

CITY OF SOUTH PADRE ISLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2020

City of South Padre Island, Texas
Table of Contents
September 30, 2020

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
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	29
Statement of Activities	30
Fund Financial Statements	
<i>Governmental Funds Financial Statements</i>	
Balance Sheet	31
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	34
Notes to Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	68
Hotel Motel Tax Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	70
Venue Project Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	71

City of South Padre Island, Texas
Table of Contents
September 30, 2020

Page No.

REQUIRED SUPPLEMENTARY INFORMATION – Continued

Schedule of Changes in Net Pension Liability and Related Ratios For Agent Multiple Employer Pension Plan	72
Schedule of Contributions For Agent Multiple Employer Pension Plan	73
Schedule of Changes in Total OPEB Liability and Related Ratios	74
Notes to Schedule of Contributions For Agent Multiple Employer Pension Plan	75
Notes to the Required Supplementary Information	76

OTHER SUPPLEMENTARY INFORMATION

Non Major Governmental Funds

Combining Balance Sheets	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	82
<i>Venue Tax Construction Fund – Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	86
<i>Debt Service Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	87
<i>Venue Debt Service Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	88
<i>Convention Center Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	89
<i>Municipal Court Technology Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	90
<i>Municipal Court Security Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	91
<i>Transportation Grant Fund - Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	92
<i>Coronavirus Relief Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	93
<i>Parks and Recreation Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	94

City of South Padre Island, Texas
Table of Contents
September 30, 2020

OTHER SUPPLEMENTARY INFORMATION – Continued

<i>TIRZ Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	95
<i>Beach Maintenance Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	96
<i>Beach Nourishment Fund- Special Revenue Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	97
<i>Padre Blvd Improvement Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	98
<i>Street Improvement Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	99
<i>Capital Replacement Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	100
<i>Beach Access Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	101
<i>Bay Access Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	102
<i>Hurricane Recovery Fund- Capital Projects Fund</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	103
Component Unit	
<i>South Padre Island Economic Development Corporation</i>	
Combining Balance Sheet	106
Reconciliation of the Combining Balance Sheet of the Component Unit to the Statement of Net Position	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	108
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance of the Component Unit Funds to the Statement of Activities	109

City of South Padre Island, Texas
Table of Contents
September 30, 2020

STATISTICAL SECTION

Net Position by Component	113
Changes in Net Position	114
Fund Balances of Governmental Funds	115
Changes in Fund Balances of Governmental Funds	116
Assessed Value and Actual Value of Taxable Property	117
Direct and Overlapping Property Tax Rates	118
Principal Property Taxpayers	119
Property Tax Levies and Collections	120
Tax Revenues by Source - Governmental Funds	121
Ratio of Outstanding Debt by Type	122
Ratio of General Bonded Debt Outstanding	123
Direct and Overlapping Governmental Activities Debt	124
Pledged-Revenue Coverage	125
Demographic and Economic Statistics	126
Principal Employers	127
Full-Time Equivalent City Government Employees by Functions/Program	128
Operating Indicators by Function	129
Capital Asset Statistics by Function/Program	130
Miscellaneous Statistical Data	131

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 Standards</i>	133
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	137
Schedule of Findings and Questioned Costs	141
Summary Schedule of Prior Audit Findings	143
Schedule of Expenditures of Federal Awards	144
Notes on Accounting Policies for Federal Awards	145
Exit Conference	147



INTRODUCTORY SECTION



March 17, 2021

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the City of South Padre Island (City), Texas for the fiscal year that ended September 30, 2020. This report was prepared from the books and records of the City of South Padre Island, Texas and includes the financial activities of the primary government and its component unit. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The goal of the independent audit, conducted by Carr, Riggs & Ingram, LLC, was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2020 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors' report is included in this document.

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

PROFILE OF THE CITY

Known as the Tropical Tip of Texas, the City is a tourist oriented resort community. The white sandy beach of South Padre Island is known throughout the United States and is ranked as one of Texas' top 10 beaches. The City occupies approximately 2.5 square miles and serves a full-time residential population of approximately 2,818.

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



MAJOR INITIATIVES

The City of South Padre Island continues to have a strong financial position with AA+ general obligation bond ratings, a six month operating reserve, a steady revenue stream, annual expenditures within budget, and excess reserves to fund capital projects. Furthermore, the City has undertaken several new initiatives to provide a safe and attractive environment and enhance the quality of service we deliver to the citizens and visitors of the City. The City has accomplished major goals by enhancing its marketing capabilities as a vacation destination, and investing in infrastructure, while maintaining one of the lowest property tax rates in the state of Texas.

Comprehensive Plan:

The City focused on finalizing the City's comprehensive plan during the beginning months of the 2020 fiscal year. "The Island Way: The South Padre Island Comprehensive Plan," outlines a path for achieving the shared vision for the City described by community members through the visioning and goal-setting process. It succeeds, updates, and replaces the Town of South Padre Island, Texas Comprehensive Plan 2008, which was drafted a decade earlier. The Island Way synthesizes a series of component master plans into one, seamless document that will guide the growth and evolution of the City between the writing of this plan and its horizon of 2050. It will be updated every 5 to 10 years. The Component Plans included in the document are the Land Use Plan; Business, Economy, and Tourism; Master Thoroughfare Plan; Parks and Recreation Master Plan; City Facilities Master Plan; Shoreline Master Plan; and Implementation Plan. The project was placed on hold as COVID-19 placed group setting restrictions on the steering committee in addition to staff shortages. As of September 30th, 2020, the plan was substantially complete with some minor edits being made by staff at the request of the steering committee. Once all edits are completed the document will be reviewed one last time by the steering committee prior to adoption by the City Council in 2021.

Tompkins Park:

The City of South Padre Island is partnered with the Texas Department of Parks and Wildlife to complete Phase II of John L. Tompkins Park. A majority of the park design was done in-house, however, the City outsourced the architectural and engineering services for the design of a skate park. The park includes a soccer field, a walking trail, exercise stations, a bocce ball court, benches, and shade structures. The construction on the base design was awarded to Bryant Industrial Services in June 2020 and is complete. The architect and engineering services for the skate park design, awarded to Newline Skate, Inc. in December 2019, is complete. The skate park is expected to be finished in 2021.

Infrastructure:

The Public Works Department continues to improve infrastructure and provide safer streets for all modes of travel.

The City of South Padre Island's Padre Boulevard Sidewalk Improvement Project, which started in late May 2017, was completed. This project improved the sidewalk on both sides of Padre Boulevard from Park Road 100 to the Convention Centre, which is approximately 4.6 miles. The project consisted of six-foot sidewalks with paver improvements and bike lane markings.

In December 2019, PR 100 Median, Boardwalk, Sidewalk, and Traffic Signal Improvements commenced. The project progressed very quickly and was approximately 60% completed by the end of the fiscal year. The original construction amount was \$7,529,903.45 and the total construction engineering costs were \$360,600 inclusive of additional design



services for additional sidewalk and traffic signal design at Esperanza Street. In addition, new 6 inch Irrigation water meters were installed in the center medians that corrected low water supply for 26 acres of greenscape medians.

Transit:

Island Metro is a free fixed route system that operates within the City of South Padre Island and Port Isabel. The department continues to obtain funding from the Texas Department of Transportation (TxDot), which is heavily relied upon to continue providing transit services. During the fiscal year 2019-2020, the department received an allocation from the TxDot CARES ACT Funding Project Grant Agreement in the total amount of \$1,028,484. The funds were spent on hazardous pay for drivers and maintenance staff, as well as, purchasing Covid-19 related personal protective equipment and sanitation services.

In addition, an allocation from TxDot for the purchase of twelve bus shelters and one emergency facility generator in the total amounts of \$198,000 for the shelters and \$80,000 for the generator was granted to the department. The current status of this project is ongoing as the department formulates an invitation for bid for the construction of the shelters and engineering services to create a design of the generator to specifically meet the needs of the Multimodal Facility.

Convention Center and Tourism:

The South Padre Island Convention and Visitors Bureau (CVB) works to generate tourism through leisure, group travel, meetings, and convention markets. As tourism is the Island's primary economic engine, success is critical. Although hotel occupancy tax collections decreased by approximately 12% during the fiscal year, the CVB increased its Fund balance by \$1.4 million due to significant budget reduction.

The CVB booked events out as far as 2024 and have lost very little business due to aggressive rescheduling and by providing good customer service to regular partners. The discussions on expansion of the Convention Center have been placed on hold during the pandemic. The CVB hopes to resume them during the summer of fiscal year 2020-2021.

Shoreline, Park, and Beautification:

South Padre Island is committed to preserving and restoring the local beaches to maintain our quality of life and sustain the local tourism-based economy. Through the years it has received many accolades as being one of the most desirable coastal communities in the nation. The City works extremely hard to protect and maintain our beach to ensure that our citizens and visitors can continue to have memorable and enjoyable experiences.

During fiscal year 2019-2020, the Shoreline Department received more than \$2.5 million in grant funds through the RESTORE Act to purchase bayside land and construct a new public boat ramp with trailer size parking spots. Just under \$300,000 in grant funds were also awarded to the department for beach access improvements, bayside resilience, purchasing mobi-chairs, and a beach study on current shoreline conditions.

The City has received the 90% design for the venue tax project to construct a Wind and Water Sports Park. This will provide and increase access to the Laguna Madre while decreasing impacts to critical habitat on the Island's bayside. The Park will include a dedicated parking area and laydown area for the athletes.



The City's Environmental Health Services Department and the City's Recycling and Education Outreach team are committed to protecting the Island by providing environment-friendly solutions to waste management. This year, Keep Texas Beautiful (KTB), a statewide grassroots environmental and community improvement organization, in partnership with the Texas Department of Transportation, awarded the prestigious Governor's Community Achievement Award to the City of South Padre Island. The City also received Gold Star recognition which is the highest status any community affiliate can achieve.

Over 63,000 pounds of recyclable materials were collected due to the Saturday recycling events. The "I Love SPI" campaign was successfully held in February, 2020. During this annual event, an extra brush and bulky item pickup, over 150 tons were collected. The "Treasure it...Don't trash it" campaign was implemented in May 2020.

Public Safety:

The Police Department purchased two new vehicles and had them equipped for a total of \$73,000. During the fiscal year, the department received a total of \$26,128 from the Homeland Security Grant Program for operations related to Operation Stonegarden. This program provides funding to enhance cooperation and coordination among state, local, tribal, territorial, and federal law enforcement agencies to jointly enhance security along the United States land and water borders. In addition, the department received \$49,500 in funding to be allocated to the Local Border Security Program. The purpose of the program is to sustain interagency law enforcement operations and enhance local law enforcement patrols to facilitate directed actions to deter and interdict criminal activity.

In fiscal year 2019-20, the City's Fire Department introduced a new position, Ocean Rescue Lieutenant. The department acquired the latest EMS equipment for endotracheal intubation and fire detection equipment by purchasing the latest edition of the thermal imaging device. Furthermore, the Fire Department was awarded funding from the Texas Intrastate Fire Mutual Aid System Grant program in the amount of \$12,934 and the Trauma Regional Action grant for \$4,573.

Economic Development:

The South Padre Island Economic Development Corporation's (EDC) inaugural year of the Art Business Incubator (ABI) faced pandemic challenges, yet was a great success. The artists will graduate from the program in January 2021 and have the opportunity to contribute to the Island's economy by having their own art studio adjacent to the ABI. The ABI is a public private partnership with angel investors from the community. The investors own the property and are offering subsidized rent for the artist's studios if their business plan meets approval.

Interviews are underway for the next five artists and the applicants are stellar. The artists for 2021 will be selected on January 12th. This program has engaged the locals and tourists with weekly workshops and events, and has created excitement and participation from the Rio Grande Valley art community. The goal of the program is to create a new tourism sector by increasing Island art galleries and studios and to establish South Padre Island as a true arts destination.

In 2020, the EDC awarded Façade Improvement Grants to On the Beach Surf Shop and Elements Med spa. This is an incentive program that allows businesses within the Form Based Code area to apply for a 50/50 grant to improve the appearance of their storefront. The EDC will contribute up to \$25,000 for their 50% match.

The EDC provides capital funding for businesses through another grant program: Sand Dollars for Success. Through a business plan competition, a maximum of \$25,000 can be awarded to a business that qualifies and wins the



competition. In 2020, the EDC Sand Dollars for Success grants were awarded to Island Fun Park and Gaia's Flower Shop, in order to improve their revenue as well as create and retain jobs.

Also in 2020, the EDC continued to work with investors on a community hospital. The land has been purchased and an Opportunity Zone Fund has been created to raise funds for the project.

Impact of COVID-19 Pandemic:

Amid the COVID-19 pandemic, the City has balanced the books and maintained a steady financial position. In March, the City reduced the General Fund expenditure budget to offset the projected deficit in sales tax revenue of \$256,000. The reduction was accomplished by freezing three vacant positions. In addition, the City reduced the CVB expenditure budget to offset the projected deficit in hotel occupancy tax revenue of \$1,270,000. The reduction was accomplished by freezing two vacant positions as well as overall budget reductions in Visitors Center, Sales & Administration, Events Marketing, Marketing departments. Fiscal year 2019-2020 revenues, were less impacted than the City initially projected and have exceeded 2019-20's budget by \$171,557 in the General Fund and \$391,494 in the Hotel Motel and Convention Center Fund.

The City incurred a total of \$361,052 COVID-19 related expenditures. Thus far the City has received reimbursement for these costs from the Coronavirus Relief Fund and Coronavirus Emergency Supplemental Funding in the amounts of \$155,815 and \$10,000, respectively. At year end, the City is working toward requesting reimbursement from the Federal Emergency Management Agency through which the City provides a 25% match. Despite the multiple challenges caused by the COVID-19 pandemic, the City continues to remain resilient through pro-active, conservative, and coordinated planning and execution.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The City of South Padre Island is a tourist oriented resort community. The City has a high market value per capita due to the large number of resorts and vacation properties within the City compared with the limited year-round population. The Queen Isabella Causeway crossings are estimated to be 7.3 million per year according to the Texas Department of Transportation. In the most recent Resort Market Analysis, an estimated 5.2 million visitors come to the Island annually.

The rapid onset of COVID-19 and shelter-in-place measures across Texas in March and April caused a significant decline in output and employment. After steady growth in 2019 and early 2020, the Texas economy has declined in the wake of the COVID-19 pandemic and has faced challenges in the year. The unemployment rate began at a near-record low of 3.5 % at the beginning of 2020. In April, unemployment rate peaked to 13.5% and has since declined to 8.3% in September. However, the Dallas Fed's Texas employment forecast predicts 2021 employment to exceed the state's long-run average of 2 %. In addition, Texas experienced a 4.5% annual job decline for the 2020 year. Services and manufacturing productivity has begun to recuperate after steep declines throughout the year. Texas' 2020 job decline is less of that of the United States (U.S.), which experienced a 6.2% annual job decline rate. Texas experienced a sharpest decline in Leisure and Hospitality Employment, which is the main industry on the island. Texas' initial unemployment claims have declined sharply since the peak in April but remain high. The service industry, which



accounts for over 70% of private sector, makes up the bulk of the Texas economy. The service sector and retail recovery slow near year-end.

Texas accounts for 20% of U.S. exports making it the top exporting state. However, a weakening world economy, tariffs, and the impact of the COVID-19 pandemic have suppressed export growth. Manufacturing exports lagged behind 2019 levels by 13.8% for the U.S. and 15.1% for Texas. The Texas economy remains most vulnerable to tariffs, energy price volatility, and changes in trade policies. These issues increase trade uncertainty, especially with Mexico, and may obstruct economic growth. Mexico currently receives 30% of Texas' exports, making Mexico Texas' top trading partner. In addition, the Texas-Mexico border ports process over 50% of Texas' exports. In terms of the City's economy, South Padre Island strongly relies on the Texas economy as well as that of Mexico. Located only 26 miles from the nearest international bridge, South Padre Island is a popular vacation spot among Mexican tourists. All business and economic activity on the Island centers on tourism. The highly seasonal nature of tourist activity means that half of the lodging sales come in June, July and August.

The City recognized a 4% decrease in sales tax during the 2020 calendar year, which is in-line with decreases recognized by other cities in the Rio Grande Valley. South Padre Island continues to establish itself as a premier visitor destination, with its unique setting, pristine beach environment, and abundant water and outdoor activities. As the area gains more recognition as a year-round vacation retreat, there will be a growing need to preserve, improve, and add to the amenities and attractions sought by the rising tide of tourists.

Long Term Financial Planning

Budgeting is an essential element of the financial planning, control and evaluation process of a municipal government. City officials remain committed to a policy of maintaining a six-month reserve level for all operating funds, creating strong budgetary flexibility. Multi-year budgeting provides a means of identifying the impact of implementing new programs and projects on future budgets. The Business Plan is the City's long range operations and capital plan. The plan includes all of the operating departments of the General Fund, Convention Centre, and Transit as well as the capital improvement funds of the City. The plan is reviewed and updated annually. The City has a strong financial position with an AA+ general obligation bond ratings through Standard & Poor's, which is a reflection of strong financial practices. The excellent bond rating allows the City to issue bonds for major projects at an advantageous interest rate.



POLICIES AND PRACTICES

Internal Control

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

Single Audit

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

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year that ended September 30, 2020 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 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its comprehensive annual financial report for the fiscal year that ended September 30, 2019. This was the 30th consecutive year the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the City of South Padre Island was awarded the Distinguished Budget Presentation Award for the Fiscal Year beginning October 1, 2020. This was the 9th consecutive year the City has achieved this prestigious award. To receive the award, the Finance Department had to satisfy nationally recognized guidelines for effective budget presentation. The budget is ranked on how well it serves as a policy document, a financial plan, an operations guide, and a communications device. All four categories must be rated proficient. Additionally, fourteen mandatory criteria must be met.



Furthermore, the Texas Comptroller, Glenn Hegar, announced the City of South Padre Island achieved specific transparency goals through the Comptroller's Transparency Stars program. The program recognizes local government entities that provide easy online access to important financial data. In fiscal year 2018-2019, the City received a star in the area of Traditional Finances, which recognizes entities for their outstanding efforts in making their spending and revenue information available. During fiscal year 2019-2020, the City received the Debt Obligations transparency star. The City looks forwards to attain more of the stars offered by the program.

