

CITY OF SOUTH PADRE ISLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2019

City of South Padre Island, Texas
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INTRODUCTORY SECTION



March 4, 2020

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, 2019. 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, 2019 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors' report is included in this document.

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

PROFILE OF THE CITY

Known as the Tropical Tip of Texas, the City is a tourist oriented resort community. The white sandy beach of South Padre Island is known throughout the United States and is ranked as one of Texas' top 10 beaches. The City occupies approximately 2.5 square miles and serves a full-time residential population of approximately 2,888.

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

MAJOR INITIATIVES

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



Comprehensive Plan:

The City focused on updating the City's comprehensive plan during the 2019 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. 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. As of September 30th, 2019, the plan was substantially complete and awaiting a final round of review from the steering committee prior to adoption.

Wayfinding:

The South Padre Island wayfinding project was developed as a community branding system that incorporates welcome, directional, informative, and culturally significant elements. The project enhances the visitor experience in South Padre Island by assisting each user in reaching their desired destination(s), unifying the Island identity, and leading to discovery of all that South Padre Island has to offer. Overall, the place making strategy facilitates vehicular traffic, creates transition points for motorists to become pedestrians, and establishes a visual and physical connection for pedestrians within the City. The Wayfinding project was completed and the final document accepted on October 29th, 2019.

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 will be done in-house, however, the City is outsourcing the architectural and engineering services for the design of a skate park. The park will include a soccer field, a walking trail, exercise stations, a bocce ball court, benches, and shade structures.

Infrastructure:

The Public Works Department has undertaken and completed many projects this past year to improve infrastructure and provide safer streets for pedestrians.

The Padre Boulevard Sidewalk Improvement Project, which started in late May 2017, improves the sidewalk on both sides of Padre Boulevard from Park Road 100 to the Convention Centre, which is approximately 4.6 miles. The project consists of six foot sidewalks with landscaping improvements and bike lane markings. The project also includes enhancements to pedestrian crossings. The project is pending the final inspection conducted by the Texas Department of Transportation. This project is scheduled to be completed before March of 2020.

The 2018 Street Reconstruction Project, Phase 1, which consisted of reconstructing nine side streets primarily on the east side of Padre Boulevard, was completed with five newly reconstructed streets adding 4,108 linear feet of sidewalks this fiscal year. The streets improved were E. Atol, E. Jupiter, E. Lantana, E. Polaris, E. Sunny Isle, E. Venus, E. Verna Jean, White Sands, and W. Palm Street. The total cost was approximately \$1.9 million.

In addition, the 2018 Street Reconstruction Project, Phase 2, was also completed which consisted of reconstructing four side streets on the west side of Padre Boulevard. The four side streets included W. Georgia Ruth, W. Mars, W. Polaris and portion of E. Mars. Improvements included five-foot sidewalks, improve drainage along these streets and improving the outfall for Venus Lane. The project total cost was approximately \$407,000 including engineering design and material testing.



The first phase of the PR 100 Median, Boardwalk, and Sidewalk Improvement Project commenced in the month of January 2020. The \$7.5 million project is funded through the Venue Project Fund, a fund sourced from a 2 percent tax incurred on the city's Hotel Occupancy Tax (HOT). It is expected to be completed in 15 months. The project's first phase, out of eleven, starts on Dolphin Street, along Padre Boulevard, and ends on Retama Street, six blocks away. The eleven phases of the project total 2.5 miles.

Transit:

The Transportation Department completed its Multimodal Facility Project. The basic function of the facility is serving as a "transfer station" between different modes of transportation. It serves as a point of transfer between Island Metro's three different routes, enabling riders to wait for their transfers in a comfortable setting.

The entire facility sits on property owned by the Texas Department of Transportation and is leased to the City for a thirty year period with extension options. It houses the Island Metro bus system, the City's Visitors Center, the City's Police Department satellite office, and the City's Shoreline Department in addition to classroom/training/meeting space for rent. Lease space is being made available to Island businesses wanting to expand their opportunities with Metro riders.

