791), a deferred resource inflow in the amount of (\$1,165), and a deferred resource outflow in the amount of \$7,473. This resulted in a decrease in net position of \$3,483.	<u>(3,483)</u>
---	----------------

Net position of governmental type activities	<u>\$ 3,980,040</u>
--	---------------------

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2015

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	Total Component Unit
REVENUES				
Sales taxes	\$ 781,277	\$ -	\$ -	\$ 781,277
Intergovernmental revenues	-	-	-	-
Loan revenue	11,556	-	-	11,556
Miscellaneous and program revenues	<u>4,170</u>	<u>436</u>	<u>11</u>	<u>4,617</u>
Total revenues	797,003	436	11	797,450
EXPENDITURES				
Current				
Community service	194,342	-	-	194,342
Debt service				
Principal retirement	-	-	210,000	210,000
Interest expense	-	-	187,295	187,295
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>194,342</u>	<u>-</u>	<u>397,295</u>	<u>591,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	602,661	436	(397,284)	205,813
Other financing sources (uses)				
Transfers out	(412,885)	-	-	(412,885)
Transfers in	<u>-</u>	<u>-</u>	<u>412,885</u>	<u>412,885</u>
Total other financing sources (uses)	<u>(412,885)</u>	<u>-</u>	<u>412,885</u>	<u>-</u>
Net change in fund balances	189,776	436	15,601	205,813
Fund balance -- beginning	<u>568,398</u>	<u>439,322</u>	<u>332,368</u>	<u>1,340,088</u>
Fund balance -- ending	<u>\$ 758,174</u>	<u>\$ 439,758</u>	<u>\$ 347,969</u>	<u>\$1,545,901</u>

City of South Padre Island, Texas
SOUTH PADRE ISLAND ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE COMPONENT UNIT FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balances --total component unit funds	\$ 205,813
Amounts reported for <i>governmental type activities</i> in the statement of activities	
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)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/14 caused the change in the ending net position to increase in the amount of \$5,512. 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 (\$5,459). The EDC's reported portion of TMRS net pension expense had to be recorded. The pension expense increased the change in net position by \$562. The result of these changes is to increase net position.	615
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	210,000
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.	(11,556)
Change in net position of governmental activities	<u>\$ 243,240</u>

(This page intentionally left blank)

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.

(This page intentionally left blank)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013*	2014**	2015
Governmental activities										
Net investment in capital assets	\$ 11,150,821	\$ 13,855,905	\$ 15,236,797	\$ 19,257,279	\$ 17,882,812	\$ 17,420,780	\$ 18,312,199	\$ 15,534,981	\$ 16,203,813	\$ 16,920,738
Restricted	1,320,614	1,535,329	1,000,669	308,130	5,034,471	4,700,307	6,079,979	9,364,342	11,858,921	13,800,147
Unrestricted	11,831,195	11,440,132	10,159,970	10,088,864	5,768,869	6,174,054	5,697,496	6,588,837	6,025,603	7,484,310
Total governmental activities net position	\$ 24,302,630	\$ 26,831,366	\$ 26,397,436	\$ 29,654,273	\$ 28,686,152	\$ 28,295,141	\$ 30,089,674	\$ 31,488,160	\$ 34,088,337	\$ 38,205,195

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

** The City of South Padre Island implemented GASB Statement No. 68 in 2015, resulting in adjustment to 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.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government										
Public safety	\$ 2,077,020	\$ 3,412,111	\$ 3,668,745	\$ 3,680,425	\$ 4,244,372	\$ 3,916,708	\$ 3,282,899	\$ 3,616,084	\$ 3,403,281	\$ 3,549,479
Public works	3,322,420	3,408,818	4,106,030	4,358,811	4,675,136	4,659,591	5,154,019	5,617,282	5,655,989	5,534,493
Transportation	1,640,199	1,833,529	2,090,703	2,761,388	2,818,149	2,842,168	3,104,579	2,766,161	2,778,820	3,033,574
Community services	438,652	474,087	1,129,802	647,664	899,298	1,103,616	1,275,542	1,898,136	1,547,923	1,639,747
Convention and visitors bureau	-	365,753	528,546	832,168	40,494	820,784	119,300	621,036	135,157	47,101
Interest on long-term debt and debt issue costs	5,331,206	4,255,478	6,324,100	6,160,287	5,834,372	5,846,869	5,556,513	5,313,518	6,121,250	5,833,410
Total primary governmental activities expenses	336,307	383,137	340,220	295,920	310,207	377,572	559,912	306,808	297,596	382,782
Total primary governmental activities expenses	13,145,808	14,132,913	18,188,168	18,736,663	18,822,228	19,497,268	19,032,764	20,139,025	19,919,616	20,020,586
Program Revenues										
Governmental activities:										
Charges for services:										
General government										
Public safety	39,589	35,585	30,642	28,222	27,973	222,573	218,276	156,108	277,881	453,066
Public works	265,699	295,561	219,209	410,295	424,681	497,934	990,410	881,900	1,108,781	878,790
Transportation	838,069	399,519	529,974	280,498	639,148	36,843	22,446	31,246	39,717	44,833
Community services	28,945	32,050	27,302	30,000	74,500	30,000	52,250	30,000	-	-
Convention and visitors bureau	314,844	371,693	275,347	337,470	300,690	270,838	244,750	286,963	226,391	249,927
Operating grants and contributions	613,358	777,984	843,468	1,373,380	714,938	996,779	1,074,032	954,301	1,220,114	2,160,260
Capital grants and contributions	71,000	123,767	234,310	249,808	190,604	682,935	1,296,789	1,277,434	439,114	662,306
Total governmental activities program revenues	2,178,504	1,936,159	2,160,432	2,709,673	2,372,534	2,737,902	3,899,153	3,617,952	3,311,998	4,449,202
Net (Expense)/Revenue	(10,967,300)	(12,196,754)	(16,027,716)	(16,026,990)	(16,449,694)	(16,759,366)	(15,133,611)	(16,521,073)	(16,607,618)	(15,571,384)
Total primary governmental net expense										
General revenues										
Property taxes	4,165,498	4,780,512	5,483,386	6,080,948	6,098,437	6,391,852	6,512,050	6,598,351	6,520,967	6,551,645
Sales & Mixed Beverage taxes	1,866,426	1,897,938	1,965,363	2,295,465	2,001,606	2,116,727	2,171,134	2,335,306	2,604,925	2,663,089
Franchise taxes	644,126	748,363	792,992	792,501	802,819	821,796	806,646	819,865	851,056	862,253
Hotel/motel taxes	5,191,304	5,354,627	4,610,239	4,638,099	5,238,745	5,658,555	6,166,994	6,534,215	7,083,965	7,160,795
Hotel/motel public hotel taxes	33,305	-	-	-	-	-	-	-	-	-
Hotel/motel beach area taxes	704,337	741,411	630,474	751,520	945,050	988,132	1,086,920	1,644,572	2,144,126	2,171,319
Unrestricted investment earnings	734,068	796,864	546,491	198,941	143,463	97,265	49,345	38,830	31,373	31,952
Gain (loss) on sale of capital assets	(5,767)	-	1,485,785	14,234	16,810	(17,050)	4,545	-	56,072	58
Insurance recoveries	-	-	-	4,401,118	16,510	-	-	-	-	-
Miscellaneous	36,701	425,776	79,056	101,551	218,133	311,078	130,510	59,156	293,168	247,131
Total general revenues	13,369,998	14,725,491	15,593,786	19,283,827	15,481,573	16,368,355	16,928,144	18,030,295	19,585,652	19,688,242
Changes in Net Position	\$ 2,402,698	\$ 2,528,737	\$ (433,930)	\$ 3,256,837	\$ (968,121)	\$ (391,011)	\$ 1,794,533	\$ 1,509,222	\$ 2,978,034	\$ 4,116,858
Total governmental activities										
Source: Statement of Activities										

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

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

Schedule 3

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Pre GASB 54										
Reserved	\$ 35,721	\$ 54,073	\$ 37,321	\$ 35,092	\$ 31,623	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>4,329,297</u>	<u>5,095,575</u>	<u>5,768,180</u>	<u>6,477,049</u>	<u>6,144,362</u>	-	-	-	-	-
Total pre GASB 54	<u>\$ 4,365,018</u>	<u>\$ 5,149,648</u>	<u>\$5,805,501</u>	<u>\$6,512,141</u>	<u>\$6,175,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,959	\$ 21,542	\$ 55,701	\$ 57,868	\$ 56,321
Unassigned	-	-	-	-	-	<u>6,243,764</u>	<u>6,357,093</u>	<u>6,158,124</u>	<u>6,848,537</u>	<u>6,835,686</u>
Total post GASB 54	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,289,723</u>	<u>\$ 6,378,635</u>	<u>\$ 6,213,825</u>	<u>\$ 6,906,405</u>	<u>\$ 6,892,007</u>
 All Other Governmental Funds										
Pre GASB 54										
Reserved	\$ 577,625	\$ 568,453	\$ 766,366	\$ 729,340	\$ 696,464	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,133,843	5,857,458	681,831	3,040,415	2,590,794	-	-	-	-	-
Capital projects funds	<u>7,307,966</u>	<u>1,609,091</u>	<u>4,048,185</u>	<u>478,262</u>	<u>1,691,350</u>	-	-	-	-	-
Total pre GASB 54	<u>\$14,019,434</u>	<u>\$ 8,035,002</u>	<u>\$5,496,382</u>	<u>\$4,248,017</u>	<u>\$4,978,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Post GASB 54										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,554	\$ 148,890	\$ 54,786	\$ 42,639	\$ 1,504,355
Restricted:										
Debt service	-	-	-	-	-	429,784	273,133	309,533	346,602	386,436
Capital projects	-	-	-	-	-	4,914,411	1,502,659	2,636,575	700,897	3,603,413
Beach nourishment	-	-	-	-	-	-	-	-	2,435,967	1,416,745
Transportation	-	-	-	-	-	154,277	235,999	287,934	301,277	320,366
Beach maintenance	-	-	-	-	-	78,887	264,395	790,655	1,382,753	2,050,584
Municipal court	-	-	-	-	-	43,562	48,913	53,594	63,068	72,385
Criminal justice	-	-	-	-	-	3,433	3,644	3,644	3,644	3,644
Hurricane recovery	-	-	-	-	-	248,227	205,288	181,185	-	-
Parks and recreation	-	-	-	-	-	2,185	2,372	3,920	1,837	3,117
Hotel/motel tax	-	-	-	-	-	2,442,154	3,603,561	5,068,679	6,596,864	5,986,315
Unassigned	-	-	-	-	-	-	<u>(172,892)</u>	<u>(7,167)</u>	<u>22,303</u>	<u>21,923</u>
Total post GASB 54	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,431,474</u>	<u>\$ 6,115,962</u>	<u>\$ 9,383,338</u>	<u>\$ 11,897,851</u>	<u>\$ 15,369,283</u>

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

	2006	2007	2008
REVENUES			
Property taxes	\$4,123,204	\$4,719,773	\$5,393,449
Nonproperty taxes	8,439,497	8,722,337	7,999,068
Fees and services	335,617	287,475	298,189
Fines and forfeitures	265,700	295,560	219,209
Licenses and permits	887,829	451,372	573,866
Intergovernmental	489,358	920,629	1,077,978
Miscellaneous and program revenues	970,769	1,203,760	616,757
Total revenues	15,511,974	16,600,906	16,178,516
EXPENDITURES			
General	1,967,410	2,179,937	4,084,721
Public safety	3,135,257	3,256,352	3,822,108
Public works	1,158,093	1,346,075	1,484,580
Transportation	382,221	430,979	1,063,572
Community service	179,277	616,566	326,736
Convention and visitors bureau	4,627,296	4,423,112	5,114,147
Debt service			
Principal retirement	845,000	1,065,000	1,110,000
Interest	329,844	372,160	329,243
Administrative charges	32,100	500	500
Bond issue costs	-	-	-
Capital outlay	3,503,133	8,110,027	3,211,465
Total expenditures	16,159,631	21,800,708	20,547,072
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(647,657)	(5,199,802)	(4,368,556)
Other financing sources (uses)			
Sale of fixed assets	6,060	-	1,485,785
Lease Proceeds	-	-	-
Proceeds from issuance of bonds	1,600,000	-	1,000,000
Premium on issuance of bonds	-	-	-
Uses of debt refunding	-	-	-
Insurance Proceeds	-	-	-
Transfers out	(3,105,238)	(2,031,131)	(2,209,420)
Transfers in	3,105,238	2,031,131	2,209,420
Total other financing sources and (uses)	1,606,060	-	2,485,785
Net change in fund balances	\$958,403	(\$5,199,802)	(\$1,882,771)
Debt service as a percentage of noncapital expenditures	9.28%	10.50%	8.30%