The Government Finance Officers Association of the United States and Canada (GFOA) has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of South Padre Island, Texas, for its Popular Annual Financial Report for the fiscal year ended September 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards for creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Acknowledgments

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

Sincerely,

Randy Smith, City Manager

Rodrigo Gimenez, Chief Financial Officer



Government Finance Officers Association

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

Presented to

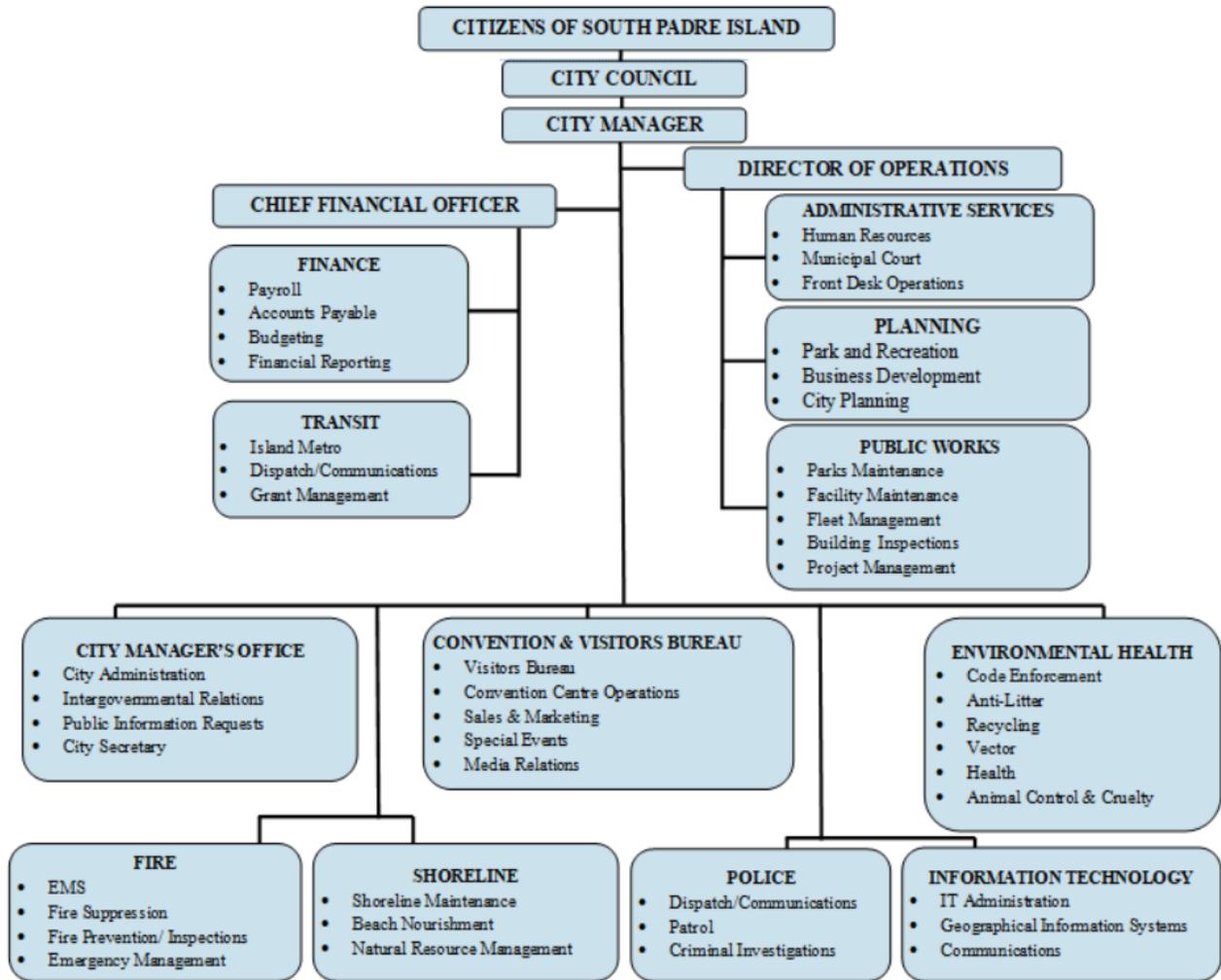
**City of South Padre Island
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO



City of South Padre Island, Texas
List of Principal Officials
September 30, 2020

ELECTED OFFICIALS

NAME	TITLE
PATRICK MCNULTY	MAYOR
KEN MEDDERS, JR.	MAYOR PRO-TEM, PLACE 1
KERRY SCHWARTZ	COUNCIL MEMBER, PLACE 2
JOE RICCO	COUNCIL MEMBER, PLACE 3
ALITA BAGLEY	COUNCIL MEMBER, PLACE 4
EVA-JEAN DALTON	COUNCIL MEMBER, PLACE 5

APPOINTED OFFICIALS

NAME	TITLE
RANDY SMITH	CITY MANAGER
WENDI DELGADO	DIRECTOR OF OPERATIONS
RODRIGO GIMENEZ	CHIEF FINANCIAL OFFICER
ED CAUM	CONVENTION AND VISITORS BUREAU DIRECTOR
CLAUDINE O'CARROLL	POLICE CHIEF
JIM PIGG	FIRE CHIEF
CARLOS SANCHEZ	PUBLIC WORKS DIRECTOR
MARK SHELLARD	INFORMATION TECHNOLOGY DIRECTOR
ARACELI SANCHEZ	HUMAN RESOURCES MANAGER
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
KRISTINA BORBURKA	SHORELINE DIRECTOR
JESSE ARRIAGA	TRANSIT DIRECTOR
ANGELIQUE SOTO	CITY SECRETARY
DENTON, NAVARRO, ROCHA, BERNAL & ZECH	CITY ATTORNEY

(This page intentionally left blank)



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

(This page intentionally left blank)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Padre Island, Texas, as of September 30, 2020 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 19 through 28 and 68 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Padre Island's basic financial statements. The introductory section, the other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

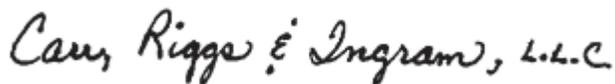
(This page intentionally left blank)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021, on our consideration of the City of South Padre Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of South Padre Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of South Padre Island's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Cary Riggs & Ingram, L.L.C."

Harlingen, Texas
March 17, 2021

(This page intentionally left blank)

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

As management of the City of South Padre Island (the City), we offer readers of the City's financial statements this narrative overview and analysis as of September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets and deferred outflows of the City of South Padre Island exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$57,285,418 (net position). Of this amount, \$6,121,659 (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 \$3,523,746 during the fiscal year from the results of current year activities.
- As of the close of the current fiscal year, the City of South Padre Island governmental funds reported combined ending fund balances of \$37,111,659. Approximately 22.9% of this amount, \$8,489,898 is available for spending at the government's discretion (unassigned fund balance). This unassigned fund balance exceeds the General Fund's required six month reserve (\$6,096,456 for 2020) established by the City Charter.
- At the end of the current fiscal year 76.7%, \$28,479,611 of the governmental funds fund balance was restricted and approximately 0.4%, \$142,150 was non-spendable.
- The City of South Padre Island's total bonded debt decreased by \$1,670,000 during the current fiscal year. This decrease is the result of payments made on bonded debt totaling \$1,670,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The City of South Padre Island maintains 23 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, Venue Tax Construction Fund and the Venue Project Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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.

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

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

Other information. In addition to the basic financial statements and accompanying notes, the City of South Padre Island adopts an annual appropriated budget for its General Fund, certain Special Revenue Funds, Capital Projects Funds and its Debt Service Fund. Budgetary comparison schedules have been presented as required supplementary information for the General Fund and major Special Revenue Funds. Budgetary comparison schedules have been presented as other supplementary information for certain Non-Major Special Revenue Funds, Capital Projects Funds and the Debt Service Funds which have a legally adopted budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

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

Government-wide Financial Analysis

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

	Total Governmental Activities 2020	Total Governmental Activities 2019
ASSETS		
Current and other assets	\$ 39,818,332	\$ 38,996,592
Capital assets	38,887,886	37,051,501
Total assets	78,706,218	76,048,093
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	985,666	2,517,082
Deferred outflows related to OPEB liabilities	100,105	37,522
Deferred amount on refunding	116,780	140,137
Total deferred outflows of resources	1,202,551	2,694,741
LIABILITIES		
Current liabilities	1,995,256	1,212,479
Non-current liabilities	19,216,136	23,607,761
Total liabilities	21,211,392	24,820,240
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB liabilities	43,884	24,138
Deferred inflows related to pension liabilities	1,368,075	136,784
Total deferred inflows of resources	1,411,959	160,922
NET POSITION		
Net investment in capital assets	27,214,217	28,045,389
Restricted	23,949,542	19,918,111
Unrestricted	6,121,659	5,798,172
Total net position	\$ 57,285,418	\$ 53,761,672

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Padre Island, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,285,418 at the close of the most recent fiscal year.

A large portion of the City's net position (47.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

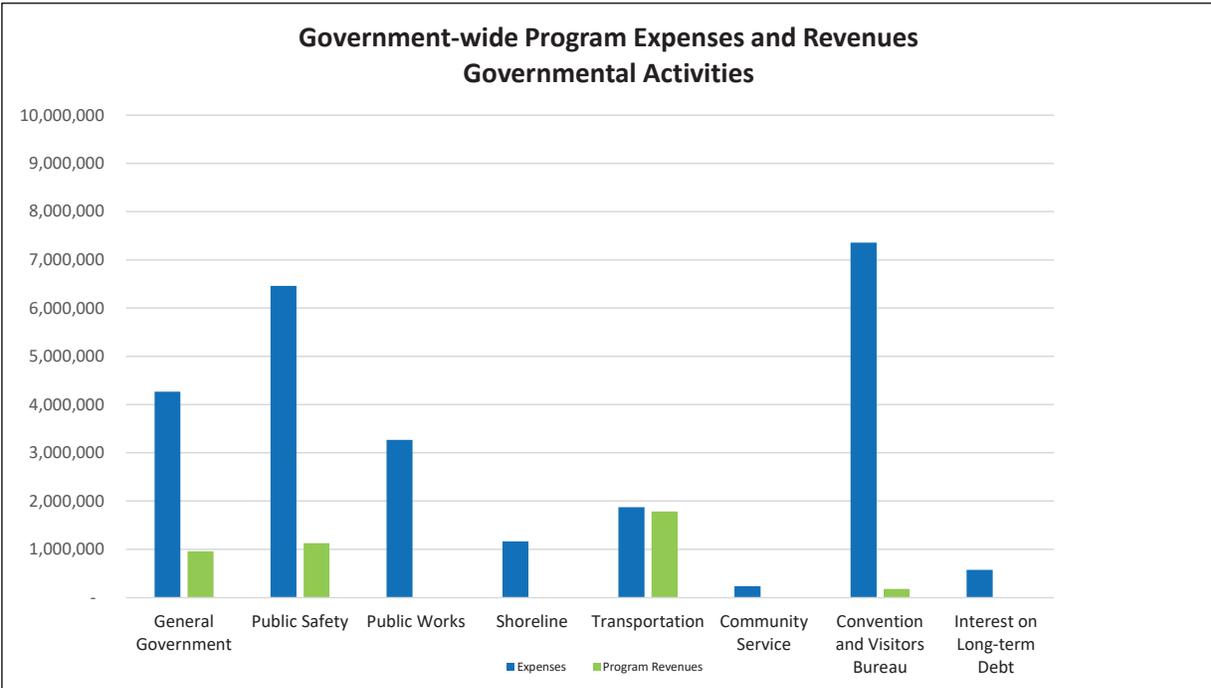
Changes in Net Position. Governmental activities increased the City's net position by \$3,523,746 from the beginning net position of \$53,761,672, as a result of current year activities. Total revenues decreased approximately \$5.1 million. This is primarily the result of a decrease in non-property taxes of approximately \$1.6 million and a decrease in charges for services of about \$545,000, both of which were caused by a decrease in tourism and traffic as a result of the COVID-19 pandemic. In addition, capital grants decreased approximately \$3.2 million, primarily as a result of the completion of the federally funded Transit Multi Modal Facility. These decreases in revenues were offset by increases in operating grants of about \$280,000 received to offset costs incurred related to the COVID-19 pandemic, and increases property taxes of about \$260,000 which continue to increase as a result of increasing property values on the Island.

Expenses during the fiscal period decreased by \$2,866,959 or 10%. This decrease was mostly due to a decrease in personnel costs and reduced activity in other areas of operations as a result of the COVID-19 Pandemic.

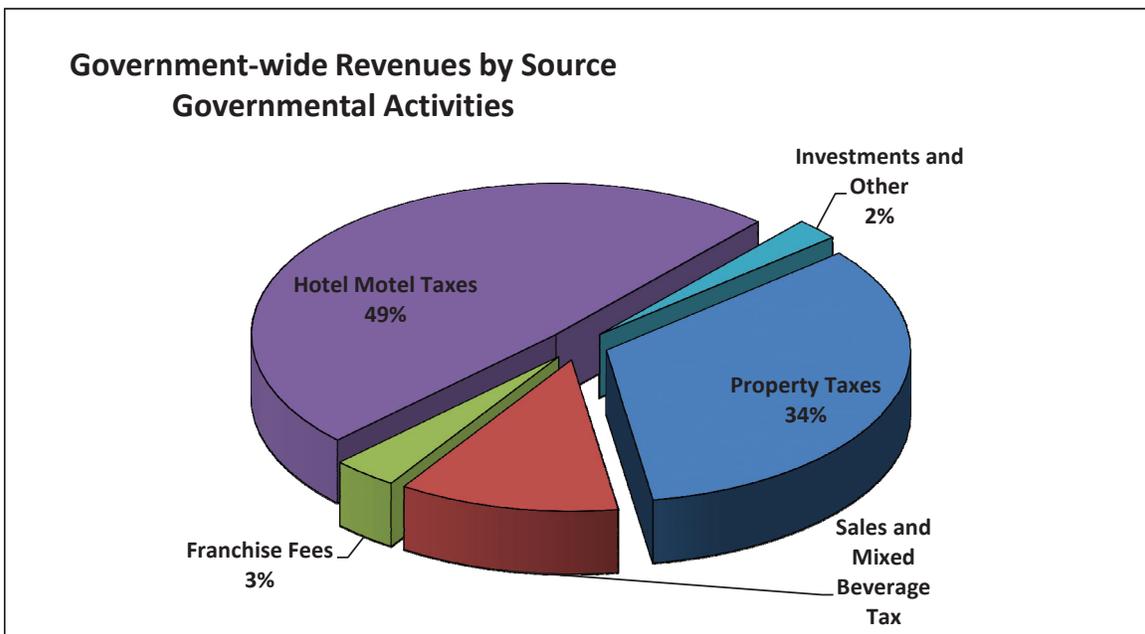
	Total Governmental Activities 2020	Total Governmental Activities 2019
Program Revenues:		
Charges for Services	\$ 1,905,711	\$ 2,450,755
Operating Grants and Contributions	1,868,133	1,589,941
Capital Grants and Contributions	271,409	3,519,537
General Revenues:		
Property Tax	8,301,537	8,040,930
Sales Tax	2,558,059	2,729,632
Franchise Tax	856,673	886,318
Hotel Motel Tax	9,330,334	10,650,064
Hotel Motel Beach Maintenance Tax	2,725,754	2,741,917
Mixed Beverage Tax	332,058	361,391
Gain/(Loss) on Sale of Capital Assets	5,690	(9,839)
Interest and Other	563,603	901,409
Total Revenues	28,718,961	33,862,055
Program Expenses:		
General Government	4,264,772	4,034,629
Public Safety	6,463,558	6,965,278
Public Works/Shoreline	4,432,491	4,405,207
Transportation	1,874,534	1,866,276
Community Service	232,617	183,225
Convention and Visitors Bureau	7,355,929	10,041,264
Interest on Long-Term Debt	571,314	566,295
Total Expenses	25,195,215	28,062,174
Increase in Net Position	3,523,746	5,799,881
Beginning Net Position	53,761,672	47,961,791
Ending Net Position	\$ 57,285,418	\$ 53,761,672

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

The chart below illustrates the City's governmental expenses and revenues by function: General Government, Public Safety, Public Works, Shoreline, Transportation, Community Service, Convention and Visitors Bureau and Interest on Long-term Debt.



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



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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of South Padre Island's governmental funds reported combined ending fund balances of \$37,111,659 a decrease of \$126,727 in comparison with the prior year. Approximately 22.9%, or \$8,489,898 constitutes unassigned fund balance, which is available for spending at the government's discretion. The General Fund six month reserve required by the City charter amounts to \$6,096,456 and is contained within the unassigned fund balance of the General Fund. The restricted funds are 76.7% or \$28,479,611 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 0.4% or \$142,150 of the fund balance is nonspendable; in this case all of the \$142,150 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 \$8,489,898 while total fund balance reached \$8,588,460. 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 74.7% of total General Fund expenditures, while total fund balance represents 75.5% of that same amount.

The fund balance of the City's General Fund increased by \$231,629 during the current fiscal year.

Revenues decreased by \$1,141,710 which was due to a decrease in nearly all types of revenues, primarily as a result of the COVID-19 pandemic. In comparison with last year, the total actual expenditures decreased by approximately \$874,405. The decrease is primarily due to less capital outlay expenditures as well as reductions resulting from the COVID-19 pandemic.

Non-property taxes for both the Hotel Motel and Convention Center funds, decreased by approximately 11.0% or \$982,467 compared to last fiscal year. The Hotel Motel fund expenditures decreased by \$2,623,169 due primarily to a significantly reduced amount of activity being spent on convention and visitors bureau events due to the COVID-19 pandemic.

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

The City issued Series 2017 Venue Hotel Occupancy Tax Revenue Bonds primarily to finance the cost of future infrastructure of the City approved at the election held on November 8, 2016. The bonds are collateralized by the pledged venue hotel occupancy tax revenues of the City and will be repaid over the next 30 years with final maturity in fiscal year 2047. The balance of the bond proceeds is reflected in the Venue Tax Construction Fund. The fund decreased significantly in 2020 due to the use of bond proceeds to fund capital improvements.

The Venue Project Fund experienced an increase in fund balance due to collecting more hotel motel occupancy taxes than expenditures during the fiscal year. However, as with other funds, hotel motel tax revenue decreased as a result of the pandemic.

General Fund Budgetary Highlights

The original budget of the General Fund was amended by ordinance one time during fiscal year 2019-2020. Amendments were mainly related to the impact of the COVID-19 pandemic on the local economy. Additionally, allocations associated with public safety were approved to provide funding for severe weather activities, fire hydrants repairs and overtime cost.

General Fund Budget Variances

During the year, revenues were \$171,557 more than budgeted. This can be primarily attributed to sales tax collections that exceeded the revised allocations for the second part of the fiscal year.

Total expenditures were \$812,315 less than budgeted amounts. All operating expenditures of the General Fund departments were under budget. For all areas of government operations, the savings on expenditures can be attributed to the reduction in activities resulting from the COVID-19 pandemic. Certain vacancies in staffing were not filled immediately and hourly work was reduced, and there was an overall reduction in various other areas due to the changes in activity associated with the pandemic. Much of the additional costs were covered by grant funds which were accounted for in the coronavirus relief fund rather than the general fund, so the impact in the general fund is less expenditures than what was budgeted for.

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

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2020 amounts to \$38,887,886 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, streets and construction in progress. Additional information on capital assets can be found in Note 7. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation

	Total Governmental Activities	Total Governmental Activities
<i>September 30,</i>	2020	2019
Land	\$ 1,497,793	\$ 1,497,793
Construction in progress	-	-
Buildings	18,750,202	20,300,371
Improvements	7,993,885	3,771,979
Furniture and equipment	2,380,348	2,469,094
Infrastructure	8,265,658	9,012,264
Total capital assets	\$ 38,887,886	\$ 37,051,501

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,460,000. The table below reflects the outstanding debt at the fiscal year end. Additional information can be found in Note 10. The City's outstanding general obligation bonds underlying rating is "AA+/Stable" by Standard and Poor's Rating Service and Aa2 Moody's rating.

Outstanding Debt

	Total Governmental Activities	Total Governmental Activities
<i>September 30,</i>	2020	2019
General Obligation Bonds and Tax Anticipation Notes	\$ 15,460,000	\$ 17,130,000
	\$ 15,460,000	\$ 17,130,000

The City of South Padre Island's total bonded debt decreased by \$1,670,000 during the current fiscal year. This change is the result of paying \$190,000 principal on the Series 2011 General Obligation Bond, \$310,000 principal on the Series 2012 General Obligation Refunding Bonds, \$430,000 principal on the Series 2015 Tax Anticipation Notes, \$550,000 principal on the Series 2016 Tax Anticipation Notes and \$190,000 principal on the Series 2017 Venue Hotel Occupancy Tax Revenue Bonds.

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

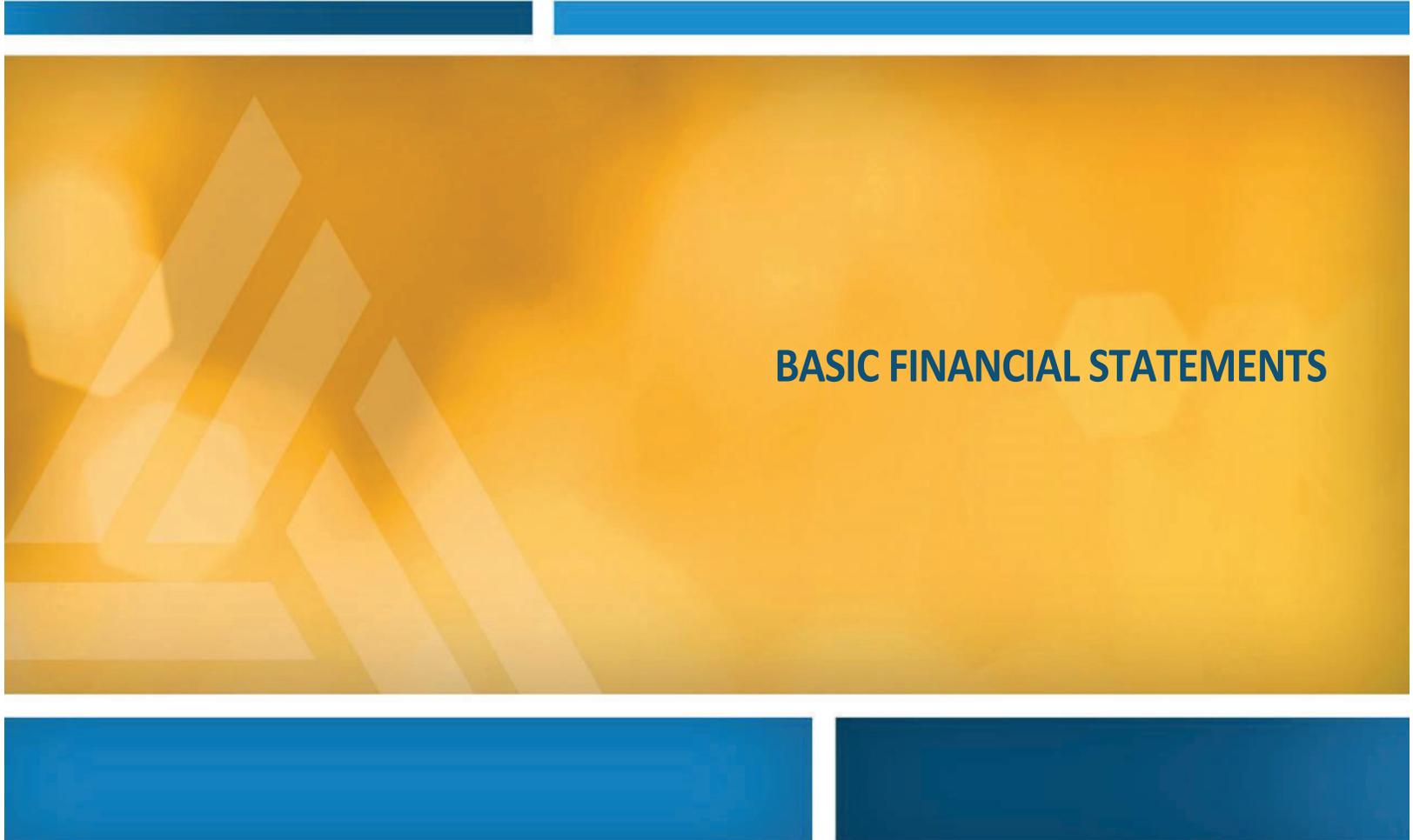
Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2020-2021 fiscal year.