The first phase was built in 2015 and included a "Park and Ride" parking lot that fits up to 125 vehicles. Visitors driving to South Padre Island via personal vehicle can park their cars in the parking lot and take alternate transportation to their destination, thus reducing the number of cars and thus traffic. Electric vehicle owners have access to an electric vehicle charging station.

The second phase included the actual building that comprises 11,772 square feet broken down into a common area, ten offices, reception area, a training room, conference room, restrooms and a break room for the transit drivers. It is a two-story facility that will soon be Silver LEED Certified. A \$4.6 million grant, known by its acronym "TIGER" (Transportation Investment Generating Economic Recovery) was obtained in 2014 to fund the construction of the building. Construction began May of 2018 and was completed on April 3, 2019.

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. The CVB produced, sponsored, or directly supported more than 33 events on the Island. The economic impact of these events not only increase hotel occupancy and revenues but also positively affects other diverse segments of the hospitality industry.

In addition, a new feasibility study commenced during fiscal year 2018-2019 regarding expansion of the Convention Center. The SPICC feasibility expansion study was completed and presented to council in January of 2020. There is currently an action committee undertaking the next possible steps in the process.

The Island is unique in many ways and attracts a variety of events for all to enjoy. South Padre Island holds many fishing tournaments yearly and bring an estimated \$1.3 million in economic impact throughout the year. During the 2018-2019 Fiscal Year, the CVB booked 27,071 group room nights and the Visitors Information Center welcomed 46,764 guests from the United States, Mexico, Canada, and European countries.

Parks, Beautification, and Beaches:

The American Shore and Beach Preservation Association awarded the City of South Padre Island the Best Restored Beaches for 2019 award, making the City the only beach community in Texas to win this award. The City's long and successful tradition of utilizing Beneficial Use of Dredge Material (BUDM) projects have allowed the City to remain the tourism center that it is. The BUDM is crucial to fighting beach erosion, improving the dune system through the creation of the aerial beach and protecting homes and businesses.



The City's Environmental Health and 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, recently named the City of South Padre Island as a Gold Star Affiliate. The Gold Star recognition is the highest status any community affiliate can achieve.

The City continues to successfully implement local programs and campaigns to clean up litter, reduce and recycle waste, educate local citizens, and enhance the local community. On such campaign is "Treasure It...Don't Trash It" which is an annual event to help raise awareness about the importance of protecting the delicate ecosystem.

Public Safety:

The Police Department purchased two new vehicles and had them equipped for a total of \$88,000. One of the vehicles was purchased with grant funds received from the Office of the Governor. The vehicle is to be used in the Police Departments' efforts in the Operation Stonegarden Program. The program funds investments in joint efforts to secure the United States borders.

A Chief Marshal position was created in the fiscal year 2018-19. The Chief Marshal performs a variety of complex administrative and professional work in performing, planning, coordinating and directing the activities of the Marshal's division. He is responsible for collection efforts as it pertains to outstanding warrants for the Municipal Court. In addition, he is responsible for developing policies and procedures as it pertains to Law Enforcement activities and court collection strategies.

In fiscal year 2018-19, the City introduced a new member of the Fire Department. The new investigator is an accelerant detection canine named Liberty. Liberty is the first arson detection canine for the Island. Furthermore, the Fire Department purchased five Physio Control LifePak-15 Monitor Defibrillators with accessories and five Lucas devices for a total of \$338,000 with grant funds.

Economic Development:

The South Padre Island's Economic Corporation introduced a new art incubator program in the 2019 fiscal year. The primary objective of the program is to support the growth of the art culture in the community in a way that is sustainable. The Art Business Incubator South Padre Island (ABISPI) sets out to "incubate" artists who have the desire to establish themselves as professional artists on the Island. The ABISPI is an open and collaborative environment where participating artists can make art in their studio spaces as well as sell their completed pieces in a gallery. The incubator hosts monthly art-related events.

In 2019, the EDC awarded \$60,000 through the Façade Improvement and Sand Dollars for Success business incentive programs. The Façade Improvement program allows businesses within the Form Based Code area to improve the appearance of the establishment. Sand Dollars for Success was created to promote business retention and encourage entrepreneurs through the creation of new businesses. This program allows the participants to gain a better understanding of how to develop and follow a realistic business plan within the economic climate of South Padre Island. Participants must show in their business plan the expected increase in sales tax to the economy, and/or the creation or retention of jobs.