2009	2010	2011	2012	2013	2014	2015
\$6,115,209	\$6,042,754	\$6,407,899	\$6,572,035	6,666,348	6554043	\$6,606,286
8,478,004	8,988,221	9,585,210	10,231,694	11,333,958	12684073	12,857,456
353,545	529,702	411,771	847,528	786,089	879384	970,681
295,990	379,684	424,124	517,776	455,300	576361	447,666
322,645	557,605	222,292	191,105	150,583	137367	257,990
1,056,767	905,542	1,679,714	2,202,888	2,231,734	1609228	2,772,565
981,229	361,596	408,344	179,856	158,989	374541	329,088
<u>17,603,389</u>	<u>17,765,104</u>	<u>19,139,354</u>	<u>20,742,882</u>	<u>21,783,001</u>	<u>22,814,997</u>	<u>24,241,732</u>
3,124,195	3,801,677	3,441,451	2,912,655	3,204,508	3022645	3,184,592
4,101,247	4,478,384	4,313,528	4,806,764	4,954,525	5079755	5,042,426
2,156,348	2,158,644	2,188,234	2,424,423	2,079,739	2115599	2,360,877
552,966	782,525	957,492	1,078,641	1,104,987	1336549	1,491,095
832,168	40,494	820,784	119,300	418,152	131262	50,810
5,532,594	4,653,373	4,972,074	4,740,409	5,313,518	5319014	4,975,850
1,160,000	1,205,000	932,358	982,225	634,920	696201	750,543
285,443	275,612	261,642	400,165	301,716	297548	275,741
-	-	2,736	800	(900)	4,308	4,245
-	-	94,968	103,287	-	-	103,079
4,816,260	906,820	2,417,098	5,628,071	1,591,360	1676803	5,690,771
<u>22,561,221</u>	<u>18,302,529</u>	<u>20,402,365</u>	<u>23,196,740</u>	<u>19,602,525</u>	<u>19,679,684</u>	<u>23,930,029</u>
(4,957,832)	(537,425)	(1,263,011)	(2,350,571)	2,180,476	3,135,313	311,703
14,989	85,350	25,933	4,771	22,777	71,780	38,068
-	-	902,220	119,200	899,313	-	-
-	830,000	3,800,000	3,165,000	-	-	2,905,000
-	-	101,462	289,990	-	-	202,263
-	-	-	(3,351,703)	-	-	-
4,401,118	16,510	-	-	-	-	-
(2,371,184)	(1,587,679)	(853,568)	(1,200,089)	(1,155,679)	(1,362,784)	(4,075,166)
2,371,184	1,587,679	853,568	1,200,089	1,155,679	1,362,784	4,075,166
4,416,107	931,860	4,829,615	123,971	922,090	71,780	3,145,331
<u>(\$541,725)</u>	<u>\$394,435</u>	<u>\$3,566,604</u>	<u>(\$2,226,600)</u>	<u>\$3,102,566</u>	<u>\$3,207,093</u>	<u>\$3,457,034</u>
8.15%	8.51%	6.67%	7.92%	5.20%	5.54%	5.68%

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

Schedule 5

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

Source: Cameron County Appraisal District

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

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

Schedule 6

Fiscal Period	City of South Padre Island Direct Rates			Water Supply District No. 1	Point Isabel Cons. ISD	Cameron County	Texas Southmost College	South Texas ISD
	Maintenance & Operations Rate	Debt Service	Total Direct					
2006	0.230197	0.022913	0.253110	0.105800	1.356120	0.358191	0.128782	0.039200
2007	0.219598	0.033512	0.253110	0.080820	1.300185	0.343191	0.162772	0.049200
2008	0.216810	0.028800	0.245610	0.080820	1.061634	0.353191	0.161089	0.049200
2009	0.218400	0.027210	0.245610	0.080820	1.061634	0.363191	0.161089	0.049200
2010	0.220310	0.025300	0.245610	0.080820	1.081634	0.364291	0.161924	0.049200
2011	0.220310	0.025300	0.245610	0.080820	1.081634	0.384291	0.162423	0.049200
2012	0.224355	0.026045	0.250400	0.080820	1.081634	0.384291	0.164026	0.049200
2013	0.223631	0.029070	0.252701	0.080820	1.081634	0.384291	0.162935	0.049200
2014	0.227828	0.026556	0.254384	0.080820	1.081634	0.384291	0.162935	0.049200
2015	0.235468	0.027286	0.262754	0.039260	1.081634	0.399291	0.164094	0.049200

Source: Cameron County Appraisal District.

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

Schedule 7

Taxpayer	2015			2006		
	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	0.42%			
Agora USA LP	10,738,595	2	0.42%			
Bahia Mar Tower LLC	9,591,971	3	0.37%			
Sapphire VP LP (ID 526932)	9,000,000	4	0.35%			
Peninsula Island Resort & Spa LLC	8,224,739	5	0.32%			
ICS Management Company	8,093,443	6	0.31%	7,457,511	4	0.39%
Los Corales Inc.	7,332,010	7	0.28%			
Shores Development Inc.	7,079,339	8	0.27%			
First National Bank	7,047,737	9	0.27%			
Affiliated Hospitality LLC	6,689,867	10	0.26%			
Playa Bonita Properties Ltd				9,335,026	1	0.49%
Laguna Trust				8,087,723	2	0.43%
SSPIBR, Ltd				7,836,061	3	0.41%
AEP Texas Central Co.				6,752,110	5	0.36%
Saida Royale Corporation				6,531,728	6	0.35%
AEP Texas Central Co.				6,384,998	7	0.34%
SPI La Copa Ltd.				6,383,709	8	0.34%
Alma Investments Inc.				6,305,053	9	0.33%
Oleander Hospitality Inc.				6,146,928	10	0.33%
Total	\$ 84,679,875		3.27%	\$71,220,847		3.77%

Source: Cameron County Appraisal District

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

Schedule 8

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		
			Amount	Percentage of Levy		Amount	Percentage of Levy
2006	2005	4,196,142	4,033,570	96.13%	158,998	4,192,568	99.91%
2007	2006	4,772,418	4,564,448	95.64%	200,276	4,764,724	99.84%
2008	2007	5,479,052	5,215,751	95.19%	247,227	5,462,978	99.71%
2009	2008	6,072,211	5,804,355	95.59%	256,087	6,060,442	99.81%
2010	2009	6,073,653	5,804,071	95.56%	258,930	6,063,001	99.82%
2011	2010	6,310,281	6,123,665	97.04%	170,460	6,294,125	99.74%
2012	2011	6,396,519	6,179,171	96.60%	197,800	6,376,971	99.69%
2013	2012	6,521,119	6,384,778	97.91%	119,124	6,503,902	99.74%
2014	2013	6,512,667	6,374,024	97.87%	100,166	6,474,190	99.41%
2015	2014	6,565,849	6,450,296	98.24%	-	6,450,296	98.24%

Source: Cameron County Tax Office

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

Schedule 9

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

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

Schedule 10

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Per Capita ¹
	General Obligation Bonds	Combination Tax & Revenue Refunding Bonds	Tax Anticipation Notes	Capital Leases			
2006	4,785,000	2,965,000	1,600,000		9,350,000	4.14%	1,639
2007	4,615,000	2,265,000	1,405,000		8,285,000	3.77%	1,452
2008	4,440,000	1,540,000	1,195,000		7,175,000	3.49%	1,258
2009	4,255,000	785,000	975,000		6,015,000	2.77%	1,019
2010	4,065,000	830,000	745,000		5,640,000	2.57%	956
2011	7,766,462	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	-	3,102,447	957,451	10,915,623	4.20%	1,850

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

¹ See Schedule 14 for personal income and population data.

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

Schedule 11

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Debt Service Restricted Net Assets</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2006	4,785,000	330,344	4,454,656	0.27%	839
2007	4,615,000	330,961	4,284,039	0.22%	809
2008	4,440,000	364,509	4,075,491	0.18%	778
2009	4,255,000	372,222	3,882,778	0.16%	721
2010	4,065,000	413,918	3,651,082	0.15%	689
2011	7,766,462	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

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

City of South Padre Island, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2014

Schedule 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Cameron County	\$ 130,820,000	13.92%	\$18,210,144
Point Isabel Independent School District	20,776,580	67.95%	14,117,686
Laguna Madre Water District #1	14,810,000	73.90%	10,944,590
Texas Southmost College	56,250,000	21.03%	<u>11,829,375</u>
Subtotal, overlapping debt			55,101,795
City direct debt	9,505,000	100.00%	<u>9,505,000</u>
Total direct and overlapping debt			<u>\$64,606,795</u>

Methodology for Deriving Overlapping Percentages:

- 1) Determine the estimated shared assessed valuation of taxable property within both the Overlapping Taxing Body(s) and your municipality;
- 2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing body.

Source: The Municipal Advisory of Texas

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

Schedule 13

Fiscal Year	Gross Revenue (1)	Operating Expenditures (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2006	1,877,855	868,660	1,009,195	680,000	128,488	808,488	1.25
2007	2,172,451	899,167	1,273,284	700,000	105,650	805,650	1.58
2008	1,881,284	1,045,290	835,994	725,000	82,025	807,025	1.04
2009	1,867,690	1,099,504	768,186	755,000	52,822	807,822	0.95
2010	1,191,421	1,212,721	(21,300)	830,000	41,122	871,122	(0.02)
2011	2,077,689	1,332,802	744,887	420,000	6,069	426,069	1.75
2012	2,284,146	1,320,451	963,695	-	-	-	-
2013	2,551,906	1,860,510	691,396	-	-	-	-
2014	3,208,757	1,939,326	1,269,431	-	-	-	-
2015	2,919,053	1,106,674	1,812,379	-	-	-	-

(1) Convention Center Fund revenues, including interest and sale of capital assets.

(2) Convention Center Fund operating expenditures, exclusive of capital outlay (except for professional services).

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

Schedule 14

<u>Year</u>	<u>Estimated Population</u> ¹	<u>Personal Income</u>	<u>Per Capita Personal Income</u> ²	<u>Median Age</u> ²	<u>School Enrollment</u> ³	<u>Unemployment Rate</u> ⁴
2006	5,705	\$ 225,957,935	\$ 39,607	51.9	2,585	6.6%
2007	5,705	219,693,845	38,509	52.3	2,593	6.0%
2008	5,705	205,665,250	36,050	57.2	2,418	8.2%
2009	5,900	217,090,500	36,795	57.7	2,520	8.3%
2010	5,900	219,780,900	37,251	58	2,507	10.9%
2011	5,900	221,592,200	37,558	58.1	2,544	12.4%
2012	5,900	221,592,200	37,558	58.3	2,574	10.2%
2013	5,900	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	5900	260,048,400	44,076	60	2518	6.6%

Source:

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

² U.S. Census Bureau

³ Point Isabel Independent School District

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

* 2012 and 2013 Personal Income is not available

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

Schedule 15

Employer	2015			2006		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Schlitterbahn Beach Water Park	1,022	1	22.99%	350	1	5.81%
City of South Padre Island	288	2	6.48%	226	2	3.75%
The Pearl Beach Resort	208	3	4.68%			
Isla Grand Resort	181	4	4.07%			
Louie's Backyard	180	5	4.05%	130	7	2.16%
Sea Ranch Enterprises *	168	6	3.78%	90	9	1.49%
Blackbeard's Restaurant	152	7	3.42%	180	5	2.99%
Hilton Garden Inn	150	8	3.37%			
Origins Recovery Center	125	9	2.81%			
La Quinta Inn & Suites	120	10	2.70%			
Sheraton Fiesta Beach Resort				225	3	3.73%
Radisson Resort				200	4	3.32%
Bahia Mar Resort				150	6	2.49%
Holiday Inn Sunspree Resort				125	8	2.07%
Cameron Parks				63	10	1.04%
Total	2,594		58.35%	1,739		28.85%

Source: South Padre Island Economic Development Corporation

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

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

Schedule 16

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
City Administration	5	5	5	6	6	4	4	4	4.4	4.25
Finance	4	5	5	4	5	5	5	5	5	4.9
Planning	2	2	2	2	2	1.75	1.75	2	2	2
Technology	2	2	2	2	2	3	3	3.25	3	2.95
Human Resources	0	0	0	1	2	3	3	3	3	3
Municipal Court	2	2	2	2	3	2	2	2	2	2
Police	34	34	34	39	39	39	38	38	38	37.95
Fire	18	18	18	21	21	21	27	27	27	26.75
Environmental Health Serv.	3	4	4	6	6	5	5	6	6	5.85
Fleet Management	0	0	0	2	2	2	2	2	2	2
Building Maintenance	0	0	0	3	3	3	3	3	3	3
Inspections	4	4	4	4	4	3	3	3	3	3
Public Works	22	22	22	18	18	19	19	18	19	18.85
Hotel Motel Fund										
Visitor's Center	2	2	2	2	2	2	2	2	3	3
Hotel Motel	12	13.5	13	13	9.5	9.5	9.5	8.75	9.5	9.5
Events Marketing	1	2	2	2	1	1	1	2	1	1
Convention Centre										
Convention Centre	11	13.5	13	13	13.5	11.5	10.5	12	10	11.2
Transportation										
Transportation	6	7	7	7	9	9.25	15.25	15	16.1	19.2
Beach Maintenance										
Police	0	0	0	0	0	0	0	0	0	0.05
Fire	0	0	0	0	0	0	0	0	0	0.25
Environmental Health Serv.	0	0	0	0	0	0	0	0	0	0.15
Public Works	0	0	0	0	0	0	0	0	0	0.15
Beach Maintenance	0	0	0	0	4	4	4	4	4	6
Total Operating Budget FTE's	128	136	135	147	152	148	158	160	161	167