Certified property tax values for the City showed an increase in property values by approximately \$32.8 million, or 1.27% from the preceding year. The City Council adopted a tax rate of \$0.313740 cents per hundred which is split between \$0.251760 per hundred for maintenance and operations and \$0.061980 per hundred for the debt service fund and the retirement of the general obligation bonds.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

City of South Padre Island, Texas Statement of Net Position

September 30, 2020

	Primary Government Total	
	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 21,131,047	\$ 709,450
Cash and cash equivalents- restricted	662,991	430,466
Investments	14,487,948	-
Investments- restricted	-	412,227
Receivables, net	2,254,954	93,072
Due from other governments	1,139,242	-
Prepaid expenses	142,150	357,225
Loans receivable	-	11,480
Capital assets, net		
Non-depreciable assets	1,497,793	657,236
Depreciable assets	37,390,093	5,120,500
TOTAL ASSETS	78,706,218	7,791,656
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	985,666	11,169
Deferred outflows related to OPEB	100,105	791
Deferred amount on refunding	116,780	130,872
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,202,551	142,832
LIABILITIES		
Accounts payable	1,780,538	-
Other liabilities	184,223	37,603
Unearned revenues	30,495	-
Non-current liabilities		
Due within one year	2,478,927	338,782
Due in more than one year	16,737,209	2,614,316
TOTAL LIABILITIES	21,211,392	2,990,701
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB liabilities	43,884	325
Deferred inflows related to pension liabilities	1,368,075	16,083
TOTAL DEFERRED INFLOWS OF RESOURCES	1,411,959	16,408
NET POSITION		
Net investment in capital assets	27,214,217	2,968,351
Restricted		
Debt service	955,068	811,263
Capital projects	972,598	-
Beach nourishment	3,618,397	-
Transportation	239,861	-
Beach maintenance	3,209,163	-
Municipal court	76,631	-
Criminal justice	34,409	-
Venue project	5,663,087	-
Parks and recreation	162,050	-
Hotel/motel taxes	9,018,278	-
Unrestricted	6,121,659	1,147,765
TOTAL NET POSITION	\$ 57,285,418	\$ 4,927,379

The notes to 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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	
					Governmental Activities	Component Unit
Governmental activities:						
General government	\$ 4,264,772	\$ 697,980	\$ 215,247	\$ 43,895	\$ (3,307,650)	
Public safety	6,463,558	1,028,708	97,762	-	(5,337,088)	
Public works	3,275,147	-	-	-	(3,275,147)	
Shoreline	1,157,344	-	-	-	(1,157,344)	
Transportation	1,874,534	-	1,555,124	227,514	(91,896)	
Community service	232,617	3,550	-	-	(229,067)	
Convention and visitors bureau	7,355,929	175,473	-	-	(7,180,456)	
Interest and fees on long-term debt	571,314	-	-	-	(571,314)	
Total governmental activities	25,195,215	1,905,711	1,868,133	271,409	(21,149,962)	
Component unit:						
Economic development	574,037	-	-	-		(574,037)
Interest expense	72,028	-	-	-		(72,028)
Total component unit	\$ 646,065	\$ -	\$ -	\$ -		\$ (646,065)

General revenues:		
Property taxes, levied for general purposes	6,637,518	-
Property taxes, levied for debt service	1,664,019	-
Sales taxes	2,558,059	852,686
Franchise taxes	856,673	-
Hotel motel taxes	9,330,334	-
Hotel motel beach maintenance taxes	2,725,754	-
Mixed beverage taxes	332,058	-
Unrestricted investment earnings	461,092	-
Gain/(loss) on disposal of capital assets	5,690	-
Miscellaneous	102,511	23,911
Total general revenues	24,673,708	876,597
Change in net position	3,523,746	230,532
Net position - beginning	53,761,672	4,696,847
Net position - ending	\$ 57,285,418	\$ 4,927,379

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

City of South Padre Island, Texas
Balance Sheet
Governmental Funds

September 30, 2020

	General Fund	Hotel Motel Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,282,832	\$ 2,335,094	\$ 4,500,018	\$ 2,205,203	\$ 8,807,900	\$ 21,131,047
Cash and cash equivalents- restricted	-	-	-	-	662,991	662,991
Investments	6,189,852	2,503,478	-	3,268,850	2,525,768	14,487,948
Receivables (net of allowance for uncollectibles)						
Property taxes	189,618	-	-	-	43,358	232,976
Accounts	1,025,037	649,131	-	189,034	158,776	2,021,978
Due from other governments	-	-	-	-	1,139,242	1,139,242
Due from other funds	477,081	-	-	-	-	477,081
Prepaid items	64,153	5,935	-	-	72,062	142,150
Total assets	\$ 11,228,573	\$ 5,493,638	\$ 4,500,018	\$ 5,663,087	\$ 13,410,097	\$ 40,295,413
LIABILITIES						
Accounts payable	\$ 1,780,538	\$ -	\$ -	\$ -	\$ -	\$ 1,780,538
Due to other funds	-	-	49,891	-	427,190	477,081
Other liabilities	49,517	-	-	-	-	49,517
Unearned revenues - other	-	-	-	-	30,495	30,495
Total liabilities	1,830,055	-	49,891	-	457,685	2,337,631
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	160,692	-	-	-	36,065	196,757
Unavailable revenue - other	649,366	-	-	-	-	649,366
Total deferred inflows of resources	810,058	-	-	-	36,065	846,123
FUND BALANCE						
Nonspendable	64,153	5,935	-	-	72,062	142,150
Restricted	34,409	5,487,703	4,450,127	5,663,087	12,844,285	28,479,611
Unassigned	8,489,898	-	-	-	-	8,489,898
Total fund balances	8,588,460	5,493,638	4,450,127	5,663,087	12,916,347	37,111,659
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 11,228,573	\$ 5,493,638	\$ 4,500,018	\$ 5,663,087	\$ 13,410,097	\$ 40,295,413

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

City of South Padre Island, Texas
Reconciliation of the Balance Sheet of the Governmental Funds
To the Statement of Net Position

September 30, 2020

Fund balances of governmental funds	\$ 37,111,659
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.	38,887,886
Some liabilities, including bonds payable (\$15,460,000 and premiums of \$659,088), and capital leases (\$180,786) are not due in the current period and, therefore, are not reported in the funds.	(16,299,874)
Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	116,780
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(1,022,909)
Certain amounts receivable for property taxes (\$196,757) and other revenues (\$649,366) but which do not represent current financial resources are deferred in the funds.	846,123
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(134,706)
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 (\$1,453,756), a deferred resource inflow in the amount of (\$1,368,075), and a deferred resource outflow in the amount of \$985,666. This resulted in a decrease in net position of \$(1,836,165).	(1,836,165)
Included in the non-current liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of (\$439,597), a deferred resource inflow in the amount of (\$43,884) and a deferred resource outflow in the amount of \$100,105. This resulted in a decrease in net position by (\$383,376).	(383,376)
Net position of governmental activities	\$ 57,285,418

The notes to 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, 2020

	General Fund	Hotel Motel Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 6,551,700	\$ -	\$ -	\$ -	\$ 1,752,847	\$ 8,304,547
Nonproperty taxes	3,746,790	6,383,471	-	1,865,042	3,807,575	15,802,878
Fees and services	1,063,512	3,501	-	-	175,522	1,242,535
Fines and forfeitures	221,829	-	-	-	10,853	232,682
Licenses and permits	214,324	-	-	-	2,220	216,544
Intergovernmental	147,194	-	-	-	1,942,348	2,089,542
Miscellaneous	204,811	60,083	100,239	51,224	197,246	613,603
Total revenues	12,150,160	6,447,055	100,239	1,916,266	7,888,611	28,502,331
EXPENDITURES						
Current						
General government	3,322,352	-	-	30,692	565,825	3,918,869
Public safety	5,629,887	-	-	-	357,333	5,987,220
Public works	2,006,669	-	-	-	-	2,006,669
Shoreline	-	-	-	-	1,152,883	1,152,883
Transportation	-	-	-	-	1,572,096	1,572,096
Community service	-	-	-	-	115,306	115,306
Convention and visitors bureau	-	4,906,615	-	-	1,221,415	6,128,030
Capital outlay	277,611	-	4,568,743	-	633,290	5,479,644
Debt service						
Principal - bonds						
General obligation bonds	-	-	-	-	500,000	500,000
Tax anticipation notes	-	-	-	-	980,000	980,000
Venue tax revenue bonds	-	-	-	-	190,000	190,000
Principal - capital leases	123,060	-	-	-	-	123,060
Interest	10,827	-	-	-	570,513	581,340
Administrative charges	-	-	-	-	3,500	3,500
Total expenditures	11,370,406	4,906,615	4,568,743	30,692	7,862,161	28,738,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	779,754	1,540,440	(4,468,504)	1,885,574	26,450	(236,286)
Other financing sources (uses)						
Sale of capital assets	1	-	-	-	18,606	18,607
Lease proceeds	90,952	-	-	-	-	90,952
Transfers in	132,303	-	-	-	1,659,569	1,791,872
Transfers out	(771,381)	-	-	(508,188)	(512,303)	(1,791,872)
Total other financing sources (uses)	(548,125)	-	-	(508,188)	1,165,872	109,559
Net change in fund balances	231,629	1,540,440	(4,468,504)	1,377,386	1,192,322	(126,727)
Fund balance -- beginning	8,356,831	3,953,198	8,918,631	4,285,701	11,724,025	37,238,386
Fund balance -- ending	\$ 8,588,460	\$ 5,493,638	\$ 4,450,127	\$ 5,663,087	\$ 12,916,347	\$ 37,111,659

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

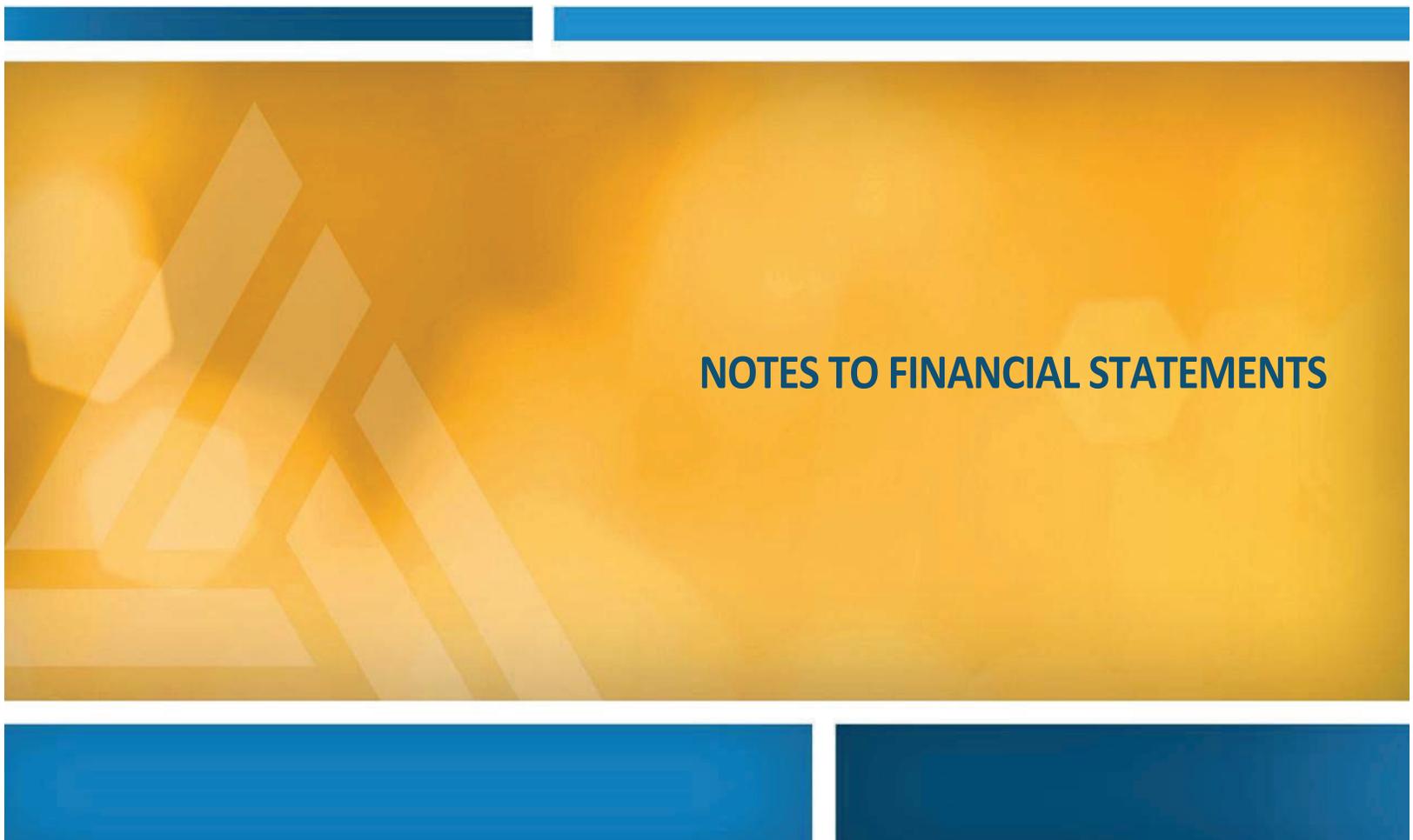
City of South Padre Island, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds To the Statement of Activities

For the Year Ended September 30, 2020

Net change in fund balances -total governmental funds	\$ (126,727)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay 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 \$5,479,644 and including depreciation (\$3,630,342), in the current period is to increase net position.</p>	1,849,302
<p>In the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.</p>	(12,917)
<p>Governmental funds report the issuance of debt as an other financing source, but in governmental activities the issuance of debt is recorded as a long term liability. The effect of removing the capital lease proceeds of \$90,952 from the statement of activities change in net position is to decrease the overall change in net position.</p>	(90,952)
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	1,793,060
<p>The increase in compensated absences payable of (\$11,086) during the year is reported as an increase to expenditures in the statement of activities but not in the governmental funds. The amortization of bond premiums \$82,133 reduces interest expense in the statement of activities, and amortization of debt refunding related deferred outflows of resources of (\$23,357) is an expenditure in the statement of activities but not in the governmental funds. The net effect of including the amortization of deferred outflows of resources, bond premiums and the change in compensated absences is to decrease net position.</p>	47,690
<p>GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$839,944. 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 (\$770,472). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(135,452). The result of these changes is to decrease net position.</p>	(65,980)
<p>Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. The change in the balance of deferred inflows related to property taxes and other receivables was \$210,940 and interest expense increased by \$45,250 in 2020. Recognition of these amounts in the statement of activities results in an increase in the change in net position.</p>	165,690
<p>GASB 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$10,393. 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 \$(9,624). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(36,189). The result of these changes is to decrease the change in net position by \$(35,420).</p>	(35,420)
Change in net position of governmental activities	\$ 3,523,746

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



NOTES TO FINANCIAL STATEMENTS

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Venue Project Fund is used to account for hotel/motel tax assessments collected by the City for repayment of venue projects.

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

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

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.

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: 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.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, provides for a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Cash and Cash Equivalents

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

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

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

c. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2020 are recorded as prepaid items, in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

d. Capital Assets

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

d. Capital Assets- continued

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

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

e. Compensated Absences

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

City 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 at the employee’s base hourly rate as of October 1, 2011.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f. Long-Term Obligations

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

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

g. Pensions

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

h. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the Supplemental Death Benefit's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's Total Net OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

h. Bond Discounts/Issue Costs

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

i. Comparative Data

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

j. Estimates

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

k. Interfund Transfers

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

l. Fund Balance Reporting

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

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Fund Balance Reporting - continued

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, 2020 is \$6,096,456. Since the City's unassigned fund balance exceeds this amount at September 30, 2020, no additional appropriation is needed at this time in order to comply with this policy.

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

m. Net Position

The City's net position is classified as follows:

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

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

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

n. Deferred Outflows and Inflows of Resources

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

The City has an accounting loss on refunding bonds which is a deferred resource outflow and also has unavailable revenues from property taxes which are deferred resource inflows under this standard. The City also reports deferred outflows of resources and deferred inflows of resources related to pensions and OPEB amounts as further described in Note 15 and 16.

o. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 17, 2021 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

- a. The City Manager establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures by fund, function and activity and the means of financing them.
- c. Public hearings and workshops (including department heads) are conducted at the City Hall to obtain taxpayer and elected officials' comments.
- d. Prior to October 1, the budget is legally adopted by the City Council.
- e. Revisions that alter budgets at the department level within a fund must be approved by the Council Members. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types reflect these revisions. Actual expenditures and transfers may not legally exceed budget appropriations at the department level.
- f. Formal budgetary integration is employed as a management control device during the year for the General, certain Special Revenue, Capital Projects and Debt Service Funds.
- g. Annual appropriated budgets are adopted for the General, Special Revenue, Capital Projects and certain Debt Service Funds. Budgets for the Debt Service fund are legally adopted on an annual basis. However, budgets are not adopted for the Venue Seasonal Reserve and Venue Debt Service Reserve Funds as currently the City does not anticipate any expenditures in those 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 2020, 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, Venue Project Funds), that have adopted a budget.

At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at year end. At September 30, 2020, the only significant outstanding encumbrance was \$3,793,140 outstanding in the Venue Tax Construction Fund related to the long term projects. There were no other significant encumbrances at year end in other funds.

City of South Padre Island, Texas
Notes to Financial Statements

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

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

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

1. *Expenditures over Appropriations*

None noted.

NOTE 3: DEPOSITS AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. During the year ended September 30, 2020 the City's cash deposits were covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

Deposits and investments with investment maturities, including accrued interest, as of September 30, 2020 are as follows:

	Investment Maturities (in years)	
	Value	1 or less
Primary Government		
Cash equivalents		
Money market accounts	\$ 6,577,630	\$ 6,577,630
Investments		
TexPool	7,859	7,859
Texas Term	121,074	121,074
Certificates of deposit	14,359,015	14,359,015
	\$ 21,065,578	\$ 21,065,578
Component Unit		
TexPool	\$ 23,572	\$ 23,572
Certificates of deposit	388,655	388,655
	\$ 412,227	\$ 412,227

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and investment follows:

	Primary Governmental Governmental Activities	Component Units	Total
Cash and cash equivalents			
Cash and cash equivalents	\$ 21,131,047	\$ 709,450	\$ 21,840,497
Cash - restricted	662,991	430,466	1,093,457
Total cash and cash equivalents	21,794,038	1,139,916	22,933,954
Investment:			
TexPool	7,859	23,572	31,431
Texas Term	121,074	-	121,074
Certificates of deposit	14,359,015	388,655	14,747,670
Total Investments	14,487,948	412,227	14,900,175
Total cash and investments	\$ 36,281,986	\$ 1,552,143	\$ 37,834,129

As of September 30, 2020 The City's investments in certificates of deposit are valued at cost plus accrued interest.

See Note 10 for components of cash restrictions.