These are a few of the highlighted accomplishments of last fiscal year. We anticipate many improvements in the coming year for the Island's infrastructure that will boost the growth potential for the City.



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 8.6 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.

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 an 8.2% increase in sales tax during the 2019 calendar year. This increase is significant within itself, but also in comparison to increases recognized by cities and countries in Texas, which had increases of 4.7% and 4.9% respectively.

The biggest challenge we face is to increase tourism in other times of the year. 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. Despite the economic uncertainties, the City has experienced stability in revenue receipts in part due to impacts from the broad and diverse economy of the Rio Grande Valley.

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, 2019 identified no material weaknesses of the internal control or violations of applicable laws and regulations.



OTHER INFORMATION

Independent Audit

The City is incorporated under the Laws of the State of Texas and is required to have an annual audit and prepare annual financial statements. This audit was also designed to meet the requirements of the Federal Single Audit Act as amended and the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its comprehensive annual financial report for the fiscal year that ended September 30, 2018. This was the 29th 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.

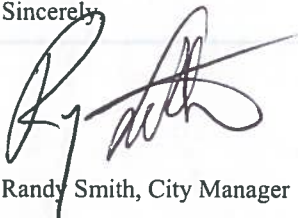
Additionally, the City of South Padre Island was awarded the Distinguished Budget Presentation Award for the Fiscal Year beginning October 1, 2018. This was the 8th consecutive year the City has achieved this prestigious award. To receive the award, the Finance Department had to satisfy nationally recognized guidelines for effective budget presentation. The budget is ranked on how well it serves as a policy document, a financial plan, an operations guide, and a communications device. All four categories must be rated proficient. Additionally, fourteen mandatory criteria must be met.

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

Acknowledgments

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

Sincerely,



Randy Smith, City Manager



Rodrigo Gimenez, Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

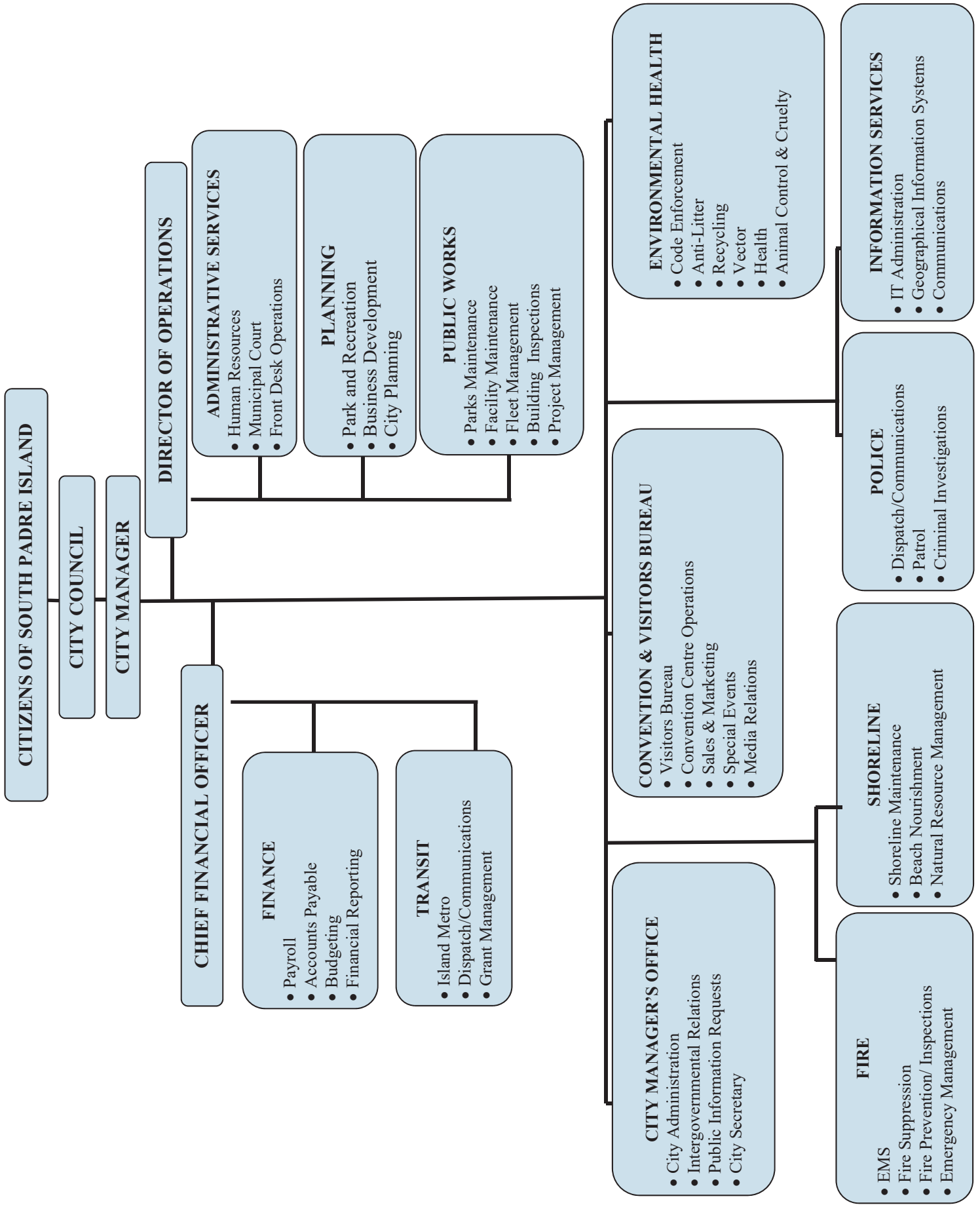
**City of South Padre Island
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO



City of South Padre Island, Texas
List of Principal Officials
September 30, 2019

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
DOUG FOWLER	FIRE CHIEF
CARLOS SANCHEZ	PUBLIC WORKS DIRECTOR
MARK SHELLARD	INFORMATION TECHNOLOGY DIRECTOR
ARACELI SANCHEZ	HUMAN RESOURCES MANAGER
AARON HANLEY	PLANNING DIRECTOR
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
KRISTINA BORBURKA	SHORELINE DIRECTOR
JESSE ARRIAGA	TRANSIT DIRECTOR
SUSAN MANNING	CITY SECRETARY
DENTON, NAVARRO, ROCHA, BERNAL & ZECH	CITY ATTORNEY

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of South Padre Island, Texas as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Padre Island, Texas, as of September 30, 2019 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 17 through 26 and 66 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

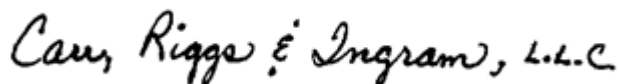
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The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020, 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.



Harlingen, Texas
March 4, 2020

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

As management of the City of South Padre Island (the City), we offer readers of the City's financial statements this narrative overview and analysis as of September 30, 2019. 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 \$53,761,672 (net position). Of this amount, \$5,798,172 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position for the City of South Padre Island increased by \$5,799,881 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 \$37,238,386. Approximately 22.2% of this amount, \$8,263,718 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 (\$6,129,472 for 2019) established by the City Charter.
- At the end of the current fiscal year 77.4%, \$28,819,672 of the governmental funds fund balance was restricted and approximately 0.4%, \$146,296 was non-spendable.
- The City of South Padre Island's total bonded debt decreased by \$1,620,000 during the current fiscal year. This decrease is the result of payments made on bonded debt totaling \$1,620,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The City of South Padre Island maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Hotel Motel Fund, Transportation Grant Fund, 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 2019	Total Governmental Activities 2018
ASSETS		
Current and other assets	\$ 38,996,592	\$ 38,284,904
Capital assets	37,051,501	34,582,759
Total assets	76,048,093	72,867,663
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	2,517,082	877,010
Deferred outflows related to OPEB liabilities	37,522	36,915
Deferred amount on refunding	140,137	163,494
Total deferred outflows of resources	2,694,741	1,077,419
LIABILITIES		
Current liabilities	1,212,479	2,618,753
Non-current liabilities	23,607,761	22,318,731
Total liabilities	24,820,240	24,937,484
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB liabilities	24,138	-
Deferred inflows related to pension liabilities	136,784	1,045,807
Total deferred inflows of resources	160,922	1,045,807
NET POSITION		
Net investment in capital assets	28,045,389	25,616,028
Restricted	19,918,111	17,386,999
Unrestricted	5,798,172	4,958,764
Total net position	\$ 53,761,672	\$ 47,961,791

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 \$53,761,672 at the close of the most recent fiscal year.