Source: City of South Padre Island Annual Budget

Note: Full-time budgeted positions are shown

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

Schedule 17

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	973	896	727	952	1,002	1,199	1,454	1,258	1,246	1,246
Parking violations	1,227	306	514	1,643	2,123	1,897	1,138	724	1,435	793
Traffic violations	2,215	3,100	942	995	1,204	1,038	748	481	658	245
Number of commissioned police officers	25	25	26	29	28	28	28	29	28	28
Number of employees - police officers & civilians	34	35	36	40	39	38	38	39	38	38
Fire										
Number of calls answered	928	1,194	1,420	1,667	1,783	1,858	1,964	2,107	2,243	2,105
EMS calls	536	712	838	816	1,082	1,172	1,415	1,377	1,486	1,543
Inspections	331	355	219	473	369	490	327	288	150	166
Number of firefighters	17	17	18	18	18	20	26	26	26	25
Number of employees - firefighters & civilians	18	18	21	21	21	21	27	27	27	26
Streets										
Street resurfacing (square yards)	-	7,040	16,837	6,956	8,611	9,032	7,867	12,050	-	8,891
Sidewalk construction (square yards)	1,160	647	220	693	-	73	2,069	440	368	1,540

Source: City Departments

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

Schedule 18

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
Development Services										
Streets (miles)	47.09	47.09	47.09	47.09	47.39	47.39	47.39	47.39	47.39	47.39
City area (acres)	1562	1589	1640	1640	1640	1640	1527	1901	1901	1905
Parks and recreation										
Playground	1	1	1	1	2	2	2	2	2	2
Parks	2	2	2	2	2	3	3	3	3	3
Municipal Beach (miles)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Beach accesses (developed)	18	18	18	18	18	19	19	19	19	20
Beach accesses (undeveloped)	6	6	6	6	6	5	5	5	5	4
Transportation										
Transit - minibuses	5	6	8	12	10	9	10	11	10	11

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

Source: City Departments

City of South Padre Island, Texas
MISCELLANEOUS STATISTICAL DATA

Schedule 19

Date of incorporation	1973
Fiscal year begins	October 1st
Number of budgeted City employees	167
Geographical location:	Southern tip of Texas on the Gulf of Mexico approximately 15 miles north of the Mexican border.
Temperature:	68.2 degrees average low temperature 80.4 degrees average high temperature

Source: City Staff
Source: www.weatherbase.com

COMPLIANCE SECTION

(This page intentionally left blank)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas, as of and for the year ended September 30, 2015, 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 3, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

(This page intentionally left blank)

Purpose of this Report

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

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

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 3, 2016

(This page intentionally left blank)

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

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

Report on Compliance for Each Major Federal Program

We have audited City of South Padre Island, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of South Padre Island, Texas' major federal programs for the year ended September 30, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of South Padre Island, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of South Padre Island, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

(This page intentionally left blank)

Report on Internal Control Over Compliance

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

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

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

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 3, 2016

(This page intentionally left blank)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS
CHAPTER IV TEXAS SINGLE AUDIT CIRCULAR**

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 State Of Texas Uniform Grant Management Standards Chapter IV *Texas Single Audit Circular* that could have a direct and material effect on each of City of South Padre Island, Texas' major state programs for the year ended September 30, 2015. City of South Padre Island, Texas' major state 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 state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of South Padre Island, Texas' major state 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; State Of Texas Uniform Grant Management Standards Chapter IV *Texas Single Audit Circular*. Those standards 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 state 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 state program. However, our audit does not provide a legal determination of City of South Padre Island, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of South Padre Island, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2015.

(This page intentionally left blank)

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of South Padre Island, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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 State Of Texas Uniform Grant Management Standards Chapter IV *Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 3, 2016

(This page intentionally left blank)

City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	<u> X </u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ yes	<u> X </u> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.513 and 20.516	Transit Services Cluster
11.419	Coastal Zone Management Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended September 30, 2015

State Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are
not considered to be material weakness(es)? yes X none reported

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

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

Identification of major programs:

<i>Grantor Number(s)</i>	<i>Name of State Program or Cluster</i>
RUR 1502, 1602	WAVE Grant

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

Auditee qualified as low-risk auditee? X yes no

City of South Padre Island, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended September 30, 2015

**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 - CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2015

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 AND STATE AWARDS
For the Year Ended September 30, 2015

<u>Federal/State Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Federal Awards			
U.S. Department of Transportation			
Transit Services Programs Cluster-Cluster			
Passed-through Texas Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED 1502	210,697
Job Access And Reverse Commute Program	20.516	JAC 1301 (21) 76	51,795
Total Transit Services Programs Cluster-Cluster			262,492
Formula Grants for Rural Areas	20.509	RPT 1403	457,297
		RPT 1502 (21) 39	182,262
		TX-18-X0136-X038	165,705
		RPT 1401	620,000
		RPT 1404	194,350
			1,619,614
Total Passed-through Texas Department of Transportation			1,882,106
Total U.S. Department of Transportation			1,882,106
U.S. Department of Homeland Security			
Passed-through Texas Department of Public Safety			
Homeland Security Grant Program	97.067	2015CO6122	2,643
Total Passed-through Texas Department of Public Safety			2,643
Total U.S. Department of Homeland Security			2,643
U.S. Department of Commerce			
Passed through Texas General Land Office			
Coastal Zone Management Administration Awards	11.419	NA14NOS4190139	46,447
Coastal Zone Management Administration Awards	11.419	NA13NOS4190113	272,828
Total passed through Texas General Land Office			319,275
Total Department of Commerce			319,275
Total Expenditures of Federal Awards			\$ 2,204,024

City of South Padre Island, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued
For the Year Ended September 30, 2015

State Awards

Texas A&M Forest Service

Texas Intrastate Fire Mutual Aid System Grant
Assistance Program

\$ 2,585

Total Texas A&M Forest Service

2,585

Texas Department of Transportation

WAVE Grant Program

RUR 1502 (21)

489,428

WAVE Grant Program

RUR 1602 (21)

58,039

Total Texas Department of Transportation

547,467

Total Expenditures of State Awards

\$ 550,052

Total Expenditures of Federal and State Awards

2,754,076

City of South Padre Island, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2015

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, 2015. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

The federal 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.

City of South Padre Island, Texas
EXIT CONFERENCE
For the Year Ended September 30, 2015

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

Rodrigo Gimenez, Finance Director
Darla Jones, Assistant City Manager

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

March 3, 2016

402 East Tyler
Harlingen, Texas 78550
(956) 423-3765
Fax (956) 428-7520
www.longchilton.com

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

We have audited the financial statements of the governmental activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 16, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of South Padre Island, Texas are described in Note A to the financial statements. As described in Note A to the financial statements, the City changed accounting policies related to pension liabilities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical property tax revenues, historical loss levels, and an analysis of the collectability of the accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation expense is based on estimated useful lives of the related capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the deferred inflows and outflows related to pension liabilities, and the City's net pension liability, is based on actuarial assumptions and methods and other information provided to the City from Texas Municipal Retirement System (TMRS). We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of a prior period adjustment in Note S to the financial statements describes the impact of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* on the City's beginning net position.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of South Padre Island, Texas's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of South Padre Island, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, and pension supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information such as nonmajor governmental and component unit fund combining statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Mayor and members of the City Council and management of City of South Padre Island, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

LONG CHILTON, LLP
Certified Public Accountants

MEMORANDUM OF ADVISORY COMMENTS

CITY OF SOUTH PADRE ISLAND, TEXAS

September 30, 2015



Members - Division of Firms,
American Institute of CPAs

402 East Tyler
Harlingen, Texas 78550
(956) 423-3765
Fax (956) 428-7520
www.longchilton.com

The Honorable Mayor and City Council

In planning and performing our audit of the financial statements of the City of South Padre Island, Texas (the "City") for the year ended September 30, 2015, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of certain matters that you should be aware of regarding changes in compliance and reporting requirements. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report, dated March 3, 2016, on the financial statements of the City of South Padre Island, Texas.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Council, management and appropriate regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 3, 2016

COMMENTS AND OBSERVATIONS

INFORMATIONAL COMMENTS – NEW ACCOUNTING AND COMPLIANCE STANDARDS CHANGES IN THE SINGLE AUDIT PROCESS AND RELATED COMPLIANCE REQUIREMENTS

The Office of Management and Budget (OMB) has issued new guidance affecting the single audit process and the compliance requirements related to federal grants. Included in these changes is an increase in the threshold determining when a single audit is required. Beginning with fiscal year 2016, a single audit will be required when federal expenditures exceed \$750,000. It is important to note, however, that even if a single audit is not required, this does not relieve the District of its need to maintain adequate controls over compliance and be compliant with OMB and grantor requirements.

The new guidance, which is in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), supersedes and streamlines eight existing OMB Circulars (OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122, A-133 and A-50), will result in changes to requirements and standards relating to indirect costs, time and effort reporting, and administrative requirements. These requirements must be implemented for all new federal awards or funding increments to existing federal awards made after December 26, 2014. Management should be aware of the need to determine what guidance and requirements are applicable to specific awards, as the effective date could cause some grants to effectively have two different sets of requirements.

We recommend that management begin to study and evaluate the impact of these changes for purposes of its grant management and compliance oversight.

**CITY OF SOUTH PADRE ISLAND
CITY COUNCIL MEETING
AGENDA REQUEST FORM**

MEETING DATE: March 8, 2016

NAME & TITLE: Darla A. Jones, Assistant City Manager
William A. DiLibero, City Manager

DEPARTMENT: Administration

ITEM

Discussion and action to approve revised Tax Increment Reinvestment Zone (TIRZ) Development and Finance Plan, which includes the revised maps.

ITEM BACKGROUND

BUDGET/FINANCIAL SUMMARY

COMPREHENSIVE PLAN GOAL

LEGAL REVIEW

Sent to Legal: YES: _____ NO: _____
Approved by Legal: YES: _____ NO: _____

Comments:

RECOMMENDATIONS/COMMENTS

REVISED FINAL

AS AMENDED

**PROJECT PLAN
AND FINANCING PLAN
FOR**

City of South Padre Island, Texas

Reinvestment Zone Number One

Redevelopment Program

September 1, 2011

February 20, 2016

Table of Contents

	Page
I. EXECUTIVE SUMMARY	1
II. PROJECT PLAN	3
III. PROJECT FEASIBILITY	7
IV. REINVESTMENT ZONE FINANCING PLAN	8
V. SOUTH PADRE ISLAND TIRZ BOARD MEMBERS	14

EXHIBITS

- A. MAP OF ZONE
- B. SUMMARY OF TIRZ REQUIREMENTS

SECTION I – EXECUTIVE SUMMARY

Overview of Plan

The City of South Padre Island Tax Increment Reinvestment Zone ("TIRZ") Number One represents an important opportunity for the City of South Padre Island in partnership with Cameron County and the Laguna Madre Water District to promote and encourage construction of mixed use retail, office, entertainment, food service and hospitality facilities in areas of the City that have significant and varied impediments to development and on parcels which have declining real property value.

Large and small tracts of land in and around the city have remained vacant, blighted or underdeveloped and are in need of development or redevelopment due to inadequate city street infrastructure, substandard streets, lack of adequate parking, drainage issues functional obsolescence and obsolete platting requirements. The costs associated with the remediation of development and redevelopment issues are of a magnitude that without additional sources of funds the growth of the city will be significantly impaired.

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements associated with needed development and redevelopment in the city.
2. Replace lower value existing land uses with high value commercial, retail, food service and hospitality facilities
3. Help to position the City of South Padre Island as a year round destination resort.
4. Provide a more efficient use of existing city and county services and infrastructure.

The proposed TIRZ is primarily comprised of vacant or undeveloped land and some substandard and blighted structures throughout the City of South Padre Island. The proposed zone includes the existing Convention Center located on property the City rents from the County and the right of way of Laguna Street between Marlin and Swordfish.

Development Goals and Objectives

The development goals and objectives, which are expected to meet the specific needs of the City of South Padre Island TIRZ District, include;

- Provide commercial and hospitality opportunities for developers and companies seeking commercial building sites
- Provide for new commercial and residential opportunities through the construction and reconstruction of Padre Blvd. including the installation of sidewalks.
- Address pedestrian public safety issues.