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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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

Interest Rate Risk

Description	Rate	Amount	Maturity
East West Bank CD	3.90%	\$ 1,250,668	August 12, 2021
East West Bank CD	3.90%	\$ 1,250,668	August 12, 2021
East West Bank CD	3.70%	\$ 1,500,639	February 22, 2021
East West Bank CD	3.70%	\$ 500,213	February 22, 2021
East West Bank CD	4.30%	\$ 2,503,478	December 7, 2020
East West Bank CD	2.05%	\$ 1,024,444	January 29, 2021
East West Bank CD	2.43%	\$ 517,543	May 3, 2021
Origin Bank CD	2.82%	\$ 1,307,996	February 20, 2021
Allegiance Bank CD	0.45%	\$ 1,001,111	June 16, 2022
Allegiance Bank CD	0.45%	\$ 2,002,255	June 16, 2022
Bank OZK CD	0.32%	\$ 1,500,000	March 24, 2022
Total Certificates of Deposit		\$ 14,359,015	

Description	Rate	Amount	Maturity
First Community Bank CD	0.75%	\$ 145,488	October 1, 2020
SouthSide Bank	1.75%	\$ 243,167	October 25, 2020
Total Certificates of Deposit		\$ 388,655	

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, 2020 the investments in TexPool and Texas Term investment risk pools were rated AAAM and AAAs 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.

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.

City of South Padre Island, Texas Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

NOTE 4: PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2019 upon which the 2019 levy was based, was \$2,645,276,110. 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.

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, 2020 was \$.31564 per \$100.

The City Charter provides for taxes to become due on October 1st of the year of levy and shall be paid by January 31st of the following year. Liens for unpaid taxes go into effect on July 1st as the taxes become delinquent. Current tax collections for the year ended September 30, 2020 were 98 percent of the tax levy.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 5: RECEIVABLES

Receivables at September 30, 2020, consist of the following:

	Primary Government					
	General Fund	Hotel Motel Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds	Component Unit
Receivables						
Property Taxes	\$ 199,597	\$ -	\$ -	\$ 45,640	\$ 245,237	\$ -
Accounts	2,648,843	649,131	189,034	158,776	3,645,784	93,072
Gross receivables	2,848,440	649,131	189,034	204,416	3,891,021	93,072
Less allowance for uncollectibles						
Property Taxes	(9,979)	-	-	(2,282)	(12,261)	-
Accounts	(1,623,806)	-	-	-	(1,623,806)	-
	(1,633,785)	-	-	(2,282)	(1,636,067)	-
Total receivables, net	\$ 1,214,655	\$ 649,131	\$ 189,034	\$ 202,134	\$ 2,254,954	\$ 93,072

As of September 30, 2020 the component unit had a loan receivable of \$11,480. 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.

NOTE 6: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2020 consist of the following:

	Primary Government	
	Other Governmental Funds	Total Governmental Funds
Texas State Comptroller - Occupancy Tax	\$ 513,415	\$ 513,415
State of Texas - Department of Transportation	491,175	491,175
Texas Emergency Management	134,652	134,652
	\$ 1,139,242	\$ 1,139,242

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 is as follows:

Governmental Activities

	Beginning Balance October 1, 2019	Additions	Transfers	Retirements	Ending Balance September 30, 2020
Capital assets, not being depreciated					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Construction in progress	-	-	-	-	-
	1,497,793	-	-	-	1,497,793
Capital assets, being depreciated					
Buildings	41,568,120	205,151	-	-	41,773,271
Improvements	7,861,014	4,626,421	-	-	12,487,435
Furniture and equipment	8,741,985	626,243	-	(427,857)	8,940,371
Infrastructure	17,517,589	21,829	-	-	17,539,418
	75,688,708	5,479,644	-	(427,857)	80,740,495
Less accumulated depreciation					
Buildings	(21,267,749)	(1,755,320)	-	-	(23,023,069)
Improvements	(4,089,035)	(404,515)	-	-	(4,493,550)
Furniture and equipment	(6,272,891)	(702,072)	-	414,940	(6,560,023)
Infrastructure	(8,505,325)	(768,435)	-	-	(9,273,760)
Total accumulated depreciation	(40,135,000)	(3,630,342)	-	414,940	(43,350,402)
Total capital assets, being depreciated, net	35,553,708	1,849,302	-	(12,917)	37,390,093
Governmental activities, capital assets, net	\$ 37,051,501	\$ 1,849,302	\$ -	\$ (12,917)	\$ 38,887,886

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	\$ 316,462
Community service	116,804
Convention and Visitor Bureau	1,216,238
Public works	1,256,716
Public safety	429,188
Transportation	294,934
Total depreciation - governmental activities	\$ 3,630,342

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

Component Unit

Activity for the Economic Development Corporation is as follows:

	Beginning Balance October 1, 2019	Additions	Transfers	Retirements	Ending Balance September 30, 2020
Capital assets, not being depreciated					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
	657,236	-	-	-	657,236
Capital assets, being depreciated					
Buildings	6,599,015	-	-	-	6,599,015
Improvements	375,000	-	-	-	375,000
Furniture and equipment	21,604	-	-	-	21,604
	6,995,619	-	-	-	6,995,619
Less accumulated depreciation					
Buildings	(1,543,322)	(136,949)	-	-	(1,680,271)
Improvements	(147,760)	(25,484)	-	-	(173,244)
Furniture and equipment	(21,604)	-	-	-	(21,604)
Total accumulated depreciation	(1,712,686)	(162,433)	-	-	(1,875,119)
Total capital assets, being depreciated, net	5,282,933	(162,433)	-	-	5,120,500
Component unit, capital assets, net	\$ 5,940,169	\$ (162,433)	\$ -	\$ -	\$ 5,777,736

NOTE 8: DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

	Unavailable
Governmental funds	
Delinquent property taxes receivable	\$ 196,757
Grants and other	649,366
Total deferred inflows of resources for governmental funds	\$ 846,123

The component unit reported \$11,480 in unavailable revenue related to noncurrent receivables at September 30, 2020.

In governmental activities, deferred outflows of resources consist of \$116,780 of deferred charges on refundings of long-term debt and \$985,666 and \$100,105 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$1,368,075 and \$43,884 at September 30, 2020. In the component unit deferred outflows of resources consist of \$130,872 of deferred charges on refundings of long-term debt and \$11,169 and \$791 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$16,083 and \$325 at September 30, 2020 for the component unit.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 9: UNEARNED REVENUE

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

For the year ended September 30, 2020, \$30,495 of unearned revenues are reported in the government funds and in the statement of net position for amounts received for in advance of the City performing the related services.

NOTE 10: LONG-TERM DEBT

Primary Government

General Obligation Bonds

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

General obligation bonds and tax anticipation notes are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year. Tax anticipation notes pledge the ad valorem taxes collected by the City for the repayment of the obligation. General obligation bonds and tax anticipation notes currently outstanding are as follows:

1. *Bonds*

	Beginning Balance October 1,			Ending Balance	
	2019	Additions	Reductions	September 30, 2020	Due In One Year
<i>General Government:</i>					
Series 2011 General Obligation Bond	\$ 2,795,000	\$ -	\$ (190,000)	\$ 2,605,000	\$ 195,000
Series 2012 General Obligation Refunding Bonds	1,980,000	-	(310,000)	1,670,000	315,000
Series 2015 Tax Anticipation Notes	1,340,000	-	(430,000)	910,000	445,000
Series 2016 Tax Anticipation Notes	2,300,000	-	(550,000)	1,750,000	565,000
Series 2017 Venue Hotel Occupancy Tax Revenue Bonds	8,715,000	-	(190,000)	8,525,000	195,000
	\$ 17,130,000	\$ -	\$ (1,670,000)	\$ 15,460,000	\$ 1,715,000

The following table summarizes the restricted cash and cash equivalents as of September 30, 2020:

	Governmental Activities
Cash and cash equivalents - restricted	
Cash restricted for Venue Seasonal Reserve	\$ 132,419
Cash restricted for Venue Debt Reserve	530,572
	<u>\$ 662,991</u>

Cash and cash equivalents of \$416,184 and \$14,282 are restricted for the EDC Debt Service Reserve and EDC Debt Service Fund, respectively. In addition, the EDC Debt Service Fund reported \$23,572 in restricted investments.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

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

Year Ending September 30,	General Obligation Bonds		Tax Anticipation Notes		Venue Tax Revenue Bonds		Total		Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	510,000	135,150	1,010,000	71,525	195,000	313,638	1,715,000	520,313	2,235,313
2022	525,000	118,650	1,050,000	36,075	200,000	309,738	1,775,000	464,463	2,239,463
2023	545,000	102,338	600,000	9,000	205,000	303,738	1,350,000	415,076	1,765,076
2024	560,000	86,150	-	-	210,000	297,588	770,000	383,738	1,153,738
2025	575,000	70,400	-	-	215,000	291,288	790,000	361,688	1,151,688
2026-2030	1,275,000	188,500	-	-	1,190,000	1,347,890	2,465,000	1,536,390	4,001,390
2031-2035	285,000	5,700	-	-	1,435,000	1,097,990	1,720,000	1,103,690	2,823,690
2036-2040	-	-	-	-	1,775,000	767,113	1,775,000	767,113	2,542,113
2041-2045	-	-	-	-	2,135,000	397,775	2,135,000	397,775	2,532,775
2046-2050	-	-	-	-	965,000	50,925	965,000	50,925	1,015,925
	\$ 4,275,000	\$ 706,888	\$ 2,660,000	\$ 116,600	\$ 8,525,000	\$ 5,177,683	\$ 15,460,000	\$ 6,001,171	\$ 21,461,171

Component Unit

1. Revenue Bonds

	Beginning Balance October 1,			Ending Balance September 30,		Due In One Year
	2019	Additions	Reductions	2020		
	2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,100,000	\$ -	\$ (310,000)	\$ 2,790,000	

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

Year Ending September 30,	2016 Revenue Bonds		Total
	Principal	Interest	Principal & Interest
2021	320,000	71,250	391,250
2022	320,000	64,850	384,850
2023	335,000	58,300	393,300
2024	340,000	51,550	391,550
2025	350,000	42,900	392,900
2026-2030	1,125,000	61,275	1,186,275
	\$ 2,790,000	\$ 350,125	\$ 3,140,125

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Primary Government

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

During June 2011, the City issued Series 2011 General Obligation Bonds to construct and equip a new fire station. The bonds are collateralized by the full faith and credit of the government and will be repaid over the next 20 years. Principal is due annually, and interest payments at the rate of 3.00 – 4.00% are due March 1 and September 1.

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

During April of 2016, the City issued Series 2016 Tax Notes for \$3,890,000 primarily, but not limited, to finance the cost of improvements on Padre Boulevard. The tax notes are collateralized by the pledged tax revenues of the City and will be repaid over the next 7 years with final maturity in fiscal year end 2023. Principal is due annually, and interest payments at the rate of 2% - 3% are due on February 15 and August 15 of each fiscal year.

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

Advance Refundings

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

The advance refunding was undertaken to reduce the City's interest payments. The advance refunding resulted in an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$201,901, and a gross savings of \$223,738. At September 30, 2017, the defeased portion of the 2005 Series General Obligation bonds had a balance of \$2,485,000.

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Capital Lease Obligations

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

In December 2019, the City entered into a lease-purchase agreement with CNH Industrial Capital for the purchase of a Case Tractor Loader Backhoe. Payments are due in 59 monthly payments beginning January of 2020 with final payment due in November 2024.

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, 2020:

Year ending September 30,	Fire Ladder Truck	Tractor Backhoe	Total
2021	52,878	21,535	74,413
2022	52,878	21,537	74,415
2023		21,536	21,536
2024		21,536	21,536
2025		3,579	3,579
Total minimum lease payments	105,756	89,723	195,479
Less the amount representing interest	(4,444)	(10,249)	(14,693)
Present value of net minimum lease payments	\$ 101,312	\$ 79,474	\$ 180,786

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities for Governmental Activities

During the year ended September 30, 2020, the following changes occurred in liabilities reported as non-current liabilities.

Changes in long-term liabilities for governmental activities

	October 1, 2019	Additions	Reductions	September 30, 2020	Amount Due Within One Year
Bonds payable	\$ 17,130,000	\$ -	\$ (1,670,000)	\$ 15,460,000	\$ 1,715,000
Premium on bond issuances	741,221	-	(82,133)	659,088	82,133
Total bonds payable	17,871,221	-	(1,752,133)	16,119,088	1,797,133
Compensated absences*	1,011,823	740,084	(728,998)	1,022,909	615,298
Capital leases	212,894	90,952	(123,060)	180,786	66,496
Net pension liability	4,150,483	4,135,091	(6,831,818)	1,453,756	-
Net OPEB liability	361,340	108,364	(30,107)	439,597	-
Total long-term debt	\$ 23,607,761	\$ 5,074,491	\$ (9,466,116)	\$ 19,216,136	\$ 2,478,927

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

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

Component Unit

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

During July 2007, the Economic Development Corporation ("EDC") issued Sales Tax Revenue Bond Series 2007 for the purpose of paying the costs of the acquisition and construction of land, buildings, equipment, facilities and improvements relating to a birding and nature center as a public facility, funding a debt service reserve fund and paying the costs of issuance. The bonds are collateralized and secured with a pledge of revenues derived from sales and use tax levied in the City of South Padre Island, as allocated to the EDC, and carry a term of 20 years, maturing September 30, 2028. The debt covenants require a debt service reserve fund sufficient to provide for the final principal and interest payment. The bonds carry an interest rate of 4.37% with interest payments due in March and September.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities for Component Unit

Changes in long-term liabilities for component unit

	October 1, 2019	Additions	Reductions	September 30, 2020	Amount Due Within One Year
2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,100,000	\$ -	\$ (310,000)	\$ 2,790,000	\$ 320,000
Premium on bond issuance	169,039	-	(18,782)	150,257	18,782
Total bonds payable	3,269,039	-	(328,782)	2,940,257	338,782
Net pension liability	30,235	32,087	(53,013)	9,309	-
Net OPEB liability	2,925	841	(234)	3,532	-
Total long-term debt	\$ 3,302,199	\$ 32,928	\$ (382,029)	\$ 2,953,098	\$ 338,782

NOTE 11: INTERFUND ASSETS/LIABILITIES

Due to/from other funds:

Payable Fund	Receivable Fund General Fund
Venue Tax Construction Fund	\$ 49,891
Other Governmental Funds	427,190
Total	\$ 477,081

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

NOTE 12: TRANSFERS

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

	Transfer In Funds		
	General Fund	Other Governmental Funds	Total
Transfers Out Funds			
General	\$ -	\$ 771,381	\$ 771,381
Venue Project Fund	-	508,188	508,188
Other Governmental Funds	132,303	380,000	512,303
Total transfers	\$ 132,303	\$ 1,659,569	\$ 1,791,872

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 12: TRANSFERS (Continued)

Transfer between funds within the Component Unit:

Transfer Out Funds	Transfer In Funds		Total
	EDC Debt Service Fund	BNC Facility Maintenance	
Economic Development Corporation	\$ 394,450	\$ 70,304	\$ 464,754

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

1. *Litigation*

The City is party to various legal proceedings generally incidental to its operations. For the fiscal year ending September 30, 2020, the City does have ongoing litigation. Although the ultimate outcome of these proceedings are not presently certain, in the opinion of City management, the resolution of these matters will not have a material adverse effect on the financial condition of the City. As such, no accrual is considered necessary.

2. *Grant Programs*

The City and component unit participate in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 14: RISK MANAGEMENT

The City is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors and omissions; catastrophes, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool. The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$392,000,000 (as of September 30, 2020, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on the type of insurance coverage. The City must promptly pay contributions to the risk pool as outlined by the coverage contracts, comply with underwriting standards and implement loss control recommendations deemed necessary by a risk pool representative due to an eminent high risk of loss situation. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE 15: DEFINED BENEFIT PENSION PLANS

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

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

A. Plan Description

The City of South Padre Island participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City and the EDC (component unit) are 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-financed 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

B. Benefits Provided - continued

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	99
Active employees	<u>173</u>
	345

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 the finance any unfunded any unfunded accrued liability.

Employees for the City of South Padre Island were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 12.81% and 12.93% in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020 were \$1,122,805, and were equal to the required contributions.

D. Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

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

Net Pension Liability

	City Increase (Decrease)			EDC Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balance at December 31, 2018	\$ 36,523,149	\$ 32,372,666	\$ 4,150,483	\$ 289,603	\$ 259,368	\$ 30,235
Changes for the year:						
Service cost	1,481,157	-	1,481,157	11,493	-	11,493
Interest	2,468,553	-	2,468,553	19,156	-	19,156
Change in benefit terms	-	-	-	-	-	-
Difference between expected/actual experience	(208,592)	-	(208,592)	(1,619)	-	(1,619)
Changes of assumptions	156,245	-	156,245	1,213	-	1,213
Contributions - employer	-	1,044,579	(1,044,579)	-	8,106	(8,106)
Contributions - employee	-	570,303	(570,303)	-	4,425	(4,425)
Net investment income	-	5,008,344	(5,008,344)	-	38,863	(38,863)
Benefit payments, including refunds of employee contributions	(1,397,451)	(1,397,451)	-	(10,844)	(10,844)	-
Administrative expenses	-	(28,287)	28,287	-	(218)	218
Other charges	-	(849)	849	-	(7)	7
Net changes	2,499,912	5,196,639	(2,696,727)	19,399	40,325	(20,926)
Balance at December 31, 2019	\$ 39,023,061	\$ 37,569,305	\$ 1,453,756	\$ 309,002	\$ 299,693	\$ 9,309

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 7,669,399	\$ 1,453,756	\$ (3,578,801)
EDC (component unit) net pension liability	59,513	9,309	(27,771)
City's net pension liability	\$ 7,728,912	\$ 1,463,065	\$ (3,606,572)

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended September 30, 2020 the City and the EDC recognized combined pension expense in the amounts of \$1,180,032 and \$9,157, respectively. At September 30, 2020 the City and the EDC reported combined deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		EDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 5,859	\$ 226,119	\$ 45	\$ 1,755
Changes in actuarial assumptions	139,863	-	4,606	-
Differences between projected and actual investment earnings (net of current year amortization)	-	1,141,956	-	14,328
Contributions subsequent to the measurement date	839,944	-	6,518	-
Total	\$ 985,666	\$ 1,368,075	\$ 11,169	\$ 16,083

The \$839,944 and \$6,518 in the City and the EDC 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2021	\$ (358,941)	\$ (3,759)	\$ (362,700)
2022	(344,199)	(3,644)	(347,843)
2023	58,631	455	59,086
2024	(577,017)	(4,478)	(581,495)
2025	(827)	(6)	(833)
Total	(1,222,353)	(11,432)	(1,233,785)

NOTE 16: OTHER POST EMPLOYMENT BENEFITS

Plan Description and Benefits

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>173</u>
	255

Contributions

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

Employees for the City of South Padre Island were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 0.16% and 0.16% in calendar year 2019 and 2020, respectively. The City's contributions to the SDBF for the year ended September 30, 2020 were \$13,926, and were equal to the required contributions.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2019
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor..

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2019.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions- continued:

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

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

	City Increase (Decrease)	EDC Increase (Decrease)
	Total OPEB Liability (a)	Total OPEB Liability (a)
Balance at December 31, 2018	\$ 361,340	\$ 2,925
Changes for the year:		
Service cost	16,295	126
Interest	13,667	106
Change in benefit terms	-	-
Difference between expected/actual experience	(27,663)	(215)
Changes of assumptions	78,402	609
Contributions - employer	-	-
Contributions - employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(2,444)	(19)
Administrative expenses	-	-
Other charges	-	-
Net changes	78,257	607
Balance at December 31, 2019	\$ 439,597	\$ 3,532

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	\$ 542,188	\$ 439,597	\$ 360,937
EDC (component unit) total OPEB liability	4,207	3,532	2,801
City's total OPEB liability	\$ 546,395	\$ 443,129	\$ 363,738

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2020 the City and the EDC recognized combined OPEB expense in the amounts of \$38,638 and \$300, respectively. At September 30, 2020 the City and the EDC reported combined deferred outflows of related to OPEB from the following sources:

	City		EDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 4,864	\$ 23,643	\$ 38	\$ 183
Changes in actuarial assumptions	84,848	20,241	672	142
Differences between projected and actual investment earnings (net of current year amortization)	-	-	-	-
Contributions subsequent to the measurement date	10,393	-	81	-
Total	\$ 100,105	\$ 43,884	\$ 791	\$ 325

The \$10,393 and \$81 in the City and EDC which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2021	\$ 8,677	\$ 67	\$ 8,744
2022	8,677	67	8,744
2023	8,677	67	8,744
2024	8,677	67	8,744
2025	5,192	70	5,262
Thereafter	5,928	47	5,975
Total	\$ 45,827	\$ 386	\$ 46,213

NOTE 17: FUND BALANCE REPORTING

Nonspendable – These funds were used for prepaid items.

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

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.

Unassigned – The unassigned fund balance has no constraints.

City of South Padre Island, Texas
Notes to Financial Statements

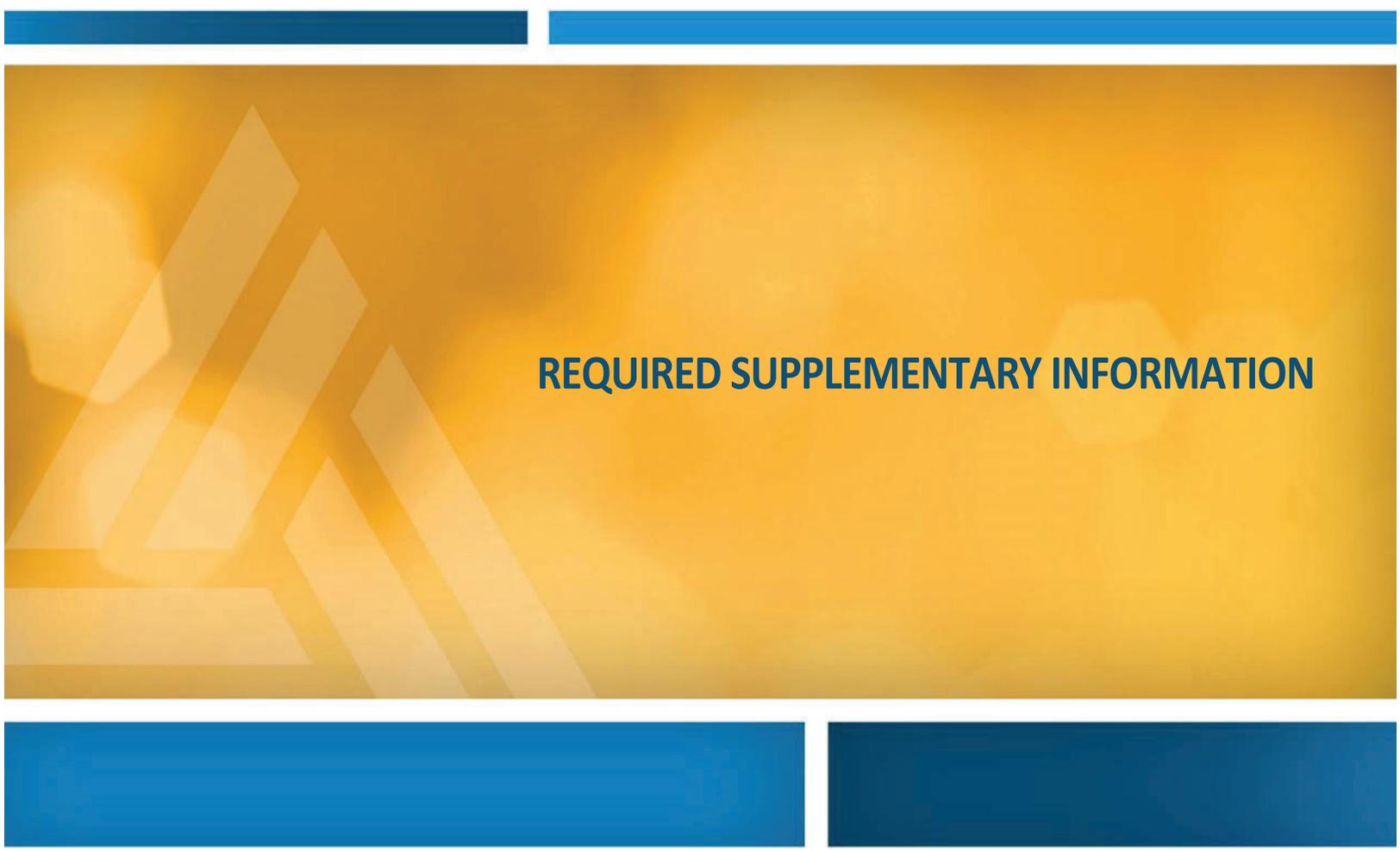
NOTE 17: FUND BALANCE REPORTING (Continued)

	General Fund	Hotel Motel Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
Fund balance						
Nonspendable						
Prepaid	\$ 64,153	\$ 5,935	\$ -	\$ -	\$ 72,062	\$ 142,150
Restricted						
Debt service	-	-	-	-	1,053,709	1,053,709
Capital projects	-	-	4,450,127	5,663,087	805,074	10,918,288
Hotel/motel tax	-	5,487,703	-	-	3,493,970	8,981,673
Beach nourishment	-	-	-	-	3,618,397	3,618,397
Transportation	-	-	-	-	198,637	198,637
Beach maintenance	-	-	-	-	3,208,995	3,208,995
Municipal court	-	-	-	-	76,631	76,631
Criminal justice	34,409	-	-	-	-	34,409
Parks and recreation	-	-	-	-	162,050	162,050
TIRZ	-	-	-	-	226,822	226,822
Unassigned	8,489,898	-	-	-	-	8,489,898
	\$ 8,588,460	\$ 5,493,638	\$ 4,450,127	\$ 5,663,087	\$ 12,916,347	\$ 37,111,659

NOTE 18: NET POSITION

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

	Governmental Activities	Component Unit
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$ 38,887,886	\$ 5,777,736
Deferred outflows of resources - deferred amount on refunding	116,780	130,872
Less related liabilities (bonds, net of premium, and capital leases)	(16,299,874)	(2,940,257)
Unspent bond proceeds	4,509,425	-
Net investment in capital assets - total	27,214,217	2,968,351
Restricted net position consists of the following:		
Restricted for debt service	955,068	811,263
Restricted for capital projects	972,598	-
Restricted for beach nourishment	3,618,397	-
Restricted for transportation	239,861	-
Restricted for beach maintenance	3,209,163	-
Restricted for municipal court	76,631	-
Restricted for criminal justice	34,409	-
Restricted for venue project	5,663,087	-
Restricted for parks and recreation	162,050	-
Restricted for hotel/motel taxes	9,018,278	-
Restricted net position - total	23,949,542	811,263
Unrestricted net position	6,121,659	1,147,765
Total net position	\$ 57,285,418	\$ 4,927,379



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, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes - including penalty and interest	\$ 6,464,469	\$ 6,464,469	\$ 6,551,700	\$ 87,231
Nonproperty taxes	3,810,050	3,554,187	3,746,790	192,603
Fees and services	1,109,303	1,109,303	1,063,512	(45,791)
Fines and forfeitures	410,000	410,000	221,829	(188,171)
Licenses and permits	183,600	183,600	214,324	30,724
Intergovernmental	87,600	107,607	147,194	39,587
Miscellaneous and program revenues	145,300	149,437	204,811	55,374
Total revenues	12,210,322	11,978,603	12,150,160	171,557
EXPENDITURES				
Current				
General government				
City council	20,000	20,000	2,433	17,567
City administration	656,553	618,364	540,239	78,125
Finance	461,928	456,928	435,047	21,881
Planning	187,233	162,781	141,534	21,247
Human resources	300,774	290,774	229,300	61,474
Information services	564,380	540,568	497,481	43,087
Environmental health services	479,476	460,676	421,904	38,772
General services	970,573	1,020,573	972,697	47,876
Special projects	76,500	95,000	81,717	13,283
Total general government	3,717,417	3,665,664	3,322,352	343,312
Public safety				
Municipal court	311,148	297,513	256,004	41,509
Police	3,077,630	3,052,915	2,932,089	120,826
Fire	2,518,718	2,595,391	2,429,642	165,749
Emergency management	16,370	16,370	12,152	4,218
Total public safety	5,923,866	5,962,189	5,629,887	332,302
Public works				
Building maintenance	169,253	169,253	162,630	6,623
Inspections	206,377	235,829	214,983	20,846
Fleet management	528,876	443,013	437,147	5,866
Public works	1,240,781	1,275,781	1,191,909	83,872
Total public works	2,145,287	2,123,876	2,006,669	117,207
Capital outlay				
	80,000	295,052	277,611	17,441
Debt service				
Principal retirement - capital lease	129,583	129,583	123,060	6,523
Interest and fees	6,357	6,357	10,827	(4,470)
Total debt service	135,940	135,940	133,887	2,053
Total expenditures	12,002,510	12,182,721	11,370,406	812,315
EXCESS OF REVENUES OVER EXPENDITURES	207,812	(204,118)	779,754	983,872

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, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Sale of fixed asset	\$ -	\$ 25,658	\$ 1	\$ (25,657)
Lease proceeds	-	90,952	90,952	-
Transfers in	190,000	190,000	132,303	(57,697)
Transfers out	(428,856)	(588,909)	(771,381)	(182,472)
Total other financing sources (uses)	(238,856)	(282,299)	(548,125)	(265,826)
NET CHANGE IN FUND BALANCE	\$ (31,044)	\$ (486,417)	231,629	\$ 718,046
Fund balance -- beginning			8,356,831	
Fund balance -- ending			\$ 8,588,460	

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, 2020

	Budget			Variance
	Original	Final	Actual	Final Budget
				Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 7,080,810	\$ 5,988,561	\$ 6,383,471	\$ 394,910
Fees and services	7,000	7,000	3,501	(3,499)
Miscellaneous and program revenues	60,000	60,000	60,083	83
Total revenues	7,147,810	6,055,561	6,447,055	391,494
EXPENDITURES				
Current				
Convention and visitors bureau				
Visitors bureau	239,432	238,819	204,641	34,178
Sales and marketing	2,193,531	1,981,957	1,469,109	512,848
Events marketing	935,983	637,098	496,249	140,849
Marketing	3,762,969	3,712,553	2,734,324	978,229
SPI Historical Museum	-	-	2,292	(2,292)
Total convention and visitors bureau	7,131,915	6,570,427	4,906,615	1,663,812
Total expenditures	7,131,915	6,570,427	4,906,615	1,663,812
NET CHANGE IN FUND BALANCE	\$ 15,895	\$ (514,866)	1,540,440	\$ 2,055,306
Fund balance -- beginning			3,953,198	
Fund balance -- ending			\$ 5,493,638	

City of South Padre Island, Texas
Venue Project Fund Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual

For the Year Ended September 30, 2020

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Nonproperty taxes	\$ 2,070,202	\$ 2,070,202	\$ 1,865,042	\$ (205,160)
Miscellaneous	-	-	51,224	51,224
Total revenues	2,070,202	2,070,202	1,916,266	(153,936)
EXPENDITURES				
Current				
General government	-	-	30,692	(30,692)
Total expenditures	-	-	30,692	(30,692)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	2,070,202	2,070,202	1,885,574	(184,628)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(507,438)	(507,438)	(508,188)	(750)
Total other financing sources (uses)	(507,438)	(507,438)	(508,188)	(750)
NET CHANGE IN FUND BALANCE				
	\$ 1,562,764	\$ 1,562,764	1,377,386	\$ (185,378)
Fund balance -- beginning			4,285,701	
Fund balance -- ending			\$ 5,663,087	

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

<i>For the Years Ended September 30,</i>	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 1,492,650	\$ 1,581,818	\$ 1,501,734	\$ 1,362,970	\$ 1,328,713	\$ 1,221,450
Interest (on the total pension liability)	2,487,708	2,318,640	2,150,831	1,991,081	1,904,228	1,754,638
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(210,211)	(37,697)	(4,413)	20,476	(254,650)	(172,667)
Changes of assumptions	157,458	-	-	-	136,482	-
Benefit payments, including refunds of employee contributions	(1,408,294)	(1,218,630)	(1,185,643)	(968,845)	(706,482)	(733,635)
Net change in total pension liability	2,519,311	2,644,131	2,462,509	2,405,682	2,408,291	2,069,786
Total pension liability – beginning	36,812,752	34,168,621	31,706,112	29,300,430	26,892,139	24,822,353
Total pension liability – ending (a)	\$ 39,332,063	\$ 36,812,752	\$ 34,168,621	\$ 31,706,112	\$ 29,300,430	\$ 26,892,139
Plan Fiduciary Net Position						
Contributions – employer	\$ 1,052,685	\$ 1,123,142	\$ 1,035,135	\$ 950,341	\$ 941,947	\$ 920,340
Contributions – employee	574,728	610,404	580,140	533,900	521,648	516,630
Net investment income	5,047,207	(992,608)	3,983,187	1,788,988	37,906	1,352,871
Benefit payments, including refunds of employee contributions	(1,408,294)	(1,218,630)	(1,185,643)	(968,845)	(706,482)	(733,635)
Administrative expense	(28,506)	(19,180)	(20,642)	(20,192)	(23,085)	(14,122)
Other	(856)	(1,002)	(1,046)	(1,088)	(1,140)	(1,161)
Net change in plan fiduciary net position	5,236,964	(497,874)	4,391,131	2,283,104	770,794	2,040,923
Plan fiduciary net position – beginning	32,632,034	33,129,908	28,738,777	26,455,673	25,684,879	23,643,956
Plan fiduciary net position – ending (b)	37,868,998	32,632,034	33,129,908	28,738,777	26,455,673	25,684,879
Net pension liability – ending (a) – (b)	\$ 1,463,065	\$ 4,180,718	\$ 1,038,713	\$ 2,967,335	\$ 2,844,757	\$ 1,207,260
Plan fiduciary net position as a percentage of total pension liability	96.28%	88.64%	96.96%	90.64%	90.29%	95.51%
Covered payroll	\$ 8,210,394	\$ 8,720,053	\$ 8,287,714	\$ 7,627,140	\$ 7,452,122	\$ 7,380,428
Net pension liability as a percentage of covered payroll	17.82%	47.94%	12.53%	38.90%	38.17%	16.36%

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

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

<i>For the Years Ended September 30,</i>	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,122,805	\$ 1,093,602	\$ 1,097,022	\$ 1,009,664	\$ 952,539	\$ 926,892
Contributions in relation to actuarially determined contribution	(1,122,805)	(1,093,602)	(1,097,022)	(1,009,664)	(952,539)	(926,892)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,703,739	\$ 8,523,629	\$ 8,587,911	\$ 7,980,143	\$7,614,798	\$7,359,671
Contributions as a percentage of covered payroll	12.90%	12.83%	12.77%	12.65%	12.51%	12.59%

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

City of South Padre Island, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System

<i>For the Year ended September 30,</i>	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 16,421	\$ 21,800	\$ 17,404
Interest (on the total OPEB liability)	13,773	12,051	11,515
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(27,878)	6,790	-
Change of assumptions	79,011	(28,237)	30,878
Benefit payments, including refunds of employee contributions	(2,463)	(2,616)	(2,486)
Net Change in Total OPEB Liability	78,864	9,788	57,311
Total OPEB Liability - Beginning	364,265	354,477	297,166
Total OPEB Liability - Ending (a)	\$ 443,129	\$ 364,265	\$ 354,477
Covered Employee Payroll	\$ 8,210,394	\$ 8,720,053	\$ 8,287,714
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.40%	4.18%	4.28%

Notes to Schedule:

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

City of South Padre Island, Texas
Notes to Schedule of Contributions
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System
For the Year Ended September 30, 2020

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	26 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table of rates that are specific to the City’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

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

City of South Padre Island, Texas
Notes to the Required Supplementary Information
For the Year Ended September 30, 2020

Stewardship, compliance, and accountability

1. Budgetary information

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

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

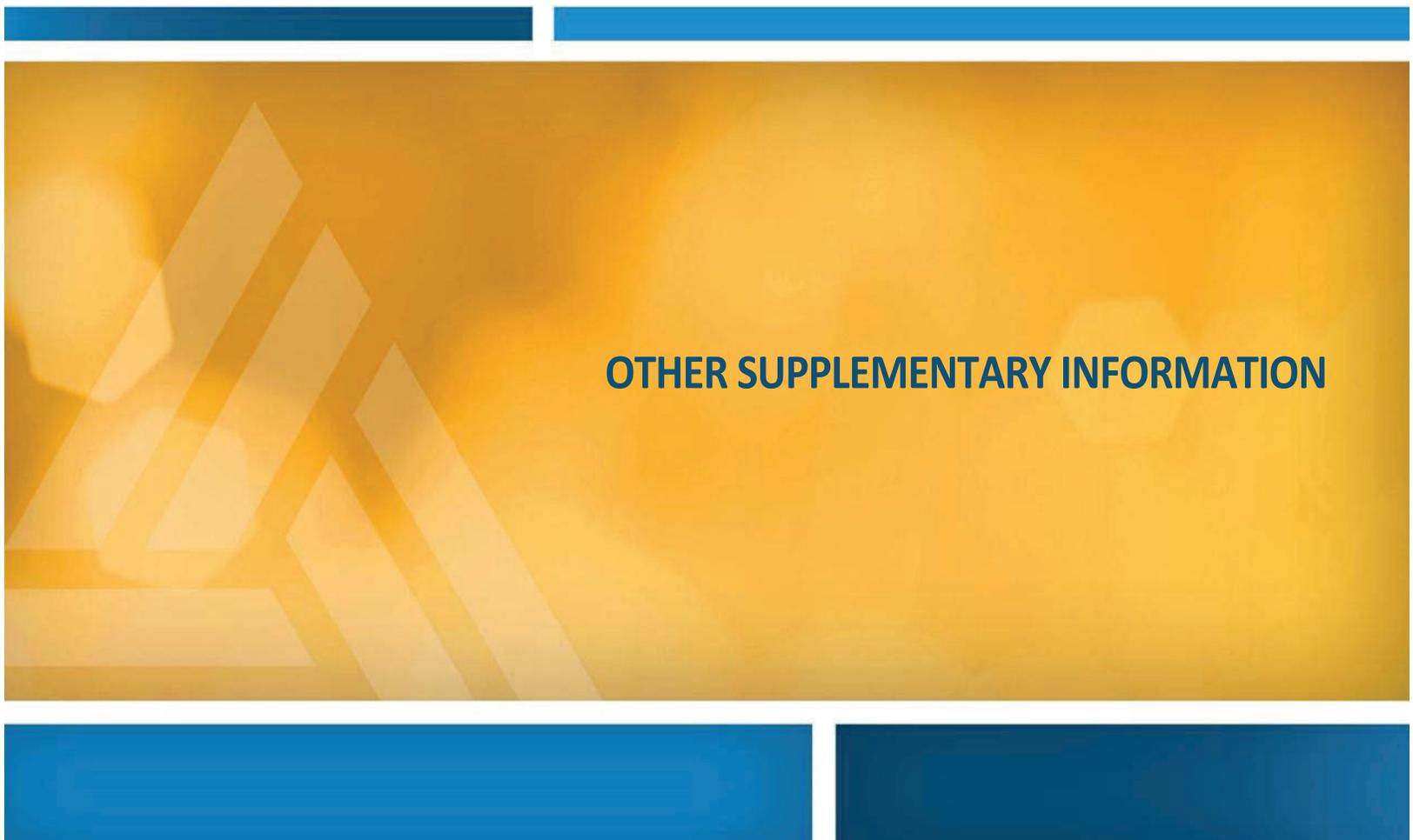
- a. The City Manager establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget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

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

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

2. Expenditures over Appropriations

None noted.



OTHER SUPPLEMENTARY INFORMATION

City of South Padre Island, Texas

Non-Major Governmental Fund Statements and Schedules

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

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

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

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

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

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

Capital project fund: **Padre Blvd Improvement Fund** is used to account for expenditures associated with improvements to Padre Boulevard and side streets.

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

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

Capital project fund: **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.

Debt service fund: **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 TIRZ fund is also made to support debt service payments.

Debt service fund: **Venue Debt Service Fund** is used to account for venue tax debt service payments. A transfer from the Venue Project fund is also made to support debt service payments.

Debt service fund: **Venue Seasonal Reserve** is used to account for the required seasonal reserve associated with the issuance of venue tax bonds.

Debt service fund: **Venue Debt Service Reserve** is used to account for the required reserve associated with the issuance of venue tax bonds.