- Designate an area of the City as an entertainment district and complete the public infrastructure necessary to solve parking, traffic mobility, drainage, pedestrian safety and lighting issues
- Continue to enhance the real property tax base of the City of South Padre Island, Cameron County and the Laguna Madre Water District through the removal of blighted and functionally obsolete development.

The City of South Padre Island Tax Increment Reinvestment Zone District Project Plan and Reinvestment Zone Financing Plan provides a long term program to increase business opportunities and population within the District, using tax increment financing to fund required public improvements. This long-term program is expected to attract additional commercial and hospitality development to include full service hotels.

Planned Private Development

The City of South Padre Island TIRZ development program includes:

Phase 1	2012	\$13,790,504	Commercial Development
Phase 2	2013	\$15,566,320	Condominium Development
Phase 3	2014	\$13,348,862	Condominium Development
Phase 4	2015	\$12,716,819	Condominium Development
Phase 5	2016	-\$449,642	Land Value
Phase 6	2017	\$28,184,874	Condominium Development
Phase 7	2018	\$12,750,000	Condominium Development
Phase 7a	2018	\$1,126,550	Commercial Development
Phase 8	2019	\$11,075,000	Condominium Development
Phase 8a	2019	\$1,155,750	Commercial Development
Phase 9	2020	\$1,126,550	Commercial Development
Phase 10	2021	\$28,184,874	Condominium Development
Phase 10a	2021	\$5,155,287	Commercial Development
Phase 11	2022	\$52,750,000	Condominium Development
Phase 11a	2022	\$1,126,550	Commercial Development
Phase 12	2023	\$11,075,000	Hotel Development
Phase 12a	2023	\$5,155,287	Commercial Development

The planned private development proposed is \$213,838,586

The projected values of future commercial development are partially based upon an analysis of the 2012 through August 2015 building permits issued by the City of South Padre Island. Values shown for 2012, 2013, 2014, and 2015 are actual and are based certified totals from the Cameron Appraisal District. Consideration has also been given to visits to the City from third party developers looking at commercial sites and new multi-family residential sites.

Planned Public Improvements

The public improvements enumerated in the Project Plan, with an estimated cost of \$12,500,000 to provide funds for the construction and reconstruction of Padre Boulevard including lighting, sidewalks, landscaping and medians intended to regulate pedestrian traffic along the boulevard. The development and redevelopment of South Padre Island to encourage and facilitate eco-tourism. The designation of the "Louie's Backyard" area of the City as an Entertainment District including the reconstruction of the streets and utilities, installing sidewalks, lighting and landscaping and other amenities to enhance the Padre Island visitor experience and lengthen the average stay of the Island visits. The improvements outlined in the Zone plan will serve to augment the overall capital improvement needs of the City.

Planned Public Construction

The City of South Padre Island TIRZ Re-Development Program projects are not listed in any order of priority. The City will use the TIRZ Funds for matching funds and to leverage other funds in order to maximize the economic impact of the Zone funds.

Padre Boulevard, Sidewalks, Drainage, Landscaping & Medians	\$---
Eco-Tourism	\$---
Entertainment District Redevelopment	\$---
Total:	\$12,500,000

The TIRZ Financing Plan provides for tax increment allowable expenses in the approximate amount of \$8,207,478. This funding will be allocated to development projects on an as-needed basis. The Reinvestment Zone Financing Plan provides for incremental financing and projects revenues for the City of South Padre Island TIRZ District.

Section II – Project Plan

Background

On October 6, 2010 the City Council of the City of South Padre Island held a workshop for the public for a discussion of Tax Increment Reinvestment Zones and other public financing mechanisms. On October 20, 2010 the Council indicated its intent to create a Tax Increment Reinvestment Zone by approving a contract with TIF Services of South Texas for its services to create a Zone.

Meetings and statutory presentations were held with individuals and taxing entities in CAMERON County on the following dates:

- CAMERON County Commissioner Benavides, November 19, 2010

- Laguna Madre Water District General Manager, November 19, 2010
- Laguna Madre Water District Board, December 8, 2010
- CAMERON County Commissioners Court, December 9, 2010
- Point Isabel Independent School District, December 14, 2010
- CAMERON County Commissioners Court, January 12, 2015
- Laguna Madre Water District General Manager, January 18, 2016

Program Concepts

The City of South Padre Island TIRZ District represents an important opportunity for the City of South Padre Island in partnership with Cameron County and the Laguna Madre Water District to develop a viable long-range revitalization plan for areas of the City, which have lacked a wide range of commercial, and single and multi-family housing opportunities. New sustainable commercial, retail, foodservice, office, hospitality and lodging construction are key components of the revitalization plan. Increased employment opportunities for South Padre Island and surrounding county and community residents will be enhanced through the development and redevelopment activity within the Zone.

Description of District

The City of South Padre Island TIRZ District is located throughout the City. It uses a Padre Boulevard to connect the various properties within the Zone. As of 2011, the market value and assessed value of property within the Zone was \$59,949,565 per preliminary figures from the Cameron County Appraisal District. The original City of South Padre Island TIRZ zone included approximately 197+/- acres of public and privately held land throughout the City as shown on the Exhibit "A"

The City proposes as a part of this revision of the Finance and Development Plan to annex an additional 187.02 acres of vacant land into the Zone as shown on the attached Exhibit "D". The City has had a persistent decline in raw and vacant developed land values over the period 2011 through 2015. It is a goal of the City to reverse this trend to encourage development within the City that will serve to enhance and preserve the value of all vacant land within the City.

Existing Uses and Conditions

The City of South Padre Island has determined that the improvements in the Zone will significantly enhance the value of all of the taxable real property in the Zone and will be of general benefit to the municipality, and that the Zone area meets the requirements of Section 311.005 of the Act, being that the Zone area:

"is predominantly open or undeveloped, and because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impairs or arrests the sound growth of the City," and

The City of South Padre Island, pursuant to the Act, further finds and declares that:

1. the proposed zone is a geographical area located wholly within the City limits or the extra territorial jurisdiction of South Padre Island;
2. less than thirty percent (30%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifty per cent (50%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. the proposed Zone does not contain more than fifty percent (50%) of the total appraised value of real property taxable by Cameron County; and
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

City of South Padre Island TIRZ Zoning

The City has adopted formed base code for Zoning. The City is currently looking at how the code can be modified, on a case by case basis, to facilitate additional commercial and residential construction. Zoning for properties in the Zone will no different than for properties outside the Zone. No additional zoning categories will be created for Zone properties

Proposed Public Improvements

PADRE BOULEVARD

The City hired the engineering firm of Kimley-Horn and Associates Inc. to produce a study and budget for the reconstruction of Padre Blvd. To quote from the study "Today much of the roadway through South Padre Island is a five lane undivided road that is deficient in sidewalks. The sidewalks and adjacent private parking meet to create conflicts and safety hazards for pedestrians due to current curb design which permits driving over the sidewalks and onto private parking lots. Several sections of the Road do not currently meet the standards as set forth in the Americans with Disabilities Act."

The City anticipates the reconstruction of approximately 13,000 linear feet of boulevard at a cost of approximately \$6,156,630. Please see the following budget for itemized project costs.

City of South Padre Island

Project Details -- Attachment B, Page 8 of 9

Conceptual Level Project Cost Projection

Updated: April 30, 2015

Project Information:		Remarks:
Name:	Padre Blvd	This project consists of the construction of 2.4 miles of median to replace the existing center turn lane (measures 4' photo) and an emergency turnaround at Delaney Street.
Limits:	Convention Center to Kingfish Street	
Class:		
Length (ft):	13,000	

Construction Cost Projection					
No.	Item Description	Quantity	Unit	Unit Price	Item Cost
1	Curb along Median	25,000	LF	\$ 15.00	\$ 375,000
2	Median Hardscape/Landscape	130,000	SF	\$ 15.00	\$ 1,950,000
3	Pavement Removal for Planting Beds	2,080	CY	\$ 5.00	\$ 10,400
Item Subtotal:					\$ 2,335,400

Item Description	Notes:	Lump Sum	Item Cost
<input checked="" type="checkbox"/> Traffic Control	Existing roadway corridor, minimal impact	LS	\$ 25,000
<input type="checkbox"/> Pavement Markings/Markers	Bike Lane Striping (\$4/LF); green paint not assumed	LS	\$ -
<input type="checkbox"/> Special Drainage Structures	None Anticipated	LS	\$ -
<input checked="" type="checkbox"/> Traffic Signals	Emergency Signal at Refugio Street; Enhanced Crosswalks	LS	\$ 250,000
<input checked="" type="checkbox"/> Landscaping (Basic)	None Anticipated	LS	\$ -
<input checked="" type="checkbox"/> Landscaping (Special)	Trees (2 per bed in median);	LS	\$ 100,000
<input checked="" type="checkbox"/> Irrigation	Irrigation (\$1.35/SF)	LS	\$ 26,000
<input checked="" type="checkbox"/> Illumination	Median Lighting - Decorative (\$25/LF)	LS	\$ 780,000
<input checked="" type="checkbox"/> Water	Minor Adjustments	LS	\$ 5,000
<input checked="" type="checkbox"/> Sewer	Minor Adjustments	LS	\$ 5,000
<input type="checkbox"/> Walls/Bridges	None Anticipated	LS	\$ -
<input type="checkbox"/> Other:		LS	\$ -
Item Subtotal:			\$ 1,191,000

		Subtotal:	\$	3,526,400
Construction Contingency:		15%	\$	529,000
Mobilization:		5%	\$	203,000
General Site Preparation:		5%	\$	202,770
Inflation Contingency:	ENR Const. Cost Index (Start Year):	2014	3.00%	\$ 133,835
Construction Cost TOTAL:			\$	4,596,000

Project Cost Summary			
Item Description	Notes:	Allowance	Item Cost
Construction Cost TOTAL:			\$ 4,596,000
Engineering/Survey:		12%	\$ 551,520
Agency Project Management:		15%	\$ 689,400
Inspection and Testing:		7%	\$ 321,720
Franchise Utility Relocations:	Assuming no cost to City	n/a	
ROW/Easement Acquisition:	None		
Project Cost TOTAL:			\$ 5,498,640

Because the Consultant does not control the cost of labor, materials, equipment or services furnished by others, methods of determining prices, or competitive bidding or market conditions, any opinions rendered as to costs, including but not limited to opinions as to the costs of construction and materials, shall be made on the basis of its experience and represent its judgment as an experienced and qualified professional, familiar with the industry. The Consultant cannot and does not guarantee that proposals, bids or actual costs will not vary from its opinion of cost.

ECO-TOURISM

The International Eco-Tourism Society defines eco-tourism as "Ecotourism is now defined as "responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education" (TIES, 2015). Education is meant to be inclusive of both staff and guests. (www.ecotourism.org)

It further defines the principles in part as:

Ecotourism is about *uniting conservation, communities, and sustainable travel*. This means that those who implement, participate in and market ecotourism activities should adopt the following ecotourism principles:

- Minimize physical, social, behavioral, and psychological impacts.
- Build environmental and cultural awareness and respect.
- Provide positive experiences for both visitors and hosts.
- Provide direct financial benefits for conservation.
- Generate financial benefits for both local people and private industry.
- Deliver memorable interpretative experiences to visitors that help raise sensitivity to host countries' political, environmental, and social climates.

As the City and the South Texas Coast continues to grow and evolve as a "tourist attraction" the City needs to adopt its tourism focus to keep changing the "tourism experience" to meet current needs and visitor expectations and to begin to prepare for the future needs of visitors to the Texas Coast.

ENTERTAINMENT DISTRICT

The revitalization of the Entertainment District has been identified by the City as a priority for economic development throughout the Island. The area anchored by Louie's Backyard will serve to enhance longer visit time and increased visitation throughout the year. Improvements include new streets with curbs and sidewalks, new sewer and water lines, the addition of street lighting and right of way landscaping and a 3,400-foot boardwalk along the bay. The City has preliminarily identified \$20,000,000 in public improvements

The planned improvements are designed to begin to meet the long-term needs to secure growth and investment in South Padre Island and western Cameron County.

Non-Project Costs:

The City has no plans for non-project costs although the City from time to time may, with the approval of the County, annex additional properties into the Zone as they are needed to accomplish the budgeted public improvements.

SECTION III - Project Feasibility

The feasibility of any development has two aspects that must be considered:

1. Financial feasibility
2. Market feasibility.

The purpose of the TIRZ is to address the financial aspect of the development. TIRZ incremental funds provide for a portion of the development costs incurred for public improvements, thus insuring the financial feasibility of the Project. This project is financially feasible and can be developed with the funding of public improvements from TIRZ funds, however the City acknowledges that the incremental funds to be generated from the project do not cover all of the cost of the proposed public improvements and that other funding sources will be necessary. The primary purpose of the TIRZ funds is to be used for matching grants and awards in order to accomplish the greatest amount of budgeted public improvements.

Market feasibility addresses issues relating to product absorption, type of product, and demand. The existing economic base is expected to increase due to new commercial opportunities that will be generated through the business expansion. Additionally, developers and builders have approached the City with preliminary plans for which they will be pulling permits in 2015 and 2016.