City of South Padre Island, Texas
Non Major Governmental Funds
Combining Balance Sheets

September 30, 2020

	Special Revenue Funds			
	Convention Center Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Transportation Grant Fund
ASSETS				
Cash and cash equivalents	\$ 2,914,270	\$ 14,815	\$ 61,816	\$ -
Cash and cash equivalents- Restricted	-	-	-	-
Investments	500,213	-	-	-
Receivables (net of allowance)				
Taxes	-	-	-	-
Accounts	109,982	-	-	-
Due from other governments	-	-	-	491,175
Prepaid items	30,670	-	-	41,224
TOTAL ASSETS	\$ 3,555,135	\$ 14,815	\$ 61,816	\$ 532,399
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Due to other funds	\$ -	\$ -	\$ -	\$ 292,538
Unearned revenues	30,495	-	-	-
TOTAL LIABILITIES	30,495	-	-	292,538
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCE				
Nonspendable	30,670	-	-	41,224
Restricted	3,493,970	14,815	61,816	198,637
TOTAL FUND BALANCE	3,524,640	14,815	61,816	239,861
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,555,135	\$ 14,815	\$ 61,816	\$ 532,399

Special Revenue Funds				
Coronavirus Relief Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund
\$ -	\$ 162,050	\$ 226,822	\$ 1,671,136	\$ 2,569,852
-	-	-	-	-
-	-	-	1,024,444	1,001,111
-	-	-	-	-
-	-	-	-	47,434
134,652	-	-	513,415	-
-	-	-	168	-
<u>\$ 134,652</u>	<u>\$ 162,050</u>	<u>\$ 226,822</u>	<u>\$ 3,209,163</u>	<u>\$ 3,618,397</u>
\$ 134,652	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
134,652	-	-	-	-
-	-	-	-	-
-	-	-	168	-
-	162,050	226,822	3,208,995	3,618,397
<u>-</u>	<u>162,050</u>	<u>226,822</u>	<u>3,209,163</u>	<u>3,618,397</u>
<u>\$ 134,652</u>	<u>\$ 162,050</u>	<u>\$ 226,822</u>	<u>\$ 3,209,163</u>	<u>\$ 3,618,397</u>

City of South Padre Island, Texas
Non Major Governmental Funds
Combining Balance Sheets – continued

September 30, 2020

	Capital Projects Funds						Total
	Padre Blvd Improvement Fund	Street Improvement Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	Hurricane Recovery Fund	
ASSETS							
Cash and cash equivalents	\$ 9,407	\$ 3,348	\$ 290,436	\$ 458,087	\$ 43,796	\$ -	\$ 8,425,835
Cash and cash equivalents- Restricted	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	2,525,768
Receivables (net of allowance)							
Taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	157,416
Due from other governments	-	-	-	-	-	-	1,139,242
Prepaid items	-	-	-	-	-	-	72,062
TOTAL ASSETS	\$ 9,407	\$ 3,348	\$ 290,436	\$ 458,087	\$ 43,796	\$ -	\$ 12,320,323
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,190
Unearned revenues	-	-	-	-	-	-	30,495
TOTAL LIABILITIES	-	-	-	-	-	-	457,685
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	72,062
Restricted	9,407	3,348	290,436	458,087	43,796	-	11,790,576
TOTAL FUND BALANCE	9,407	3,348	290,436	458,087	43,796	-	11,862,638
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 9,407	\$ 3,348	\$ 290,436	\$ 458,087	\$ 43,796	\$ -	\$ 12,320,323

Debt Service Funds					
Debt Service Fund	Venue Debt Service Fund	Venue Seasonal Reserve	Venue Debt Service Reserve	Total Debt Service Funds	Total Non Major Governmental Funds
\$ 381,669	\$ 396	\$ -	\$ -	\$ 382,065	\$ 8,807,900
-	-	132,419	530,572	662,991	662,991
-	-	-	-	-	2,525,768
43,358	-	-	-	43,358	43,358
1,360	-	-	-	1,360	158,776
-	-	-	-	-	1,139,242
-	-	-	-	-	72,062
<u>\$ 426,387</u>	<u>\$ 396</u>	<u>\$ 132,419</u>	<u>\$ 530,572</u>	<u>\$ 1,089,774</u>	<u>\$ 13,410,097</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,190
-	-	-	-	-	30,495
-	-	-	-	-	457,685
36,065	-	-	-	36,065	36,065
36,065	-	-	-	36,065	36,065
-	-	-	-	-	72,062
390,322	396	132,419	530,572	1,053,709	12,844,285
<u>390,322</u>	<u>396</u>	<u>132,419</u>	<u>530,572</u>	<u>1,053,709</u>	<u>12,916,347</u>
<u>\$ 426,387</u>	<u>\$ 396</u>	<u>\$ 132,419</u>	<u>\$ 530,572</u>	<u>\$ 1,089,774</u>	<u>\$ 13,410,097</u>

City of South Padre Island, Texas
Non Major Governmental Funds

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

For the Year Ended September 30, 2020

	Special Revenue Funds			
	Convention Center Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Transportation Grant Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	1,081,821	-	-	-
Fees and services	171,972	-	-	-
Fines and forfeitures	-	5,329	5,524	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	1,732,638
Miscellaneous	29,259	82	292	91,497
Total revenues	1,283,052	5,411	5,816	1,824,135
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	10,619	1,972	-
Shoreline	-	-	-	-
Transportation	-	-	-	1,572,096
Community service	-	-	-	-
Convention and visitors bureau	1,221,415	-	-	-
Capital outlay	181,547	-	-	227,515
Debt service				
Principal - bonds				
General obligation bonds	-	-	-	-
Tax anticipation notes	-	-	-	-
Venue tax revenue bonds	-	-	-	-
Interest	-	-	-	-
Administrative charges	-	-	-	-
Total expenditures	1,402,962	10,619	1,972	1,799,611
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	(119,910)	(5,208)	3,844	24,524
Other financing sources (uses)				
Sale of capital assets	5,840	-	-	-
Transfers in	-	-	-	99,367
Transfers (out)	-	-	-	-
Total other financing sources (uses)	5,840	-	-	99,367
NET CHANGE IN FUND BALANCES	(114,070)	(5,208)	3,844	123,891
Fund balance, beginning of year	3,638,710	20,023	57,972	115,970
Fund balance, end of year	\$ 3,524,640	\$ 14,815	\$ 61,816	\$ 239,861

Special Revenue Funds				
Coronavirus Relief Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund
\$ -	\$ -	\$ 88,587	\$ -	\$ -
-	-	-	2,259,173	466,581
-	3,550	-	-	-
-	-	-	-	-
-	-	-	2,220	-
165,815	-	-	43,895	-
-	25	1,013	29,442	35,293
165,815	3,575	89,600	2,334,730	501,874
361,052	-	-	44,720	-
-	-	-	344,742	-
-	-	-	1,036,601	116,282
-	115,306	-	-	-
-	-	-	-	-
-	-	-	136,241	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
361,052	115,306	-	1,562,304	116,282
(195,237)	(111,731)	89,600	772,426	385,592
-	-	-	12,766	-
195,237	91,856	-	-	-
-	-	(50,000)	(462,303)	-
195,237	91,856	(50,000)	(449,537)	-
-	(19,875)	39,600	322,889	385,592
-	181,925	187,222	2,886,274	3,232,805
\$ -	\$ 162,050	\$ 226,822	\$ 3,209,163	\$ 3,618,397

City of South Padre Island, Texas
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
continued

For the Year Ended September 30, 2020

	Capital Projects Funds						Total
	Padre Blvd Improvement Fund	Street Improvement Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	Hurricane Recovery Fund	
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,587
Nonproperty taxes	-	-	-	-	-	-	3,807,575
Fees and services	-	-	-	-	-	-	175,522
Fines and forfeitures	-	-	-	-	-	-	10,853
Licenses and permits	-	-	-	-	-	-	2,220
Intergovernmental	-	-	-	-	-	-	1,942,348
Miscellaneous	-	-	-	837	173	132	188,045
Total revenues	-	-	-	837	173	132	6,215,150
Expenditures							
Current							
General government	-	-	-	-	-	160,053	565,825
Public safety	-	-	-	-	-	-	357,333
Shoreline	-	-	-	-	-	-	1,152,883
Transportation	-	-	-	-	-	-	1,572,096
Community service	-	-	-	-	-	-	115,306
Convention and visitors bureau	-	-	-	-	-	-	1,221,415
Capital outlay	9,829	-	38,693	39,465	-	-	633,290
Debt service							
Principal - bonds							
General obligation bonds	-	-	-	-	-	-	-
Tax anticipation notes	-	-	-	-	-	-	-
Venue tax revenue bonds	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative charges	-	-	-	-	-	-	-
Total expenditures	9,829	-	38,693	39,465	-	160,053	5,618,148
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	(9,829)	-	(38,693)	(38,628)	173	(159,921)	597,002
Other financing sources (uses)							
Sale of capital assets	-	-	-	-	-	-	18,606
Transfers in	-	-	225,000	330,000	-	159,921	1,101,381
Transfers (out)	-	-	-	-	-	-	(512,303)
Total other financing sources (uses)	-	-	225,000	330,000	-	159,921	607,684
NET CHANGE IN FUND BALANCES	(9,829)	-	186,307	291,372	173	-	1,204,686
Fund balance, beginning of year	19,236	3,348	104,129	166,715	43,623	-	10,657,952
Fund balance, end of year	\$ 9,407	\$ 3,348	\$ 290,436	\$ 458,087	\$ 43,796	\$ -	\$ 11,862,638

Debt Service Funds					
Debt Service Fund	Venue Debt Service Fund	Venue Seasonal Reserve	Venue Debt Service Reserve	Total Debt Service Funds	Total Non Major Governmental Funds
\$ 1,664,260	\$ -	\$ -	\$ -	\$ 1,664,260	\$ 1,752,847
-	-	-	-	-	3,807,575
-	-	-	-	-	175,522
-	-	-	-	-	10,853
-	-	-	-	-	2,220
-	-	-	-	-	1,942,348
5,762	-	662	2,777	9,201	197,246
1,670,022	-	662	2,777	1,673,461	7,888,611
-	-	-	-	-	565,825
-	-	-	-	-	357,333
-	-	-	-	-	1,152,883
-	-	-	-	-	1,572,096
-	-	-	-	-	115,306
-	-	-	-	-	1,221,415
-	-	-	-	-	633,290
500,000	-	-	-	500,000	500,000
980,000	-	-	-	980,000	980,000
-	190,000	-	-	190,000	190,000
253,075	317,438	-	-	570,513	570,513
2,750	750	-	-	3,500	3,500
1,735,825	508,188	-	-	2,244,013	7,862,161
(65,803)	(508,188)	662	2,777	(570,552)	26,450
-	-	-	-	-	18,606
50,000	508,188	-	-	558,188	1,659,569
-	-	-	-	-	(512,303)
50,000	508,188	-	-	558,188	1,165,872
(15,803)	-	662	2,777	(12,364)	1,192,322
406,125	396	131,757	527,795	1,066,073	11,724,025
\$ 390,322	\$ 396	\$ 132,419	\$ 530,572	\$ 1,053,709	\$ 12,916,347

City of South Padre Island, Texas
Venue Tax Construction Fund

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 100,239	\$ 100,239
Total revenues	-	-	100,239	100,239
EXPENDITURES				
Capital outlay	-	8,614,070	4,568,743	4,045,327
Total expenditures	-	8,614,070	4,568,743	4,045,327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(8,614,070)	(4,468,504)	4,145,566
NET CHANGE IN FUND BALANCE	\$ -	\$ (8,614,070)	(4,468,504)	\$ 4,145,566
Fund balance -- beginning			8,918,631	
Fund balance -- ending			\$ 4,450,127	

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, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,566,076	\$ 1,566,076	\$ 1,664,260	\$ 98,184
Miscellaneous and program revenues	-	-	5,762	5,762
Total revenues	1,566,076	1,566,076	1,670,022	103,946
EXPENDITURES				
Debt service				
Principal - bonds				
General obligation bonds	500,000	500,000	500,000	-
Tax anticipation notes	980,000	980,000	980,000	-
Interest	253,076	253,076	253,075	1
Administrative charges	3,000	3,000	2,750	250
Total expenditures	1,736,076	1,736,076	1,735,825	251
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(170,000)	(170,000)	(65,803)	104,197
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	\$ (120,000)	\$ (120,000)	(15,803)	\$ 104,197
Fund balance -- beginning			406,125	
Fund balance -- ending			\$ 390,322	

City of South Padre Island, Texas
Venue Debt Service Fund

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal - bonds				
Venue tax revenue bonds	190,000	190,000	190,000	-
Interest	317,438	317,438	317,438	-
Administrative charges	-	-	750	(750)
Total expenditures	507,438	507,438	508,188	(750)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(507,438)	(507,438)	(508,188)	(750)
OTHER FINANCING SOURCES (USES)				
Transfers in	507,438	507,438	508,188	750
Total other financing sources (uses)	507,438	507,438	508,188	750
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
Fund balance -- beginning			396	
Fund balance -- ending			\$ 396	

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

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

For the Year Ended September 30, 2020

	Budget			Variance Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 1,200,000	\$ 1,022,192	\$ 1,081,821	\$ 59,629
Fees and services	270,000	270,000	171,972	(98,028)
Miscellaneous and program revenues	25,000	25,000	29,259	4,259
Total revenues	1,495,000	1,317,192	1,283,052	(34,140)
EXPENDITURES				
Current				
Convention and visitors bureau	1,347,940	1,382,417	1,221,415	161,002
Capital outlay	111,000	198,866	181,547	17,319
Total expenditures	1,458,940	1,581,283	1,402,962	178,321
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36,060	(264,091)	(119,910)	144,181
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	5,840	5,840
Total other financing sources (uses)	-	-	5,840	5,840
NET CHANGE IN FUND BALANCE	\$ 36,060	\$ (264,091)	(114,070)	\$ 150,021
Fund balance -- beginning			3,638,710	
Fund balance -- ending			\$ 3,524,640	

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

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

For the Year Ended September 30, 2020

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 5,329	\$ (1,671)
Miscellaneous and program revenues	-	-	82	82
Total revenues	7,000	7,000	5,411	(1,589)
EXPENDITURES				
Current				
Public safety	14,845	14,845	10,619	4,226
Total expenditures	14,845	14,845	10,619	4,226
NET CHANGE IN FUND BALANCE	\$ (7,845)	\$ (7,845)	(5,208)	\$ 2,637
Fund balance -- beginning			20,023	
Fund balance -- ending			\$ 14,815	

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

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

For the Year Ended September 30, 2020

	Budget			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 5,524	\$ 524
Miscellaneous and program revenues	-	-	292	292
Total revenues	5,000	5,000	5,816	816
EXPENDITURES				
Current				
Public safety	9,068	9,068	1,972	7,096
Total expenditures	9,068	9,068	1,972	7,096
NET CHANGE IN FUND BALANCE	\$ (4,068)	\$ (4,068)	3,844	\$ 7,912
Fund balance -- beginning			57,972	
Fund balance -- ending			\$61,816	

City of South Padre Island, Texas
Transportation Grant Fund
Special Revenue Fund

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

For the Year Ended September 30, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,536,696	\$ 1,694,284	\$ 1,732,638	\$ 38,354
Miscellaneous and program revenues	102,110	102,110	91,497	(10,613)
Total revenues	1,638,806	1,796,394	1,824,135	27,741
EXPENDITURES				
Current				
Transportation				
SPI metro	1,570,806	1,670,574	1,572,096	98,478
Total transportation	1,570,806	1,670,574	1,572,096	98,478
Capital outlay	180,000	237,820	227,515	10,305
Total expenditures	1,750,806	1,908,394	1,799,611	108,783
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(112,000)	(112,000)	24,524	136,524
OTHER FINANCING SOURCES (USES)				
Transfers in	112,000	112,000	99,367	(12,633)
Sale of capital asset	-	-	-	-
Total other financing sources (uses)	112,000	112,000	99,367	(12,633)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	123,891	\$ 123,891
Fund balance -- beginning			115,970	
Fund balance -- ending			\$ 239,861	

City of South Padre Island, Texas
Coronavirus Relief Fund
Special Revenue Fund

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 31,163	\$ 165,815	\$ 134,652
Total revenues	-	31,163	165,815	134,652
EXPENDITURES				
Current				
General government	-	-	361,052	(361,052)
Total expenditures	-	-	361,052	(361,052)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	31,163	(195,237)	(226,400)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	195,237	195,237
Total other financing sources (uses)	-	-	195,237	195,237
NET CHANGE IN FUND BALANCE	\$ -	\$ 31,163	-	\$ (31,163)
Fund balance -- beginning			-	
Fund balance -- ending			\$ -	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Fees and services	\$ 3,500	\$ 3,500	\$ 3,550	\$ 50
Miscellaneous and program revenues	-	-	25	25
Total revenues	3,500	3,500	3,575	75
EXPENDITURES				
Current				
Community service	95,356	739,326	115,306	624,020
Total expenditures	95,356	739,326	115,306	624,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,856)	(735,826)	(111,731)	624,095
OTHER FINANCING SOURCES (USES)				
Transfers in	91,856	91,856	91,856	-
Total other financing sources (uses)	91,856	91,856	91,856	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (643,970)	(19,875)	\$ 624,095
Fund balance -- beginning			181,925	
Fund balance -- ending			\$ 162,050	

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

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

For the Year Ended September 30, 2020

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 97,949	\$ 97,949	\$ 88,587	\$ (9,362)
Miscellaneous and program revenues	-	-	1,013	1,013
Total revenues	97,949	97,949	89,600	(8,349)
EXPENDITURES				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	97,949	97,949	89,600	(8,349)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	\$ 47,949	\$ 47,949	39,600	\$ (8,349)
Fund balance -- beginning			187,222	
Fund balance -- ending			\$ 226,822	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 2,070,202	\$ 1,752,688	\$ 2,259,173	\$ 506,485
Intergovernmental	-	206,900	43,895	(163,005)
Miscellaneous and program revenues	20,000	20,000	31,662	11,662
Total revenues	2,090,202	1,979,588	2,334,730	355,142
EXPENDITURES				
Current				
General government	105,340	89,585	44,720	44,865
Public safety	483,988	450,322	344,742	105,580
Shoreline	1,495,282	1,129,441	1,036,601	92,840
Capital outlay	-	135,841	136,241	(400)
Total expenditures	2,084,610	1,805,189	1,562,304	242,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,592	174,399	772,426	598,027
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	12,766	12,766
Transfers (out)	190,000	(520,000)	(462,303)	57,697
Total other financing sources (uses)	190,000	(520,000)	(449,537)	70,463
NET CHANGE IN FUND BALANCE	\$ 195,592	\$ (345,601)	322,889	\$ 668,490
Fund balance -- beginning			2,886,274	
Fund balance -- ending			\$ 3,209,163	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 517,551	\$ 517,551	\$ 466,581	\$ (50,970)
Intergovernmental	-	90,000	-	(90,000)
Miscellaneous and program revenues	-	-	35,293	35,293
Total revenues	517,551	607,551	501,874	(105,677)
EXPENDITURES				
Current				
Shoreline	175,000	325,000	116,282	208,718
Total expenditures	175,000	325,000	116,282	208,718
NET CHANGE IN FUND BALANCE	\$ 342,551	\$ 282,551	385,592	\$ 103,041
Fund balance -- beginning			3,232,805	
Fund balance -- ending			\$ 3,618,397	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	-	18,769	9,829	8,940
Total expenditures	-	18,769	9,829	8,940
NET CHANGE IN FUND BALANCE	\$ -	\$ (18,769)	(9,829)	\$ 8,940
Fund balance -- beginning			19,236	
Fund balance -- ending			\$ 9,407	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
Fund balance -- beginning			3,348	
Fund balance -- ending			\$ 3,348	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current				
Capital outlay	22,187	44,596	38,693	5,903
Total expenditures	22,187	44,596	38,693	5,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,187)	(44,596)	(38,693)	5,903
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-
Total other financing sources (uses)	225,000	225,000	225,000	-
NET CHANGE IN FUND BALANCE	\$ 202,813	\$ 180,404	186,307	\$ 5,903
Fund balance -- beginning			104,129	
Fund balance -- ending			\$ 290,436	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 837	\$ 837
Total revenues	-	-	837	837
EXPENDITURES				
Current				
Capital outlay	-	330,000	39,465	290,535
Total expenditures	-	330,000	39,465	290,535
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(330,000)	(38,628)	291,372
OTHER FINANCING SOURCES (USES)				
Transfers in	-	330,000	330,000	-
Total other financing sources (uses)	-	330,000	330,000	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	291,372	\$ 291,372
Fund balance -- beginning			166,715	
Fund balance -- ending			\$ 458,087	

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

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 173	\$ 173
Total revenues	-	-	173	173
EXPENDITURES				
Current				
Shoreline	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	173	173
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	173	\$ 173
Fund balance -- beginning			43,623	
Fund balance -- ending			\$ 43,796	

City of South Padre Island, Texas
Hurricane Recovery Fund
Capital Projects Fund

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

For the Year Ended September 30, 2020

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 132	\$ 132
Total revenues	-	-	132	132
EXPENDITURES				
Current				
General government	-	160,053	160,053	-
Total expenditures	-	160,053	160,053	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(160,053)	(159,921)	132
OTHER FINANCING SOURCES (USES)				
Transfers in	-	160,053	159,921	(132)
Total other financing sources (uses)	-	160,053	159,921	(132)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
Fund balance -- beginning			-	
Fund balance -- ending			\$ -	

(This page intentionally left blank)

**City of South Padre Island, Texas
Component Unit**

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

City of South Padre Island, Texas
South Padre Island Economic Development Corporation
Discretely Presented Component Unit
Combining Balance Sheet

September 30, 2020

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	BNC Facility Maintenance	Total Component Unit
ASSETS					
Cash and cash equivalents	\$ 589,735	\$ -	\$ -	\$ 119,715	\$ 709,450
Cash and cash equivalents- restricted	-	416,184	14,282	-	430,466
Investments- restricted	388,655	-	23,572	-	412,227
Receivables	93,072	-	-	-	93,072
Prepaid items	-	-	357,225	-	357,225
Loans receivable	11,480	-	-	-	11,480
Total assets	\$ 1,082,942	\$ 416,184	\$ 395,079	\$ 119,715	\$ 2,013,920
LIABILITIES					
Other liabilities	\$ 458	\$ -	\$ -	\$ -	\$ 458
Total liabilities	458	-	-	-	458
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - noncurrent receivables	11,480	-	-	-	11,480
Total deferred inflows of resources	11,480	-	-	-	11,480
FUND BALANCE					
Nonspendable	-	-	357,225	-	357,225
Restricted	-	416,184	37,854	-	454,038
Unassigned	1,071,004	-	-	119,715	1,190,719
Total fund balances	1,071,004	416,184	395,079	119,715	2,001,982
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
	\$ 1,082,942	\$ 416,184	\$ 395,079	\$ 119,715	\$ 2,013,920

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, 2020

Fund balances of the component unit funds \$ 2,001,982

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

Capital assets used in governmental type activities are not financial
resources and therefore are not reported in the funds. 5,777,736

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 11,480

Long term liabilities, including bonds payable, and premiums are not due in
the current period and therefore not reported in the funds. (2,940,257)

Deferred outflows of resources related to amounts deferred
on refundings of long term debt and are not reported in the funds. 130,872

Liabilities for accrued interest on long-term debt are not due in the current
period and therefore are not reported in the funds. (37,145)

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 (\$9,309), a deferred resource inflow in the amount of
(\$16,083), and a deferred resource outflow in the amount of \$11,169. This
resulted in a decrease in net position of \$(14,223). (14,223)

Included in the noncurrent liabilities is the recognition of the EDC's portion
of the net OPEB liability required by GASB 75 in the amount of \$(3,532), a
deferred resource inflow in the amount of \$(325) and a deferred resource
outflow in the amount of \$791. This resulted in a decrease in net position by
\$(3,066). (3,066)

Net position of governmental type activities \$ 4,927,379

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, 2020

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	BNC Facility Maintenance	Total Component Unit
REVENUES					
Sales taxes	\$ 852,686	\$ -	\$ -	\$ -	\$ 852,686
Intergovernmental revenues	0	-	-	-	-
Loan revenue	12,053	-	-	-	12,053
Miscellaneous and program revenues	20,941	2,179	791	-	23,911
Total revenues	885,680	2,179	791	-	888,650
EXPENDITURES					
Current					
Community service	396,982	-	-	14,279	411,261
Debt service					
Principal retirement	-	-	310,000	-	310,000
Interest expense	-	-	77,551	-	77,551
Administrative fees	-	-	-	-	-
Total expenditures	396,982	-	387,551	14,279	798,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	488,698	2,179	(386,760)	(14,279)	89,838
Other financing sources (uses)					
Transfers out	(464,754)	-	-	-	(464,754)
Transfers in	-	-	394,450	70,304	464,754
Total other financing sources (uses)	(464,754)	-	394,450	70,304	-
Net change in fund balances	23,944	2,179	7,690	56,025	89,838
Fund balance -- beginning	1,047,060	414,005	387,389	63,690	1,912,144
Fund balance -- ending	\$ 1,071,004	\$ 416,184	\$ 395,079	\$ 119,715	\$ 2,001,982

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, 2020

Net change in fund balances --total component unit funds	\$	89,838
--	----	--------

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

Governmental type funds report capital outlay 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 current year depreciation of \$162,433 reduces the change in net position.

(162,433)

GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. Contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$6,518. 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 (\$5,535). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(1,052). The result of these changes is to decrease net position.

(69)

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

2,423

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

310,000

The change in accrued interest on long-term debt provides decreases in long-term liabilities in the statement of net position.

3,100

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.

(12,053)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$81. 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 \$(69). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(231). The result of these changes is to decrease the change in net position by \$(286).

(274)

Change in net position of governmental activities	\$	230,532
---	----	---------

(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)

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

	2011	2012	2013*	2014**	2015	2016	2017***	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 17,420,780	\$ 18,312,199	\$ 15,534,981	\$ 16,203,813	\$ 16,920,738	\$ 19,810,801	\$ 22,437,085	\$ 25,616,028	\$ 28,045,389	\$ 27,214,217
Restricted	4,700,307	6,079,979	9,364,342	11,858,921	13,800,147	14,397,545	15,101,328	17,386,999	19,918,111	23,949,542
Unrestricted	6,174,054	5,697,496	6,588,837	6,025,603	7,484,310	5,485,644	5,092,044	4,958,764	5,798,172	6,121,659
Total governmental activities net position	\$ 28,295,141	\$ 30,089,674	\$ 31,488,160	\$ 34,088,337	\$ 38,205,195	\$ 39,693,990	\$ 42,630,457	\$ 47,961,791	\$ 53,761,672	\$ 57,285,418

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

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

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

Schedule 2
City of South Padre Island, Texas
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 3,916,708	\$ 3,262,899	\$ 3,616,084	\$ 3,403,281	\$ 3,549,479	\$ 3,693,337	\$ 4,194,171	\$ 4,073,602	\$ 4,034,629	\$ 4,264,772
Public safety	4,639,591	5,154,019	5,617,282	5,635,589	5,534,493	5,871,489	6,041,026	6,363,761	6,965,278	6,463,558
Public works/Shoreline	2,842,168	3,104,579	2,766,161	2,778,620	3,033,574	3,287,013	3,476,918	4,215,756	4,405,207	4,432,491
Transportation	1,103,616	1,275,542	1,898,136	1,547,923	1,639,747	1,698,124	1,813,049	1,794,636	1,866,276	1,874,534
Community service	820,784	119,300	621,036	135,357	47,101	1,519,768	136,945	197,944	183,225	232,617
Convention and visitors bureau	5,846,869	5,556,513	5,313,518	6,121,250	5,833,410	7,083,205	8,158,210	9,379,337	10,041,264	7,355,929
Interest on long-term debt	327,532	559,912	306,808	297,596	382,782	434,901	804,150	581,354	566,295	571,314
Total primary governmental activities expenses	19,497,268	19,032,764	20,139,025	19,919,616	20,020,586	23,587,837	24,624,469	26,606,390	28,062,174	25,195,215
Program Revenues										
Governmental activities:										
Charges for services:										
General government	222,573	218,276	156,108	277,881	453,066	472,715	747,718	660,501	728,337	697,980
Public safety	497,934	990,410	881,900	1,108,781	878,790	1,188,668	1,228,417	1,778,641	1,436,732	1,028,708
Public works/Shoreline	36,843	22,646	31,246	39,717	44,853	45,623	-	-	-	-
Transportation	30,000	52,250	30,000	-	-	-	-	-	-	-
Community service	-	-	-	-	-	-	-	22,092	7,902	3,550
Convention and visitors bureau	270,838	244,750	286,963	226,391	249,927	256,369	301,620	312,444	277,784	175,473
Operating grants and contributions	996,779	1,074,032	954,301	1,220,114	2,160,260	1,765,405	1,655,530	3,003,264	1,589,941	1,868,133
Capital grants and contributions	682,935	1,296,789	1,277,434	439,114	662,306	893,030	561,717	802,184	3,519,537	271,409
Total governmental activities program revenues	2,737,902	3,899,153	3,617,952	3,311,998	4,449,202	4,621,810	4,495,002	6,579,126	7,560,233	4,045,253
Net (Expense)/Revenue										
Total primary government net expense	(16,759,366)	(15,133,611)	(16,521,073)	(16,607,618)	(15,571,384)	(18,966,027)	(20,129,467)	(20,027,264)	(20,501,941)	(21,149,962)
General Revenues										
Property taxes	6,391,852	6,512,050	6,598,351	6,520,967	6,551,645	7,075,139	7,604,876	7,904,409	8,040,930	8,301,537
Sales & mixed beverage taxes	2,116,727	2,171,134	2,335,306	2,604,925	2,663,089	2,650,546	2,775,551	2,896,023	3,091,023	2,890,117
Franchise taxes	821,796	806,646	819,865	851,056	862,253	886,363	882,469	885,011	886,318	856,673
Hotel motel taxes	5,658,555	6,166,994	6,534,215	7,083,965	7,160,795	7,360,083	9,291,508	10,340,024	10,650,064	9,330,334
Hotel motel beach mtn. taxes	988,132	1,086,920	1,644,572	2,144,126	2,171,319	2,217,195	2,388,471	2,619,316	2,741,917	2,725,754
Unrestricted investment earnings	97,265	49,345	38,830	31,373	31,952	82,464	180,490	536,833	802,814	461,092
Gain/(loss) on disposal of capital assets	(17,050)	4,545	-	56,072	58	48,779	114,022	42,253	(9,839)	5,690
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Miscellaneous	311,078	130,510	59,156	293,168	247,131	128,478	113,282	134,729	98,595	102,511
Total general revenues	16,368,355	16,928,144	18,030,295	19,585,652	19,688,242	20,449,047	23,350,669	25,358,598	26,301,822	24,673,708
Changes in Net Position										
Total governmental activities	\$ (391,011)	\$ 1,794,533	\$ 1,509,222	\$ 2,978,034	\$ 4,116,858	\$ 1,483,020	\$ 3,221,202	\$ 5,331,334	\$ 5,799,881	\$ 3,523,746

Source: Statement of Activities

Schedule 3
City of South Padre Island, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Pre GASB 54										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Total pre GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ 45,959	\$ 21,542	\$ 55,701	\$ 57,868	\$ 56,321	\$ 58,086	\$ 57,138	\$ 65,310	\$ 64,963	\$ 64,153
Restricted	-	-	-	-	-	113,072	93,690	19,450	19,450	34,409
Committed	-	-	-	-	-	-	-	-	8,700	-
Unassigned	6,243,764	6,357,093	6,158,124	6,848,537	6,835,686	6,685,288	7,225,128	7,547,484	8,263,718	8,489,898
Total post GASB 54	\$ 6,289,723	\$ 6,378,635	\$ 6,213,825	\$ 6,906,405	\$ 6,892,007	\$ 6,856,446	\$ 7,375,956	\$ 7,632,244	\$ 8,356,831	\$ 8,588,460
All Other Governmental Funds										
Pre GASB 54										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total pre GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ 114,554	\$ 148,890	\$ 54,786	\$ 42,639	\$ 1,504,355	\$ 37,490	\$ 45,835	\$ 43,963	\$ 81,333	\$ 77,997
Restricted:										
Debt service	429,784	273,133	309,533	346,602	386,436	413,573	1,162,706	1,068,295	1,066,073	1,053,709
Capital projects	4,914,411	1,502,659	2,636,575	700,897	3,603,413	6,362,226	12,596,025	10,498,218	13,541,383	10,918,288
Hotel/motel tax	2,442,154	3,603,561	5,068,679	6,596,864	5,986,315	6,630,832	7,374,465	7,706,319	7,553,277	8,981,673
Beach nourishment	-	-	-	2,435,967	1,416,745	1,872,911	2,292,912	2,719,847	3,232,805	3,618,397
Transportation	154,277	235,999	287,934	301,277	320,366	231,280	179,071	80,739	74,242	198,637
Beach maintenance	78,887	264,395	790,655	1,382,753	2,050,584	2,260,996	1,808,674	2,608,336	2,885,300	3,208,995
Municipal court	43,562	48,913	53,594	63,068	72,385	61,026	69,279	74,372	77,995	76,631
Parks and recreation	2,185	2,372	3,920	1,837	3,117	3,884	8,085	27,935	181,925	162,050
TIRZ	-	-	-	-	-	-	-	-	187,222	226,822
Criminal justice	3,433	3,644	3,644	3,644	3,644	3,644	3,644	-	-	-
Venue project	-	-	-	-	-	-	980,080	2,626,997	-	-
Hurricane recovery	248,227	205,288	181,185	-	-	-	-	-	-	-
Unassigned	-	(172,892)	(7,167)	22,303	21,923	-	-	-	-	-
Total post GASB 54	\$ 8,431,474	\$ 6,115,962	\$ 9,383,338	\$ 11,897,851	\$ 15,369,283	\$ 17,877,862	\$ 26,520,776	\$ 27,455,021	\$ 28,881,555	\$ 28,523,199

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Property taxes	\$ 6,407,899	\$ 6,572,035	\$ 6,666,348	\$ 6,554,043	\$ 6,606,286	\$ 7,103,497	\$ 7,611,725	\$ 7,878,646	\$ 8,042,818	\$ 8,304,547
Nonproperty taxes	9,585,210	10,231,694	11,333,958	12,684,073	12,857,456	13,114,187	15,337,999	16,740,374	17,369,323	15,802,878
Fees and services	411,771	847,528	786,089	879,384	970,681	1,007,064	1,256,654	1,774,567	1,872,971	1,242,535
Fines and forfeitures	424,124	517,776	455,300	576,361	447,666	627,825	577,801	465,341	390,923	232,682
Licenses and permits	222,292	191,105	150,583	137,367	257,990	264,933	447,276	214,353	233,392	216,544
Intergovernmental	1,679,714	2,202,888	2,231,734	1,609,228	2,772,565	2,654,058	2,167,247	3,767,948	5,059,478	2,089,542
Miscellaneous and program	408,344	179,856	158,989	374,541	329,088	259,646	343,772	709,063	948,184	613,603
Total revenues	19,139,354	20,742,882	21,783,001	22,814,997	24,241,732	25,031,210	27,742,474	31,550,292	33,917,089	28,502,331
EXPENDITURES										
General	3,441,451	2,912,655	3,204,508	3,022,645	3,184,592	3,308,828	3,744,505	3,668,683	3,614,808	3,918,869
Public safety	4,313,528	4,806,764	4,954,525	5,079,755	5,042,426	5,173,137	5,301,832	6,007,725	6,277,545	5,987,220
Public works & shoreline	2,188,234	2,424,423	2,079,739	2,115,599	2,360,877	2,402,321	2,594,156	2,971,163	3,118,237	3,159,552
Transportation	957,492	1,078,641	1,104,987	1,336,549	1,491,095	1,513,709	1,667,605	1,620,754	1,504,305	1,572,096
Community service	820,784	119,300	418,152	131,262	50,810	1,456,385	77,028	73,096	64,598	115,306
Convention and visitors	4,972,074	4,740,409	5,313,518	5,319,014	4,975,850	5,867,540	6,912,159	8,186,446	8,779,956	6,128,030
Debt service										
Principal retirement	932,358	982,225	634,920	696,201	750,543	1,083,087	1,619,609	1,766,610	1,620,000	1,793,060
Interest	261,642	400,165	301,716	297,548	275,741	372,256	401,337	675,625	142,804	581,340
Bond issue costs	94,968	103,287	-	-	103,079	89,736	323,462	-	624,982	-
Administrative charges	2,736	800	(900)	4,308	4,245	4,337	4,748	33,159	12,125	3,500
Capital outlay	2,417,098	5,628,071	1,591,360	1,676,803	5,690,771	5,586,040	5,513,541	5,401,123	6,053,344	5,479,644
Total expenditures	20,402,365	23,196,740	19,602,525	19,679,684	23,930,029	26,857,376	28,159,982	30,404,384	31,812,704	28,738,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,263,011)	(2,453,858)	2,180,476	3,135,313	311,703	(1,826,166)	(417,508)	1,145,908	2,104,385	(236,286)
Other financing sources (uses)										
Sale of capital assets	25,933	4,771	22,777	71,780	38,068	54,420	144,037	44,625	46,736	18,607
Lease Proceeds	902,220	119,200	899,313	-	-	144,335	-	-	-	90,952
Proceeds from issuance of	3,800,000	3,165,000	-	-	2,905,000	3,890,000	9,085,000	-	-	-
Premium on issuance of bonds	101,462	289,991	-	-	202,263	210,429	350,895	-	-	-
Uses of debt refunding	-	(3,351,703)	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers out	(853,568)	(1,200,089)	(1,155,679)	(1,362,784)	(4,075,166)	(957,804)	(2,717,149)	(1,400,077)	(1,500,314)	1,791,872
Transfers in	853,568	1,200,089	1,155,679	1,362,784	4,075,166	957,804	2,717,149	1,400,077	1,500,314	(1,791,872)
Total other financing	4,829,615	227,258	922,090	71,780	3,145,331	4,299,184	9,579,932	44,625	46,736	109,559
Net change in fund balances	\$ 3,566,604	\$ (2,226,600)	\$ 3,102,566	\$ 3,207,093	\$ 3,457,034	\$ 2,473,018	\$ 9,162,424	\$ 1,190,533	\$ 2,151,121	\$ (126,727)
Debt service as a percentage of noncapital expenditures	6.64%	7.87%	5.20%	5.52%	5.63%	6.84%	8.92%	9.77%	6.84%	10.21%

Schedule 5
City of South Padre Island, Texas

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

Fiscal Year Ended	Net Taxable Assessed Value		Less: Exempt Property &	Total Taxable Assessed	Total Direct Tax
	Real	Personal			
2011	2,635,413,859	30,316,814	84,535,004	2,581,195,669	0.24561
2012	2,656,625,431	29,055,461	77,035,264	2,608,645,628	0.25040
2013	2,653,041,784	28,324,135	75,246,646	2,606,119,273	0.25270
2014	2,629,536,569	31,256,298	77,229,580	2,583,563,287	0.25438
2015	2,574,041,045	32,621,783	90,276,002	2,516,386,826	0.26275
2016	2,535,461,500	34,181,366	91,123,668	2,478,519,198	0.28564
2017	2,553,862,437	33,883,054	91,934,403	2,495,811,088	0.30564
2018	2,579,281,031	35,135,283	90,801,714	2,523,614,600	0.31564
2019	2,613,444,214	39,663,066	94,519,162	2,558,588,118	0.31564
2020	2,707,741,919	34,551,698	97,017,507	2,645,276,110	0.31564

Source: Cameron County Appraisal District

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

Schedule 6
City of South Padre Island, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Period	City of South Padre Island Direct Rates			Water Supply District No. 1	Point Isabel Cons. ISD	Cameron County	Texas Southmost College	South Texas ISD
	Maintenance & Operations Rate	Debt Service	Total Direct					
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
2016	0.239110	0.046530	0.285640	0.044643	1.081634	0.399291	0.164094	0.049200
2017	0.239110	0.066530	0.305640	0.045020	1.081634	0.407743	0.158224	0.049200
2018	0.249640	0.066000	0.315640	0.043860	1.081634	0.410803	0.162407	0.049200
2019	0.250245	0.065395	0.315640	0.040101	1.080657	0.416893	0.162407	0.049200
2020	0.252024	0.063616	0.315640	0.038821	1.0219	0.436893	0.162407	0.049200

Source: Cameron County Appraisal District

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

Taxpayer	2020			2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Modern Resort Lodging LLC	\$ 39,985,587	1	1.51%			
Sapphire VP LP	\$ 22,868,750	2	0.86%	39,146,357	1	1.52%
SPI Management Co.	\$ 15,623,798	3	0.59%			
Affiliated Hospitality LLC	\$ 15,500,000	4	0.59%			
Innjoy Hospitality LLC	\$ 12,987,898	5	0.49%			
SPI Oleander Ltd.	\$ 12,000,000	6	0.45%	7,137,658	8	0.28%
SPI La Copa Ltd.	\$ 11,500,000	7	0.43%	7,020,689	9	0.27%
AGORA USA LP	\$ 10,373,839	8	0.39%			
Peninsula Island Resort & Spa LLC	\$ 10,059,366	9	0.38%	8,592,606	4	0.33%
ICS Management Company	\$ 8,396,000	10	0.32%	10,014,493	3	0.39%
7 Hills Hospitality LLC						0.00%
Los Corales Inc.				10,090,021	2	0.39%
South PI AJCG Int't Dev Prtnrs				8,359,518	5	0.32%
First National Bank				7,701,774	6	0.30%
Sapphire VP LP (ID 526932)				7,141,848	7	0.28%
Shores Development Inc.				6,860,009	10	0.27%
Total	\$ 159,295,238		6.01%	\$ 112,064,973		4.35%