There is demonstrated demand for the type and size of the planned private improvements in the Zone. The public improvements schedule for the Zone will insure that these private improvements are built.

SECTION IV – REINVESTMENT ZONE FINANCING PLAN

Tax Increment Financing

The Tax Increment Financing Act (Chapter 311 of the Tax Code), provides for municipalities to create "reinvestment zones" within which various public works and improvements can be undertaken, using tax increment revenues, bonds or notes, to pay for those improvements. At the time an area is designated a reinvestment zone for tax increment financing ("TIF"), the existing total of appraised value of real property in the zone is identified and designated as the "tax increment base." Taxing units levying taxes in the zone during its life are limited to revenues from this base.

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise. This rise in new value is called the "captured appraised value." The taxes that are collected by the participating taxing jurisdictions on the increment between the base value and the new higher value, the tax increment, are then deposited into a TIF Trust Fund, which is used to pay for the public improvements. Once the public improvements are completed and paid for, the TIF is dissolved and any remaining amounts of taxes collected are kept by the taxing jurisdiction. In effect, the taxing jurisdictions are "investing" future earnings to receive the benefit of higher tax revenues from new development. Taxing jurisdictions are not restricted from raising their tax rate during the life of the zone.

Financing Plan

The Reinvestment Zone Financing Plan developed by the City provides that potentially \$8,207,478 of public improvements will be paid for with TIF funds. The Reinvestment Zone Financing Plan also projects incremental funds for financing and revenues for the City of South Padre Island TIRZ. It is not anticipated that tax increment funds in an amount to fully reimburse the City for all approved project costs will be generated over the projected life of the Zone

Financing Method: Incremental funds will be spent as they accrue and TIF Revenue Bonds may be issued for larger projects and paid for with annual TIRZ proceeds

Financing Policy: The goal of the City of South Padre Island TIRZ District is to borrow only those funds needed as the necessity arises in order to reduce interest expense.

Long Term Financing: The developers of the commercial/industrial/Retail sites, and the single and multi-family homes will arrange for long term financing for their individual projects.

Development Schedule and Assumptions

The Development Schedule is based upon the immediate needs of the City and the public works are not listed by priority. The City intends to remain flexible in order to leverage other funds with TIRZ funds to maximize the efficiency of the City's funds.

SPI TIF Reinvestment Zone Budget Sources and Uses of Funds

TIF Revenues	\$8,207,478
Begin Construction	2017
Complete Construction	2026
Padre Boulevard Reconstruction*	----
Eco-Tourism*	-----
Entertainment District Infrastructure Redevelopment*	-----

*TIF revenues will be assigned to development projects on an as-needed basis.

Financial Assumptions

Tax rate changes that have already occurred since the creation of the original zone have been factored into the financial pro forma's for the District. All projections assume that taxable appraised value and tax rates will remain unchanged in the foreseeable future. It has also been assumed that the taxing entities will continue to collect tax revenues at the same rate. The finance plan assumes a collection rate of 100% assuming that over any five-year period all of the taxes will be paid.

City of South Padre Island Project Review

City of South Padre Island - TIF Reinvestment Zone # One

Summary Fact Sheet

January 14, 2016

Plan of Finance

Site Area	197+/-	Acres
Base Value Estimate (2012)	\$59,949,565	

Project:

Phase 1	2012	\$13,790,504	Commercial Development
Phase 2	2013	\$15,566,320	Condominium Development
Phase 3	2014	\$13,348,862	Condominium Development
Phase 4	2015	\$12,716,819	Condominium Development
Phase 5	2016	-\$449,642	Commercial Development
Phase 6	2017	\$28,184,874	Condominium Development
Phase 7	2018	\$12,750,000	Condominium Development
Phase 7a	2018	\$1,126,550	Commercial Development
Phase 8	2019	\$11,075,000	Condominium Development
Phase 8a	2019	\$1,155,750	Commercial Development
Phase 9	2020	\$1,126,550	Commercial Development
Phase 10	2021	\$28,184,874	Condominium Development
Phase 10a	2021	\$5,155,287	Commercial Development
Phase 11	2022	\$52,750,000	Condominium Development
Phase 11a	2022	\$1,126,550	Commercial Development
Phase 12	2023	\$11,075,000	Hotel Development
Phase 12a	2023	\$5,155,287	Commercial Development

Totals \$213,838,586

Assumpti Captured Value \$ 213,838,586

Growth Factor	0.00%	
Collection Rate	100.00%	
Estimated TIF Life	15	Years
Estimated TIRZ Revenue	<u>\$8,207,478</u>	

South Padre Island - TIF Reinvestment Zone
Projected Tax Increment Revenue

Tax Year	Tax Increment Zone				City of South Padre Island			Cameron County		
	Beginning Assessed Value	Annual Value of New Development	Projected Year-End Assessed Value	Projected Captured Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments
2011	59,949,565		59,949,565							
2012	59,949,565	13,790,504	73,740,069	13,790,504	13,790,504	0.252701	34,849	-	0.261664	
2013	75,515,885	15,566,320	75,515,885	15,566,320	15,566,320	0.254384	39,598	15,566,320	0.261664	
2014	73,298,427	13,348,862	73,298,427	13,348,862	13,348,862	0.262754	35,075	13,348,862	0.261664	
2015	72,666,384	12,716,819	72,666,384	12,716,819	12,716,819	0.285640	36,324	12,716,819	0.266454	33,884
2016	72,666,384	(449,642)	72,216,742	12,267,177	12,267,177	0.285640	35,040	12,267,177	0.266454	32,686
2017	99,446,851	28,184,874	127,631,725	67,682,160	67,682,160	0.285640	193,327	67,682,160	0.266454	180,342
2018	127,631,725	13,876,550	141,508,276	81,558,711	81,558,711	0.285640	232,964	81,558,711	0.266454	217,316
2019	141,508,276	12,230,750	153,739,026	93,789,461	93,789,461	0.285640	267,900	93,789,461	0.266454	249,906
2020	153,739,026	1,126,550	154,865,576	94,916,011	94,916,011	0.285640	271,118	94,916,011	0.266454	252,908
2021	154,865,576	33,340,161	188,205,737	128,256,172	128,256,172	0.285640	366,351	128,256,172	0.266454	341,744
2022	188,205,737	53,876,550	242,082,287	182,132,722	182,132,722	0.285640	520,244	182,132,722	0.266454	485,300
2023	242,082,287	16,230,287	258,312,574	198,363,009	198,363,009	0.285640	566,604	198,363,009	0.266454	528,546
2024	258,312,574	-	258,312,574	198,363,009	198,363,009	0.285640	566,604	198,363,009	0.266454	528,546
2025	258,312,574		258,312,574	198,363,009	198,363,009	0.285640	566,604	198,363,009	0.266454	528,546
2026	258,312,574		258,312,574	198,363,009	198,363,009	0.285640	566,604	198,363,009	0.266454	528,546
2027							-			-
\$ 213,838,586				\$ 4,299,207			\$ 3,908,271			
Existing Annual Value Growth Factors										
Years 2012-2015				0.00%						
Thereafter				0.00%						
Combined Compound Growth Rate										
				Tax Rate Growth Factor			0.00%			
				Tax Rate Collection Factor			100.00%			
							Tax Rate Growth Factor			
							Tax Rate Collection Factor			

Combined Tax Collection	Fiscal Year Ending
\$34,848.74	2012
\$39,598.23	2013
\$35,074.67	2014
\$70,208.80	2015
\$67,726.35	2016
\$373,669.15	2017
\$450,280.75	2018
\$517,805.98	2019
\$524,025.60	2020
\$708,094.63	2021
\$1,005,543.83	2022
\$1,095,150.27	2023
\$1,095,150.27	2024
\$1,095,150.27	2025
\$1,095,150.27	2026
\$0.00	2027
\$8,207,478	

Project Budget

TIF Revenues	\$8,207,478
Begin Construction	2017
Complete Construction	2026
Padre Boulevard Reconstruction*	\$-----
Eco-Tourism Development*	\$-----
Entertainment District Infrastructure Redevelopment*	\$-----
Administrative Expense	\$15,000
Formation Expense	\$50,000

*TIF revenues will assigned to development projects on an as-needed basis.

Financial Feasibility

Based upon a set of conservative assumptions and analysis of the project-financing plan, the City of South Padre Island has concluded that the plan is feasible.

Conclusions

Based upon a set of conservative assumptions and analysis of the City of South Padre Island Tax Increment Reinvestment Zone District Project Plan and Reinvestment Zone Financing Plan, The City of South Padre Island TIRZ Board has concluded that the City of South Padre Island TIRZ District Project Plan and Reinvestment Zone Financing Plan is feasible.

The success of the City of South Padre Island TIRZ District project plan will encourage other mixed-use commercial /retail/lodging/hospitality and market rate residential and affordable housing.

Board of Directors of Tax Increment Reinvestment Zone Number One, City of South Padre Island

Bharat R. Patel, Mayor, City of South Padre Island

Dennis Stahl, Council Member, City of South Padre Island

Theresa Metty, Council Member, City of South Padre Island

Alita Bagley, Council Member, City of South Padre Island

Paul Munarriz, Council Member, City of South Padre Island

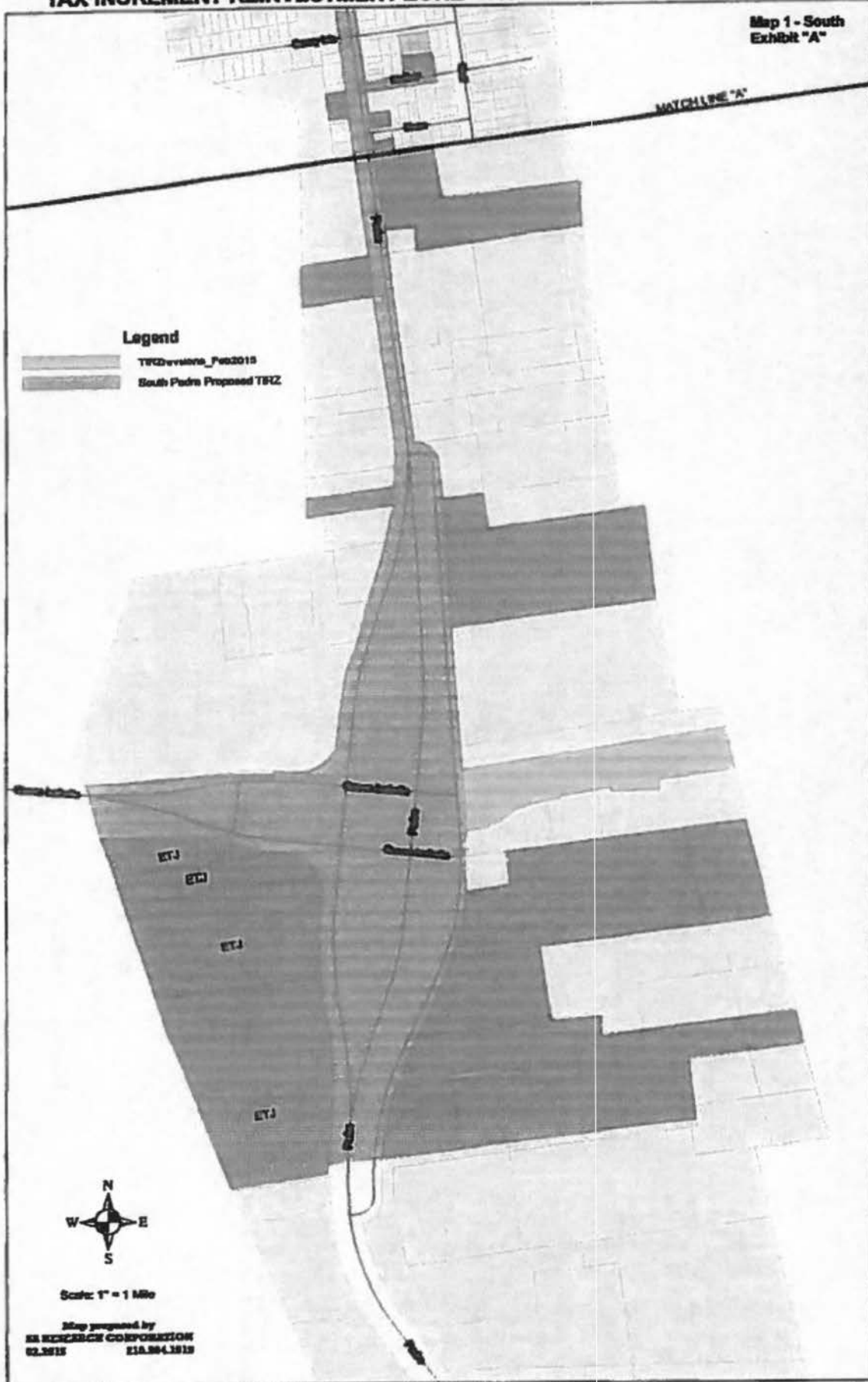
Alex Avalos, Council Member, City of South Padre Island

Pending Board Member, Cameron County Commissioners Court

Exhibit "A"
Map of Zone Properties
See the Five Attached Sheets

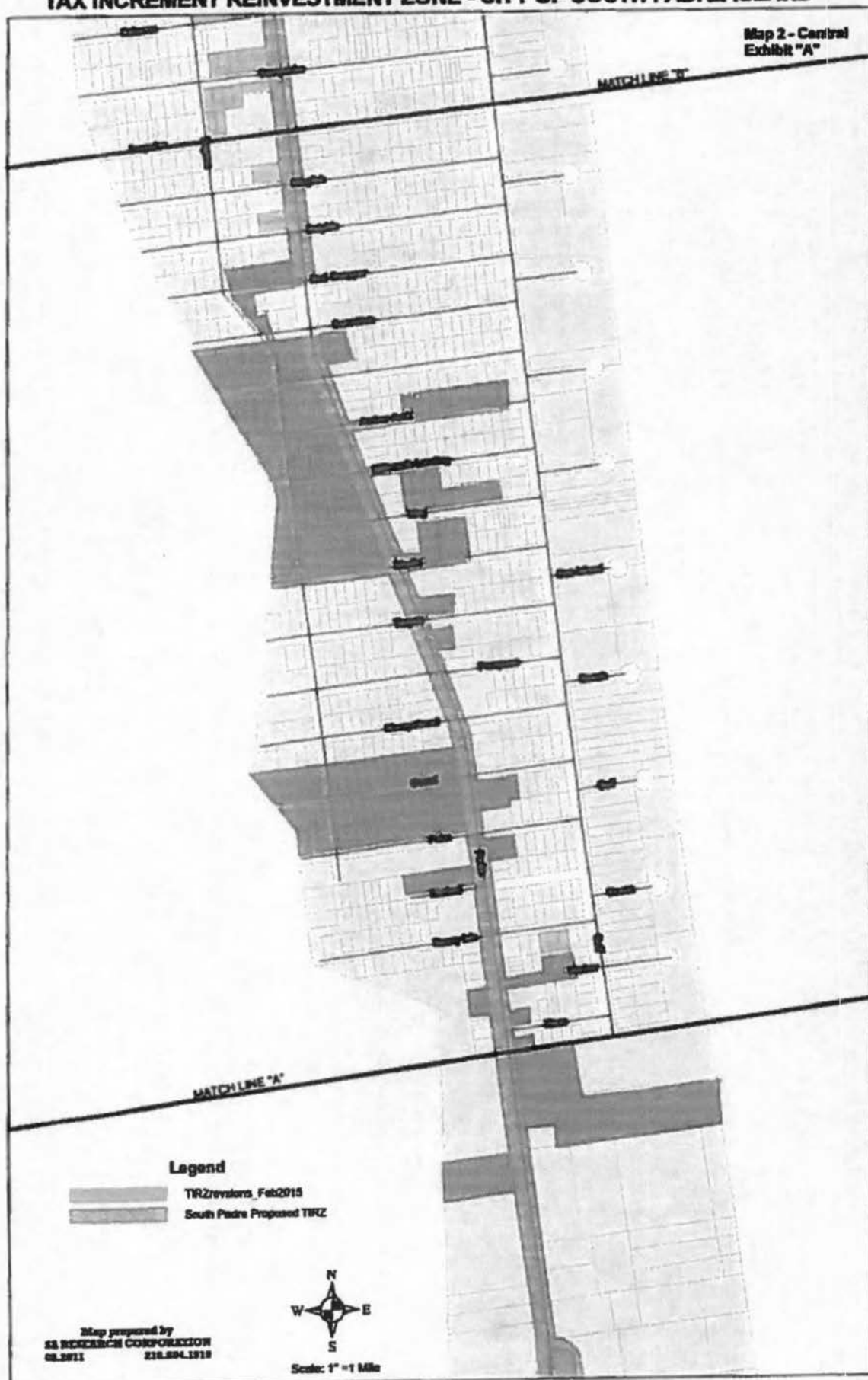
TAX INCREMENT REINVESTMENT ZONE - CITY OF SOUTH PADRE ISLAND

Map 1 - South
Exhibit "A"



TAX INCREMENT REINVESTMENT ZONE - CITY OF SOUTH PADRE ISLAND

Map 2 - Central
Exhibit "A"



TAX INCREMENT REINVESTMENT ZONE - CITY OF SOUTH PADRE ISLAND

Map 3 - North
Exhibit "A"

MATCHLINE "C"

Legend
TIRZrevelers_Feb2015
South Padre Proposed TIRZ



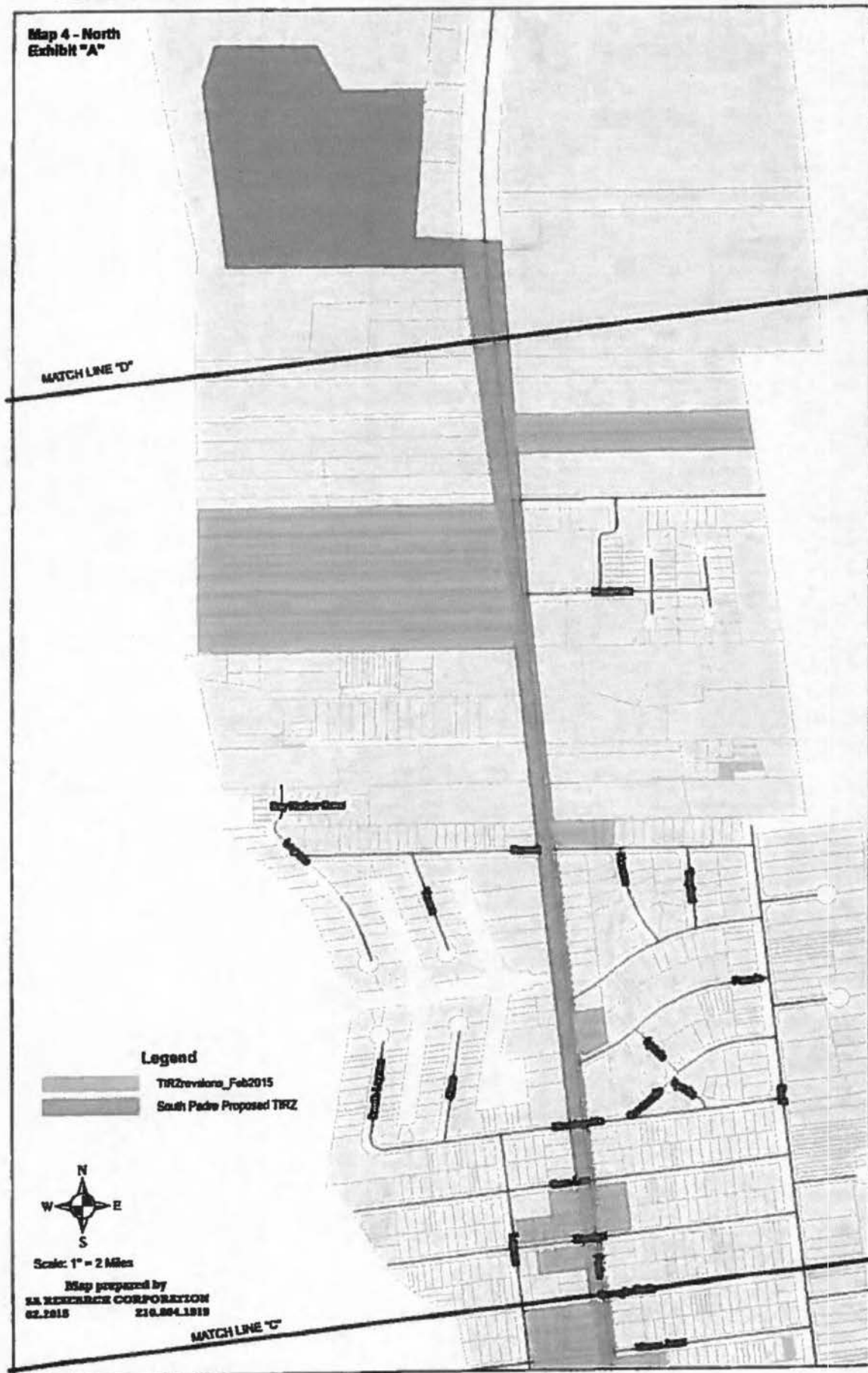
Scale: 1" = 2 Miles

MATCHLINE "B"

Map prepared by
SA RESEARCH CORPORATION
02.2015 210.804.1919

TAX INCREMENT REINVESTMENT ZONE - CITY OF SOUTH PADRE ISLAND

Map 4 - North
Exhibit "A"



TAX INCREMENT REINVESTMENT ZONE - CITY OF SOUTH PADRE ISLAND

Map 5 - North
Exhibit "A"

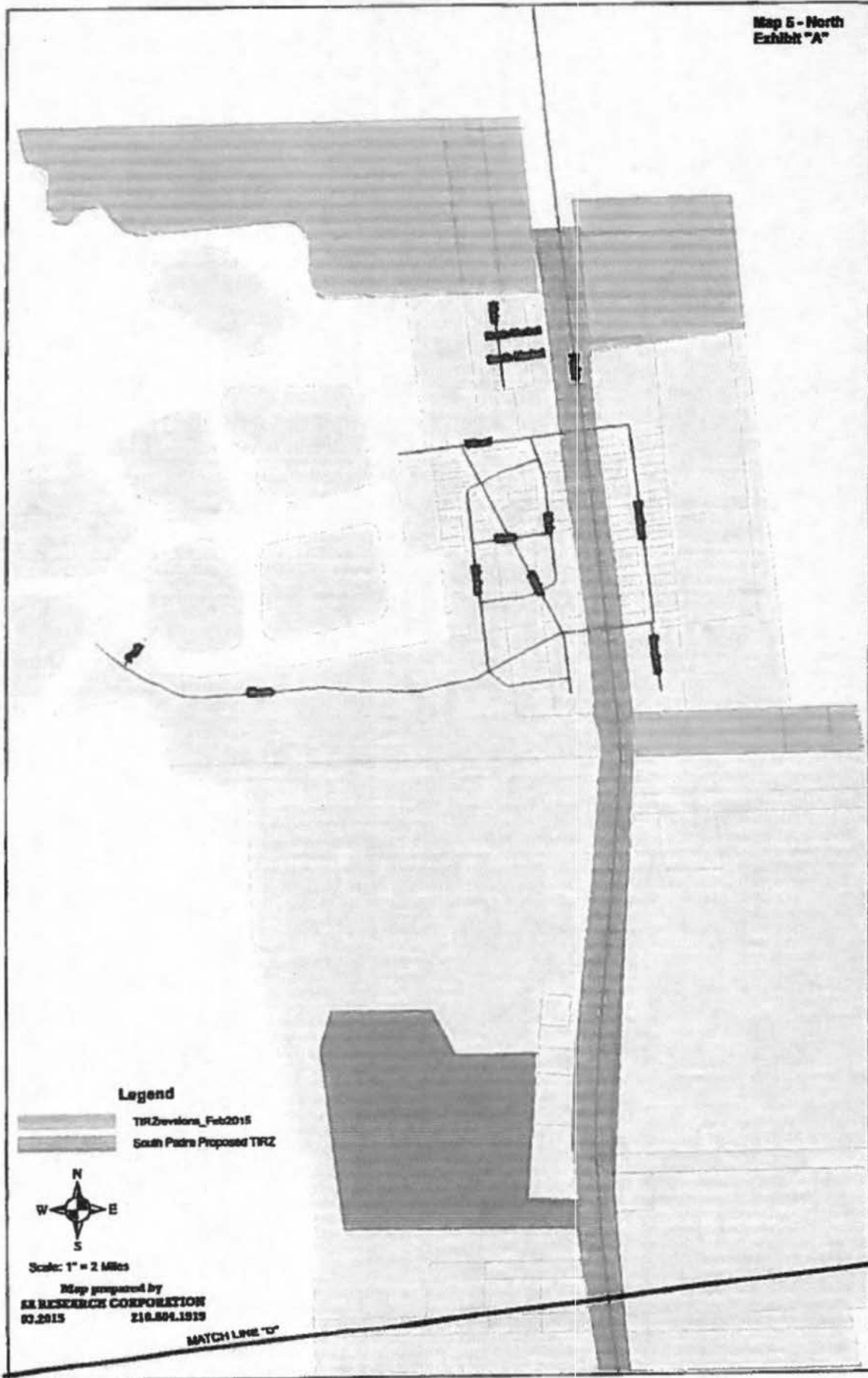


Exhibit B
Finance and Development Plan

TIRZ REQUIREMENTS

Section 311 of the State Tax Code (Tax Increment Financing Act) specifies that TIRZ (TIF) project and financing plans meet certain requirements. These requirements are listed below, along with a reference indicating where these elements can be located in the plan.