Source: Cameron County Appraisal District

2020	2,645,276,110
2011	2,581,195,669

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

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2011	2010	6,310,281	6,123,665	97.04%	180,096	6,303,761	99.90%
2012	2011	6,520,822	6,294,365	96.53%	212,755	6,507,120	99.79%
2013	2012	6,521,119	6,384,778	97.91%	132,807	6,517,585	99.95%
2014	2013	6,512,667	6,374,024	97.87%	136,802	6,510,826	99.97%
2015	2014	6,565,849	6,450,296	98.24%	114,905	6,565,201	99.99%
2016	2015	7,100,989	6,984,635	98.36%	121,559	7,106,194	100.07%
2017	2016	7,616,524	7,509,760	98.60%	112,823	7,622,583	100.08%
2018	2017	7,897,131	7,771,172	98.41%	116,565	7,887,737	99.88%
2019	2018	8,000,013	7,875,949	98.45%	109,773	7,985,722	99.82%
2020	2019	8,255,888	8,126,021	98.43%	-	8,126,021	98.43%

Source: Cameron County Tax Office

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

Fiscal Year	Property Taxes	General Fund Sales & Mixed Beverage Tax	Franchise Tax	Local and State Hotel Motel Tax	Total
2011	6,407,900	2,116,728	821,796	6,646,703	15,993,127
2012	6,572,035	2,171,133	806,646	7,254,042	16,803,856
2013	6,666,349	2,335,306	819,865	8,178,803	18,000,323
2014	6,554,043	2,604,925	851,056	9,228,091	19,238,115
2015	6,606,289	2,663,089	862,253	9,332,114	19,463,745
2016	7,092,759	2,650,546	886,363	9,577,278	20,206,946
2017	7,611,724	2,775,551	882,470	11,679,982	22,949,727
2018	7,838,984	2,896,023	885,011	12,959,339	24,579,357
2019	7,988,046	3,091,023	886,318	13,391,982	25,357,369
2020	8,263,742	2,890,117	856,673	12,056,086	24,066,618

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

Fiscal Year	Governmental Activities						Total Primary Government	Percentage of Personal Income	Per Capita ¹
	General Obligation Bonds	Combination Tax & Revenue Refunding Bonds	Tax Anticipation Notes	Venue Hotel Occupancy Tax Revenue Bonds	Bond Premiums	Capital Leases			
2011	7,766,462	420,000	505,000	-	101,462	819,862	9,612,786	4.34%	1,629
2012	7,963,312	-	260,000	-	323,312	826,837	9,373,461	4.23%	1,589
2013	7,725,783	-	-	-	300,783	1,566,230	9,592,796	4.33%	1,626
2014	7,298,254	-	-	-	278,254	1,275,029	8,851,537	3.39%	1,500
2015	6,855,725	-	2,905,000	-	453,172	957,451	11,171,348	4.30%	1,893
2016	6,165,000	-	6,445,000	-	597,147	797,924	14,005,071	13.01%	4,849
2017	5,715,000	-	5,530,000	9,085,000	905,487	543,315	21,778,802	12.72%	7,541
2018	5,255,000	-	4,595,000	8,900,000	823,354	355,698	19,929,052	16.16%	6,901
2019	4,775,000	-	3,640,000	8,715,000	741,221	212,894	18,084,115	12.91%	6,332
2020	4,275,000	-	2,660,000	8,525,000	659,088	180,786	16,299,874	9.93%	5,784

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

¹ See Schedule 14 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Bond Premiums	Debt Service Restricted Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value of Property ¹	Per Capita ²
2011	7,766,462	101,462	430,535	7,437,389	0.29%	1,316
2012	7,963,312	323,312	266,563	8,020,061	0.31%	1,350
2013	7,725,783	300,783	339,434	7,687,132	0.29%	1,309
2014	7,298,254	278,254	346,603	7,229,905	0.28%	1,237
2015	6,855,725	453,172	386,438	6,922,459	0.28%	1,162
2016	6,165,000	597,147	361,774	6,400,373	0.26%	2,135
2017	5,715,000	905,487	1,162,706	5,457,781	0.22%	1,979
2018	5,255,000	823,354	1,068,295	5,010,059	0.20%	1,820
2019	4,775,000	741,221	1,066,073	4,450,148	0.17%	1,672
2020	4,275,000	659,088	1,053,709	3,880,379	0.15%	1,517

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

¹ See Schedule 5 for property value data.

² See Schedule 14 for population data.

Schedule 12
City of South Padre Island, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cameron County	\$ 199,365,000	12.39%	\$ 24,701,324
Point Isabel Independent School District	11,280,000	64.96%	7,327,488
Laguna Madre Water District #1	12,610,000	72.72%	9,169,992
Texas Southmost College	35,065,000	18.76%	6,578,194
Subtotal, overlapping debt			47,776,998
*City direct debt	15,640,786	100.00%	15,640,786
Total direct and overlapping debt			\$ 63,417,784

Methodology for Deriving Overlapping Percentages:

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

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

Source: The Municipal Advisory Council of Texas

Schedule 13
City of South Padre Island, Texas
PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenditures (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	2,077,689	1,332,802	744,887	420,000	6,069	426,069	1.75
2012	2,284,146	1,320,451	963,695	-	-	-	-
2013	2,551,906	1,860,510	691,396	-	-	-	-
2014	3,208,757	1,939,326	1,269,431	-	-	-	-
2015	2,919,053	1,106,674	1,812,379	-	-	-	-
2016	1,979,972	1,253,283	726,689	-	-	-	-
2017	2,027,589	1,649,159	378,430	-	-	-	-
2018	2,104,637	1,223,284	881,353	-	-	-	-
2019	1,764,521	1,336,602	427,919	-	-	-	-
2020	1,288,892	1,221,266	67,626	-	-	-	-

(1) Convention Center Fund revenues, including interest.

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

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

Year	Estimated Population ¹	Personal Income	Per Capita Personal Income ²	Median Age ²	School Enrollment ³	Unemployment Rate ⁴
2011	5,900	221,592,200	37,558	58.1	2,544	12.4%
2012*	5,900	221,592,200	37,558	58.3	2,574	10.2%
2013*	5,900	221,592,200	37,558	58.7	2,588	10.1%
2014	5,900	260,809,500	44,205	59.2	2,480	8.0%
2015	5,900	260,048,400	44,076	60	2,518	6.6%
2016	2,888	107,650,200	37,275	58.7	2,463	7.5%
2017	2,888	171,215,080	59,285	60.5	2,396	5.5%
2018	2,888	123,303,160	42,695	60	2,314	5.7%
2019	2,856	140,098,224	49,054	59	2,132	5.2%
2020	2,818	164,106,230	58,235	58.1	2,011	10.9%

Source:

¹ George Wm. Berry, Ph. D. Analysis 2008 was used for population data from 2009 until 2015. In 2016, the population data was obtained using the U.S. Census Bureau. In 2017 and 2018, ESRI Demographics Report was used to obtain population data. In 2019 and 2020, the U.S. Census Bureau was used to obtain population data.

² The US. Census Bureau was used to obtain the data for 2009 through 2016 and 2019 through 2020. In 2017 and 2018, the information was obtained using a ESRI Demographics Report.

³ Point Isabel Independent School District provided school enrollment data.

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

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

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

Employer	2020			2011		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Dirty Al's Management Co. *	354	1	10.07%			
City of South Padre Island	331	2	9.41%	250	2	5.31%
Perspective Hospitality **	300	3	8.53%			
Beach Park (Formerly Schlitterbahn)	250	4	7.11%	354	1	7.53%
Isla Grand Beach Resort	165	5	4.69%	207	4	4.40%
Cameron County Parks	161	6	4.58%			
Louie's Backyard	160	7	4.55%	130	7	2.76%
Sea Ranch Enterprises***	128	8	3.64%	120	9	2.55%
The Pearl Beach Resort	115	9	3.27%	242	3	5.14%
Blackbeard's Restaurant	108	10	3.07%	176	5	3.74%
Hilton Garden Inn				150	6	3.19%
La Quinta Inn & Suites				120	8	2.55%
La Copa Inn				110	10	2.34%
Total	2,072		58.92%	1,859		39.51%

Source: South Padre Island Economic Development Corporation

*Includes Dirty Al's, Daddy's, Señor Donkey, Liam's, and Josephine's.

** Includes Hilton Garden Inn, Marriott Courtyard, La Copa, and La Quinta

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

Fund/Department	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
City Administration	4	4	4	4.4	4.25	4.25	5	5	5	5
Finance	5	5	5	5	4.9	4.9	5	6	6	6
Planning *	1.75	1.75	2	2	2	2	3	2	2	2
Technology	3	3	3.25	3	2.95	2.8	3	3	3	3
Human Resources	3	3	3	3	3	3	3	3	3	3
Municipal Court	2	2	2	2	2	3	3	3	3	4
Police	39	38	38	38	37.95	37.75	36.75	37.75	37.75	36.75
Fire	21	27	27	27	26.75	26	26.75	26.75	26.75	27.75
Environmental Health Serv.	5	5	6	6	5.85	5.85	5.85	5.85	5.85	5.85
Fleet Management	2	2	2	2	2	2	2	2	2	2
Building Maintenance	3	3	3	3	3	3	3	2	2	2
Inspections	3	3	3	3	3	3	3	3	3	3
Public Works	19	19	18	19	18.85	17.85	19.85	19.85	19.85	19.85
Hotel Motel Fund										
Visitor's Bureau	2	2	2	3	3	3	3	3	3	3
Sales & Administration	9.5	9.5	8.75	9.5	9.5	9.5	10	10	11	11
Special Events	1	1	2	1	1	0.5	-	1	1	1
Convention Centre										
Convention Centre	11.5	10.5	12	10	11.2	10.35	11	10	10	10
Parks and Recreation										
Parks and Recreation	-	-	-	-	-	-	-	1	1	1
Transportation										
Island Metro	9.25	15.25	15	16.1	16.2	14.2	14	14	14	19
Metro Connect	-	-	-	4	3	4	7	7	7	0
Shoreline**										
Police/Beach Patrol	-	-	-	-	0.05	0.05	-	0.25	0.25	0.25
Fire/Beach Patrol	-	-	-	-	0.25	-	-	1.25	1.25	1.25
Environmental Health Serv.	-	-	-	-	0.15	-	-	0.15	0.15	0.15
Public Works	-	-	-	-	0.15	-	-	0.15	0.15	0.15
Beach Maintenance	4	4	4	4	6	7	7.6	7	8	9
Bay Access	-	-	-	-	-	-	1.2	1	1	0
Total Operating Budget FTE's	148	158	160	165	167	164	173	175	177	176

Source: City of South Padre Island Annual Budget
Note: Full-time budgeted positions are shown.
*Formerly Development Services
**Formerly Beach Maintenance

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	1,199	1,454	1,258	1,246	1,246	1,403	1,367	1,430	1,109	1095
Parking violations	1,897	1,138	724	1,435	793	647	420	217	2,544	216
Traffic violations	1,038	748	481	658	245	242	434	562	588	651
Number of commissioned police officers	28	28	29	28	28	27	27	30	29	46
Number of employees - police officers & civilians	38	38	39	38	38	37	37	40	39	56
Fire										
Number of calls answered	1,858	1,964	2,107	2,243	2,105	2,410	2,348	2,536	2,490	2667
EMS calls	1,172	1,415	1,377	1,486	1,543	1,542	1,102	1,876	1,814	1598
Inspections	490	327	288	150	166	76	162	194	96	46
Number of firefighters	20	26	26	26	25	25	26	27	28	26
Number of employees - firefighters & civilians	21	27	27	27	26	26	27	28	29	27
Streets										
Street resurfacing (square yards)	9,032	7,867	12,050	-	8,891	32,314	2,559	12,807	19,724	-
Sidewalk construction (square yards)	73	2,069	440	368	1,540	3,523	8,942	3,880	6,144	-

Source: City Departments

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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)	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39	47.39
City Area (acres)	1,640	1,527	1,901	1,901	1,905	2,371	2,371	2,371	2,371	2,371
Parks and Recreation										
Playground	2	2	2	2	2	2	3	3	3	3
Parks	3	3	3	3	3	3	5	5	5	5
Municipal Beach (miles)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Beach Accesses (developed)	19	19	19	19	20	23	23	27	28	28
Beach Accesses (undeveloped)	5	5	5	5	4	1	3	0	0	0
Transportation										
Transit - Minibuses	9	10	11	10	11	10	11	8	8	7

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

Source: City Departments

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

Date of incorporation: 1973

Fiscal year begins: October 1st

Number of budgeted City employees: 176

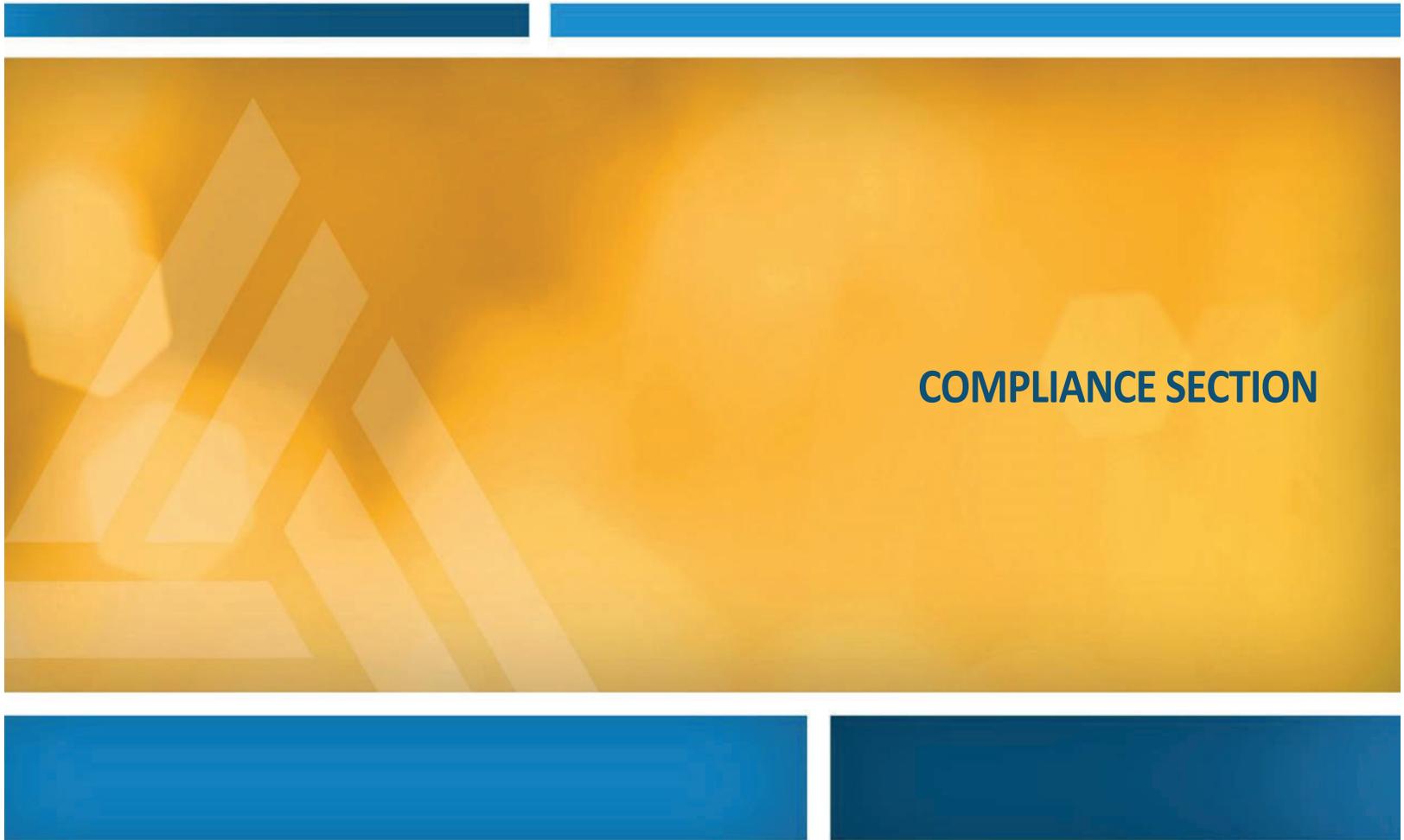
Geographical location: Southern tip of Texas on the Gulf of Mexico approximately
15 miles north of the Mexican border.

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

Source: City Staff

Source: www.weatherbase.com

(This page intentionally left blank)



COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of South Padre Island, Texas' basic financial statements, and have issued our report thereon dated March 3, 2021.

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.

(This page intentionally left blank)

Compliance and Other Matters

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

Purpose of this Report

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

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

Harlingen, Texas
March 17, 2021

(This page intentionally left blank)

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

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

Report on Compliance for Each Major Federal Program

We have audited City of South Padre Island, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of South Padre Island, Texas' major federal programs for the year ended September 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of South Padre Island, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of South Padre Island, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(This page intentionally left blank)

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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Casey Riggs & Ingram, L.L.C.

Harlingen, Texas
March 17, 2021

(This page intentionally left blank)

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	___ yes	_X_ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) (Uniform Guidance).	___ yes	_X_ no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_X_ yes	___ no



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

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

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal and State Award Findings and Questioned Costs

None reported.



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

PROGRAM DESCRIPTION

Not applicable

DESCRIPTION

There were no findings reported in the prior year.

City of South Padre Island, Texas Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-through Entity Identifying Number	(4) Provided to Subrecipients	(5) Federal Expenditures
U.S. Department of Transportation				
Passed through Texas Department of Transportation				
Federal Transit Cluster				
*Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	BBF 1901	\$ -	\$ 24,577
*Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	DIS 1901	-	\$ 168,000
Total Federal Transit Cluster			-	192,577
Transit Services Programs Cluster				
*Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED1901	-	27,416
*Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED1902	-	40,442
Total Enhanced Mobility of Seniors and Individuals with Disabilities			-	67,858
Total Transit Services Programs Cluster			-	67,858
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	CAF 2003	-	750,625
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 1802	-	79,263
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 1903	-	287,555
Total Formula Grants for Rural Areas and Tribal Transit Program			-	1,117,443
Total passed through Texas Department of Transportation			-	1,377,878
Total U.S. Department of Transportation			-	1,377,878
U.S. Department of Commerce				
Passed through Texas General Land Office				
Coastal Zone Management Administration Awards	11.419	20-044-000-B752	-	34,995
Total passed through Texas General Land Office			-	34,995
Total U.S. Department of Commerce			-	34,995
U.S. Department of Justice				
Passed through Texas Office of the Governor - Criminal Justice Division				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0002	-	10,000
Total passed through Texas General Land Office			-	10,000
Total U.S. Department of Justice			-	10,000
U.S. Department of the Treasury				
Passed through Texas Division of Emergency Management				
Coronavirus Relief Fund	21.019	5750320	-	155,815
Total passed through Texas Division of Emergency Management			-	155,815
Total U.S. Department of the Treasury			-	155,815
U.S. Food and Drug Administration				
FDA Retail Grant	93.103		-	2,500
Total U.S. Food and Drug Administration			-	2,500
U.S. Department of Homeland Security				
Passed through Texas Office of the Governor - Homeland Security Grants Division				
Homeland Security Grant Program	97.067	EMW-2018-SS-00022-S01	-	10,088
Homeland Security Grant Program	97.067	EMW-2018-SS-00034-S01	-	16,040
Total passed through Texas Office of the Governor - Homeland Security Grants Division			-	26,128
Total U.S. Department of Homeland Security			-	26,128
Total Expenditures of Federal Awards			\$ -	\$ 1,607,316

The accompanying notes are an integral part of this schedule

City of South Padre Island, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2020

NOTE 1- GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of South Padre Island, Texas, for the year ended September 30, 2020. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

NOTE 2- MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

NOTE 3- SUB-RECIPIENTS

During the year ended September 30, 2020, the City had no sub-recipients.

City of South Padre Island, Texas
Notes on Accounting Policies for Federal Awards- Continued
For the Year Ended September 30, 2020

NOTE 4- FEDERAL LOANS AND LOAN GUARANTEES

During the year ended September 30, 2020, the City had no outstanding federal loans payable or loan guarantees.

NOTE 5- FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2020, the City had no federally funded insurance.

NOTE 6- NONCASH AWARDS

During the year ended September 30, 2020, the City did not receive any non-cash federal awards.

NOTE 7- INDIRECT COST RATE

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

City of South Padre Island, Texas
Exit Conference

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

Rodrigo Gimenez, Chief Financial Officer
Randy Smith, City Manager

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