Project Plan

1. Map of existing uses and conditions	Exhibit "A"
2. List proposed improvements and uses	Page 13
3. Description of Zone Property	Exhibit "A"
4. Project Feasibility	Page 7
5. Proposed zoning changes	Page 5
6. Estimated non-project costs	Page 7
7. Relocation plan for current residents	Not Applicable

Financing Plan

1. Estimate of project costs.	Page 13
2. Proposed public improvements	Page 13
3. Project Timeline	Page 13
4. Estimated amount of bonded indebtedness	Undetermined
5. Time when costs/obligations will be incurred	2017 - 2026
6. Methods of financing, sources of Revenue	Page 11-12
7. Current total appraised value.	Page 11-12
8. Estimated captured appraised value	Page 11-12
9. Duration of Zone	Page 11-12

Exhibit C

Properties Proposed for Annexation

SPI RIZ

Prop ID	Map 1	2011 Value	2014 Value	2015 Value	Size
113454		\$ 1,873,023.00	\$ 1,584,748.00	\$ 1,584,748.00	2.0395
	Map 2				
111104		\$ 210,000.00	\$ 210,000.00	\$ 210,000.00	0.1722
111105		\$ 210,000.00	\$ 210,000.00	\$ 210,000.00	0.1722
111124		\$ 375,000.00	\$ 287,250.00	\$ 287,250.00	0.3444
	Map 3				
111201		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111202		\$ 131,250.00	\$ 96,150.00	\$ 96,150.00	0.1435
111203		\$ 134,405.00	\$ 98,150.00	\$ 98,150.00	0.1435
111204		\$ 131,250.00	\$ 94,375.00	\$ 94,375.00	0.1425
111205		\$ 329,530.00	\$ 310,610.00	\$ 310,610.00	0.2152
111212		\$ 65,625.00	\$ 46,875.00	\$ 46,875.00	0.1435
111214		\$ 65,625.00	\$ 46,875.00	\$ 46,875.00	0.1435
111331		\$ 575,057.00	\$ 575,057.00	\$ 460,045.00	0.4304
111333		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111334		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111335		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111460		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111461		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
111462		\$ 262,500.00	\$ 262,500.00	\$ 262,500.00	0.2152
111463		\$ 234,375.00	\$ 234,375.00	\$ 234,375.00	0.2152
111508		\$ 848,460.00	\$ 848,460.00	\$ 848,460.00	1.2328
111616		\$ 144,376.00	\$ 187,500.00	\$ 185,000.00	0.287
111617		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111618		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111619		\$ 204,844.00	\$ 204,844.00	\$ 204,844.00	0.2152
111620		\$ 204,844.00	\$ 204,844.00	\$ 204,844.00	0.2152
111621		\$ 204,844.00	\$ 204,844.00	\$ 204,844.00	0.2152
111622		\$ 204,844.00	\$ 204,844.00	\$ 204,844.00	0.2152
111623		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111624		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111625		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111626		\$ 72,188.00	\$ 93,750.00	\$ 92,500.00	0.1435
111907		\$ 312,283.00	\$ 312,283.00	\$ 312,283.00	0.3117
111990		\$ 227,671.00	\$ 227,671.00	\$ 227,671.00	0.2272
111991		\$ 227,772.00	\$ 227,772.00	\$ 227,772.00	0.2273
112245		\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112246		\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112247		\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112248		\$ 326,267.00	\$ 322,111.00	\$ 322,111.00	0.2152
112208		\$ 225,946.00	\$ 219,168.00	\$ 219,168.00	0.2255
112209		\$ 226,047.00	\$ 219,266.00	\$ 219,266.00	0.2256

112210	\$ 150,000.00	\$ 117,500.00	\$ 125,000.00	0.1435
112211	\$ 150,000.00	\$ 117,500.00	\$ 125,000.00	0.1435
112236	\$ 150,000.00	\$ 117,500.00	\$ 125,000.00	0.1435
112237	\$ 150,000.00	\$ 117,500.00	\$ 125,000.00	0.1435
112238	\$ 226,162.00	\$ 219,377.00	\$ 219,377.00	0.2257
112239	\$ 226,263.00	\$ 219,475.00	\$ 219,475.00	0.2258
112274	\$ 219,562.00	\$ 219,562.00	\$ 205,839.00	0.225
112275	\$ 219,660.00	\$ 219,660.00	\$ 205,931.00	0.2251
112276	\$ 155,000.00	\$ 125,000.00	\$ 115,000.00	0.1435
112277	\$ 155,000.00	\$ 125,000.00	\$ 115,000.00	0.1435
112278	\$ 310,000.00	\$ 250,000.00	\$ 230,000.00	0.287
112440	\$ 311,863.00	\$ 311,863.00	\$ 311,863.00	1.5496
112518	\$ 290,192.00	\$ 260,912.00	\$ 260,912.00	0.1435
112524	\$ 303,646.00	\$ 303,646.00	\$ 303,646.00	0.3031
112526	\$ 157,500.00	\$ 112,500.00	\$ 112,500.00	0.1722
112528	\$ 236,250.00	\$ 168,750.00	\$ 168,750.00	0.2583
112530	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112531	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112532	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112533	\$ 217,063.00	\$ 217,063.00	\$ 217,063.00	0.2167
112534	\$ 310,370.00	\$ 303,260.00	\$ 303,260.00	0.2152
112541	\$ 477,247.00	\$ 497,409.00	\$ 489,341.00	0.0887
112544	\$ 319,188.00	\$ 263,968.00	\$ 360,127.00	0.1435
109929	\$ 901,132.00	\$ 855,704.00	\$ 855,704.00	0.65
112628	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112629	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112630	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112631	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112632	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112633	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112634	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112635	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112636	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112606	\$ 222,640.00	\$ 222,640.00	\$ 222,640.00	0.2222
112607	\$ 222,741.00	\$ 222,741.00	\$ 222,741.00	0.2223
112608	\$ 155,000.00	\$ 125,000.00	\$ 125,000.00	0.1435
112637	\$ 222,439.00	\$ 211,317.00	\$ 211,317.00	0.222
112639	\$ 222,539.00	\$ 211,412.00	\$ 211,412.00	0.2221
112640	\$ 150,000.00	\$ 125,000.00	\$ 115,000.00	0.1435
112641	\$ 155,000.00	\$ 125,000.00	\$ 125,000.00	0.1435
112705	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112706	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112707	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112708	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112709	\$ 215,625.00	\$ 199,000.00	\$ 199,000.00	0.2152
112710	\$ 215,625.00	\$ 199,000.00	\$ 199,000.00	0.2152
112711	\$ 215,625.00	\$ 199,000.00	\$ 199,000.00	0.2152

112712	\$ 215,625.00	\$ 202,360.00	\$ 202,360.00	0.2152
112713	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112714	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112715	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435
112716	\$ 131,250.00	\$ 80,000.00	\$ 80,000.00	0.1435

Map 4

112752	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112753	\$ 131,250.00	\$ 93,750.00	\$ 93,750.00	0.1435
112754	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112755	\$ 215,625.00	\$ 215,625.00	\$ 215,625.00	0.2152
112803	\$ 220,929.00	\$ 220,929.00	\$ 220,929.00	0.2205
112804	\$ 221,030.00	\$ 221,030.00	\$ 221,030.00	0.2206
112842	\$ 442,382.00	\$ 442,382.00	\$ 442,382.00	0.4416
112848	\$ 185,156.00	\$ 185,156.00	\$ 178,125.00	0.2152
112849	\$ 185,156.00	\$ 185,156.00	\$ 178,125.00	0.2152
112850	\$ 215,625.00	\$ 215,625.00	\$ 196,875.00	0.2152
112851	\$ 215,625.00	\$ 215,625.00	\$ 196,875.00	0.2152
112852	\$ 116,500.00	\$ 93,750.00	\$ 93,750.00	0.1435
112853	\$ 116,500.00	\$ 93,750.00	\$ 93,750.00	0.1435
112854	\$ 116,500.00	\$ 93,750.00	\$ 93,750.00	0.1435
112855	\$ 116,500.00	\$ 93,750.00	\$ 93,750.00	0.1435
108940	\$ 222,488.00	\$ 191,049.00	\$ 128,767.00	0.2221
108941	\$ 191,049.00	\$ 191,049.00	\$ 127,345.00	0.2221
108942	\$ 149,328.00	\$ 149,328.00	\$ 134,155.00	0.1736
109095	\$ 186,134.00	\$ 138,656.00	\$ 138,656.00	0.1858
109096	\$ 235,484.00	\$ 162,000.00	\$ 162,000.00	0.235
109097	\$ 157,480.00	\$ 127,000.00	\$ 127,000.00	0.1458
109098	\$ 157,480.00	\$ 127,000.00	\$ 127,000.00	0.1458
109099	\$ 157,480.00	\$ 127,000.00	\$ 127,000.00	0.1458
113150	\$ 96,589.00	\$ 96,589.00	\$ 96,589.00	3.942
113151	\$ 95,903.00	\$ 95,903.00	\$ 95,903.00	3.914
113152	\$ 267,959.00	\$ 267,959.00	\$ 267,959.00	10.936
113155	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	5.58

Map 5

198999	\$ 1,770,000.00	\$ 1,079,700.00	\$ 1,079,700.00	3.966
240578	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	0.2942
199079	\$ 292,050.00	\$ 284,331.00	\$ 284,331.00	16.706
199075	\$ 3,114,755.00	\$ 3,114,755.00	\$ 3,114,755.00	114.875
199082	\$ 11,790.00	\$ 11,790.00	\$ 11,790.00	0.393

	\$30,771,795.00	\$27,717,203.00	\$27,440,109.00	\$187.02
--	------------------------	------------------------	------------------------	-----------------

Owner
ACH PROPERTIES INC
HELMERS LYNN
MENDOZA JUAN MANUEL
DAVILA MARY C
DOUDS SAM
SPI BEACH WATER RESORT WATERPARK LLC
GRANA JUSTO LLC
TREVINO SERGIO FRANCISCO VILLARREAL ET AL
AGORA USA LP
RAMPART PROPERTIES CORP
AGORA USA LP
DALOR LTD PARTNERSHIP
DALOR LTD PARTNERSHIP
S P I MANAGEMENT CO
FIRST BANK LOS FRESNOS
FRANKE INVESTMENTS LTD
ACH PROPERTIES INC
PADRE CENTRAL LTD PARTNERSHIP
KIRANA PROPERTIES LLC
PADRE CENTRAL LTD PARTNERSHIP
GONZALES SERGIO & VERONICA G
ETMG REAL ESTATE CORP
ETMG REAL ESTATE CORP
LEONARD LEONARD EST OF
GAR SAL PROPERTIES & LAND DEVELOPERS LLC
HARBOR STREET LLC
SPI LIGHTHOUSEINN LLC
PINKERTON ROBERT N JR
PINKERTON ROBERT N JR
MISSION INVESTMENTS LLC
1808 PADRE LLC
SOLTEX DEVELOPMENT INC
GILBERT GARY LEON
MCDONALD WALTER
KENON WILLIAM E JR & ESTHER
DIAZ ALBERTO
DE LUNA ELOISA R
DE LUNA ELOISA R
DE LUNA ELOISA R
DE LUNA ELOISA R
MISSION INVESTMENTS LLC
DELUNA JULIO C
SOLTEX
SOLTEX
SOLTEX
SOLTEX
HOLAND MARA LESSA & HOLAND ALTER
DE LUNA ELOISA R
SOLTEX DEVELOPMENT INC
SOLTEX DEVELOPMENT INC

NATIONAL SEAFOODS INC
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
MOYA CARMEN P
COPENHAVER PEGGY
GOMEZ SHERRIE L
GOMEZ SHERRIE L
VERGAS LTD
VERGAS LTD
SPI WASHATERIA LLC
MONTANARO INVESTMENTS
SORENSEN PARTNERSHIP LTD
HERNANDEZ-O'QUINN LTD
EVERETT KAREN
TATE LYNNE B
BENS LIQUORS LTD
TREVINO HERMENEGILDO
RGCN INVESTMENTS LLC
VST PROPERTIES LLC
EVANS JOE B ET UX
MAGALLAN DAGOBERTO
ROSS JOAN
PARAISO CONDOMINIUMS LLC
HERBOT INVESTMENTS LLC
GARZA OABLO HI & SOCORRO
ROY RENTALS LP
GARZA ROLANDO & MIREYA S
RAINWATER ENTERPRISES INC
PERALES OSIEL
MOATES MARK STEFEN
SAN FRANCISCO ACS LLC
VICARS MARGAL M JR
BUBBALOOS ESCAPE LLC
F.U.P.M. LLC
VIYEBES ASC LLC
RAMIENTOS ERMA & JOSEPH A
GONZALEZ FRANCISCO
GONZALEZ FRANCISCO
STERN FAMILY TRUST DATED 05/25/1994
FIRST NATIONAL BANK
SISTERS TRADING COMPANY
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK

FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
FIRST NATIONAL BANK
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
VANOUNOU GABRIEL
VANOUNOU GABRIEL
VANOUNOU GABRIEL
VANOUNOU GABRIEL
VANOUNOU GABRIEL
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
BNO LTD
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
HOLAND ALTER
R & L LOZANO LEASING LTD
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
SOUTH PADRE REDEVELOPMENT CO
SULARZ ALLEN ET UX
AZOULAY YEHUDA & LAURA
EYAL INC
EYAL INC

**CITY OF SOUTH PADRE ISLAND
CITY COUNCIL MEETING
AGENDA REQUEST FORM**

MEETING DATE: March 8, 2016

NAME & TITLE: William A. DiLibero, City Manager

DEPARTMENT: Administration

ITEM

Discussion and action to authorize the City Manager to enter into contract with Market & Feasibility Advisors, LLC for recently approved feasibility study on grant application submittals; and approve budget amendment in the amount of \$24,000; \$14,000 from the General Fund; \$10,000 from CVB.

ITEM BACKGROUND

On February 17th the City Council Approved the hiring of Market & Feasibility Advisors to complete an economic analysis to support the RESTORE Act grant applications that will be submitted by the City on April 15th, 2016. The City Manager is requesting authorization to enter into a contract with Market & Feasibility Advisors in the amount of \$24,000. The City Manager is requesting a budget amendment of \$24,000 to support the funding of the Study.

BUDGET/FINANCIAL SUMMARY

Increase line item 01-572-0530 by \$14,000 in the General Fund. The current level of excess reserves in the General Fund is approximately \$70,000

Increase line item 02-592-0530 by \$10,000 in the CVB. The current level of excess reserves in the CVB fund is approximately \$1.9 million.

COMPREHENSIVE PLAN GOAL

LEGAL REVIEW

Sent to Legal: YES: _____ NO: _____
Approved by Legal: YES: _____ NO: _____

RECOMMENDATIONS/COMMENTS



Market & Feasibility Advisors

**PROPOSAL FOR REVIEW
South Padre Island Grant Submittal Project Research**

**For:
South Padre Island, Texas**

**Submitted by:
Market & Feasibility Advisors, LLC**

Thursday, March 03, 2016

**One South Dearborn, Suite 2100
Chicago IL 60603
312.212.4451 www.MFALLC.com
Chicago Austin**

Scope of Work

The objective of this work is to support the grant applications for each of three projects:

1. A new public boat ramp at Corral Street
2. Land acquisition (approximately 25 acres) south of the Causeway for a nature trail, kayak launch, elevated boardwalk with educational signs, and birding outlook
3. Land acquisition (approximately 28 acres) north of the Causeway for a nature trail, kayak launch, elevated boardwalk with educational signs, birding outlook and educational building

Our task is to project, for each individual project, the following

- Number of new travelers attracted
- Support and economic impact for: restaurants, lodging, attractions, other activities – with explicit methodology
- The ways economic growth and competitiveness will be enhanced – with explicit methodology
- Number and types of permanent jobs created by industry – with explicit methodology
- Average weekly wages for these new jobs (NIC benefits of any kind)
- Sources and uses of capital investment

In context, these are all tourism development investments. The context is that South Padre Island has a great history as a visitor destination in the annals of Texas Tourism.

The landing page for www.SoPadre.com has the following lead:

At the southernmost tip of Texas sits one of the world's most beautiful barrier islands. South Padre Island is a small coastal community, home to more than 5,000 residents and over one million visitors every year.

With 34-miles of uninterrupted luxurious sand and attractive blue-green water, South Padre Island is without a doubt the Best Beach in Texas. From young and old and everyone in between, South Padre Island welcomes its guests to this tropical paradise in South Texas. Perfect for everything from romantic weekend getaways to fun-filled family vacations, South Padre Island has the events, lodging and activities you're looking for!

Clearly, South Padre Island is currently positioned in the leisure market industry as a beach destination. Beach destinations typically draw leisure visitors for fun on, in and by the water.

Of the three proposed investments two, the ones that include land acquisition, take this positioning in a different direction, nature based or eco-tourism. The third investment, the boat ramp, does this too but it would be shared with existing tourism positioning.

Nature and eco-tourism are not new to South Padre but they aren't as heavily promoted as beach tourism. Studies over the last decade have supported the further development nature tourism in South Texas and the people, especially birders, have been coming for years. The three projects proposed are also rooted in longstanding public policy. The 2006 Master Park Plan prepared by South Padre Island calls out seven goals all but one of which are directly supportive of the development of nature tourism.

Deeper in the www.SoParade.com tourism website is this page:

While we pride ourselves on attracting over 1 million visitors each year, we're even more proud of the fact that millions of migratory birds and sea turtles instinctively migrate to South Padre Island each year on their own. As a matter of fact, over 300 species of migratory birds drop by yearly, making South Padre Island one of the best birding spots in the world. If birding is your thing, be sure to check out the South Padre Island Birding and Nature Center, a premier destination for bird watching. We're also the only place in the world where you can see a baby Kemp's Ridley Sea turtle in captivity. Sea Turtle Inc, an island non-profit organization dedicated to their rescue and protection was recently named 15 best U.S. attractions for kids by Gogobot's Travelers' Favorites awards. How cool is that? Join us for a hatchling release and create a lifetime memory. Learn more at www.seaturtleinc.org

To develop these projections, we will complete the following tasks.

- 1 In support of the longstanding public and interest group desire for projects like these three we will prepare a review, summarize and contextualize many years of planning for a move towards further formal development of nature tourism on South Padre Island. We will call special attention to any prior numerical arguments (projections and otherwise) in support of the idea.
2. In support of nature tourism demand, we will produce preliminary demand statistics for key activities associated with nature tourism that would be associated with the activities carried out at these three sites. We will localize these to South Padre Island. Much of the nature tourism data is specifically for self-identified nature tourist – people who go to a place for natural experiences. To help with this we will interview several of the operators of the existing nature tourism operations on the Island.
3. Special demand opportunities at South Padre Island. The Island poses a new opportunity for the nature tourism market. In addition to serving the nature tourism "purist", South Padre already serves up to an estimated one million tourists annually, of

which the great majority are not coming for a nature tourism experience. Offering nature tourism experiences to the large flow of beach tourist to the island is already creating a crossover between the two markets and with these new proposed facilities creates the possibility for even more crossover. We will calculate a level of demand for the proposed new facilities from the existing beach tourism flow as well. To help with this we will take this question of the split between beach and nature tourists coming to the attractions with the operators of the existing nature tourism operations on the Island.

4. Using Texas tourism data and other sources of nature tourism data (all of which we have worked with many times) we will identify the expenditure patterns and categories of nature tourist, especially as distinguished from other types of tourism. These will be applied to South Padre Island and when possible compared to current visitor expenditure patterns.

5. To best understand how facilities like the three proposed will operate, including their actual capacity, we will speak with people who have been working with these ideas and profile several analogs of similar facilities, primarily in tourism locations.

6. With the data collected to date we will project tourism to each of the sites in two ways – new tourism to the island and additional visitor-stay days from existing visitors who may come again and again to this newly enhanced destination and who may extend their stay to enjoy these new experiences.

7. For the economic impact, we will use the data collected to this point to project visitor expenditure, employment, wages, and other data required by the submittal for each of the three projects. We also typically use an economic modeling system called Implan. We will confirm that the use of Implan is appropriate for these submittals.

8. The work of the previous tasks including the projections in task 7 above will be presented in a final report in a format appropriate for the grant submittal. A short summary PowerPoint deck will also be prepared for use by the client.

Project Budget and Timing

The fee for this work will be \$24,000 including travel expenses for up to three trips to the site to meet with the client and survey the market. Three payments will be due as follows: \$8,000 with a signed contract to initiate work; \$8,000 in the fourth week of the work; and \$8,000 upon delivery of draft final report.

This report will take four weeks to complete to a draft final stage and no more than two weeks in addition after client review.

One, three, six, and nine months after we complete this work, we make pass-the-baton calls to the client to see how projects (assuming a positive finding) are progressing – and whether there are any questions about or work that we can help clarify. We have followed the development of many of our assignments in this way. We enjoy helping our clients through the planning and development into operating phases.

Proposal Execution

To execute this proposal, please sign below and return an original to Dan Martin at Market & Feasibility Advisors, LLC. The first payment of \$8,000 is due with the signed proposal.

Please note that MFA reports are prepared as advisory reports for our direct clients. We cannot and do not accept any responsibility for the use of MFA reports beyond that.

The Standard Proposal Addendum at the back of this proposal is included by this mention.

Speaking for MFA, we always look forward to the opportunity to work with you and especially on this exciting assignment. We hope to be able to help in other ways as well.

Sincerely,

Dan Martin, Managing Principal
Market Feasibility Advisors

I accept terms outlined above:

Name – Signature

Date

Name – Printed

Position/Representing

About Market & Feasibility Advisors

Market & Feasibility Advisors, LLC (MFA) provides data, analysis, and strategic consideration for public, private, and non-profit clients throughout the United States and overseas. MFA consultants have worked in almost every state and hundreds of communities. Working directly for clients or as a part of multi-disciplinary team, MFA prepares market, feasibility, master plan economics, impact studies and strategic plans based on realistic premises and the unique characteristics of the specific site, project, target markets, and competition.

- MFA's private sector work includes: retail, hotel and resort, and commercial entertainment, including family entertainment centers, cinemas, theme parks, attractions, and waterparks.
- MFA's cultural and non-profit sector clientele includes: performing arts facilities, zoos, historic structures and districts, aquariums, museums.
- MFA's public sector work includes: downtown, corridor, neighborhood, and many types of economic development and urban redevelopment plans, as well as real estate and retail studies, transit-oriented developments (TOD), parks and recreational facilities, and convention and meeting facilities.

For more information, please visit our website www.mfallc.com and follow us on Twitter: <http://twitter.com/MFALLC>



Offices:

Midwest

One South Dearborn
Suite 2100
Chicago, IL 60603
Phone: 312-212-4451

Texas

100 South Congress
Suite 2000
Austin, TX 78701-2745
Phone: 512-469-3700

Please address all payments and official communications to:

Market & Feasibility Advisors, LLC
P.O. Box 438940
Chicago, IL 60643

Market & Feasibility Advisors Standard Proposal Addendum

It is understood by the client that Market & Feasibility Advisors LLC (MFA) can make no guarantees concerning the recommendations which will result from the proposed assignment, since these recommendations must be based upon facts discovered by MFA during the course of the study and those conditions existing as of the date of the report. To protect you and other clients, and to assure that the research results of MFA's work will continue to be accepted as objective and impartial by the business community, it is understood that our fee for the undertaking of this project is in no way dependent upon the specific conclusions reached or the nature of the advice given by us in our report to you.

It is agreed by the client that the report is not to be used in conjunction with any public or private offering of debt or equity securities without prior written consent.

It is further agreed that the client will indemnify MFA against any losses, claims, damages and liabilities under federal and state securities laws which may arise as a result of statements or omissions in public or private offerings of securities.

It is agreed by the client that payment for the services of MFA is due upon receipt of the invoice; that full payment is due upon receipt of the completed report; and that MFA has the right to withhold delivery of the final report pending receipt of any overdue payments.

In the event any invoice is not paid within 30 days after rendering of the invoice, it shall commence bearing interest on the date the invoice was rendered at the rate of 18 percent per annum (or such lesser rate as may be the maximum interest permissible under applicable law) and the client agrees to pay all accrued interest, together with the charges for services rendered as provided for in this agreement. In addition, should an unpaid invoice be referred to our attorneys for collection, the client agrees to pay their reasonable fee for such work, as well as any costs of suit which may be incurred.

It is further agreed by the client that the report will be presented to third parties in its entirety and that no abstracting of the report will be made without first obtaining the permission of MFA.

It is understood by MFA that the findings of this report are the proprietary property of the client and they will not be made available to any other organization or individual without the consent of the client.

This proposal will remain in force for a period of 60 days from the date shown hereon.

**CITY OF SOUTH PADRE ISLAND
CITY COUNCIL SPECIAL MEETING
AGENDA REQUEST FORM**

MEETING DATE: March 08, 2016

NAME & TITLE: Randy Smith, Police Chief

DEPARTMENT: Police

ITEM

Discussion and action to approve a budget amendment in the amount of \$5,000.00 from the Beach Maintenance Fund for Beach Patrol Temporary Employees.

ITEM BACKGROUND

The funds will be used to pay for two security medical tents during Spring Break.

BUDGET/FINANCIAL SUMMARY

Increase line item 60-522-0040 (Beach Patrol Temporary Employees) by \$5,000

COMPREHENSIVE PLAN GOAL

Provide security and shelter during a medical emergency.

LEGAL REVIEW

Sent to Legal: YES: _____ NO: X
Approved by Legal: YES: _____ NO: X

Comments:

RECOMMENDATIONS/COMMENTS

Approve budget amendment.