A large portion of the City's net position (52%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Changes in Net Position. Governmental activities increased the City's net position by \$5,799,881 from the beginning adjusted net position of \$47,961,791, as a result of current year activities. Total revenues increased approximately \$1.9 million. This includes increases in grants of 34% or \$1,304,030 mainly associated with additional federal funding awarded for the construction of a Transit Multimodal Facility.

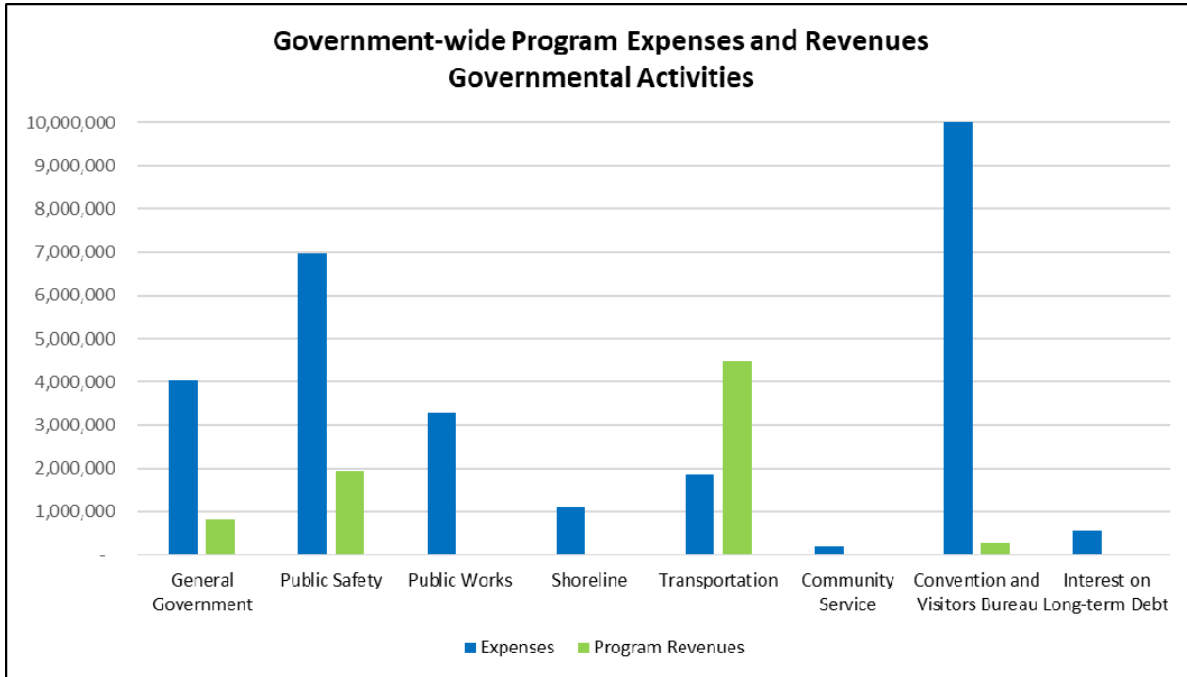
In terms of general revenues, property tax collections increased mainly due to increased property tax values for fiscal year 2018-2019. Sales tax and hotel motel taxes also contributed to the increases in general revenues. Sales tax collections increased by 6.8% or \$172,779 and state and local occupancy taxes increased by 3.3% or \$432,641. Finally, due to favorable market conditions and appropriate cash management practices, the City generated additional interest revenue in the amount of approximately \$268,912.

Expenses during the fiscal period increased by \$1,455,784 or 5%. This increase was mostly due to additional sales and marketing allocations in the Hotel Motel Fund for approximately \$322k as well as portable restroom rentals for beach maintenance (\$181k).

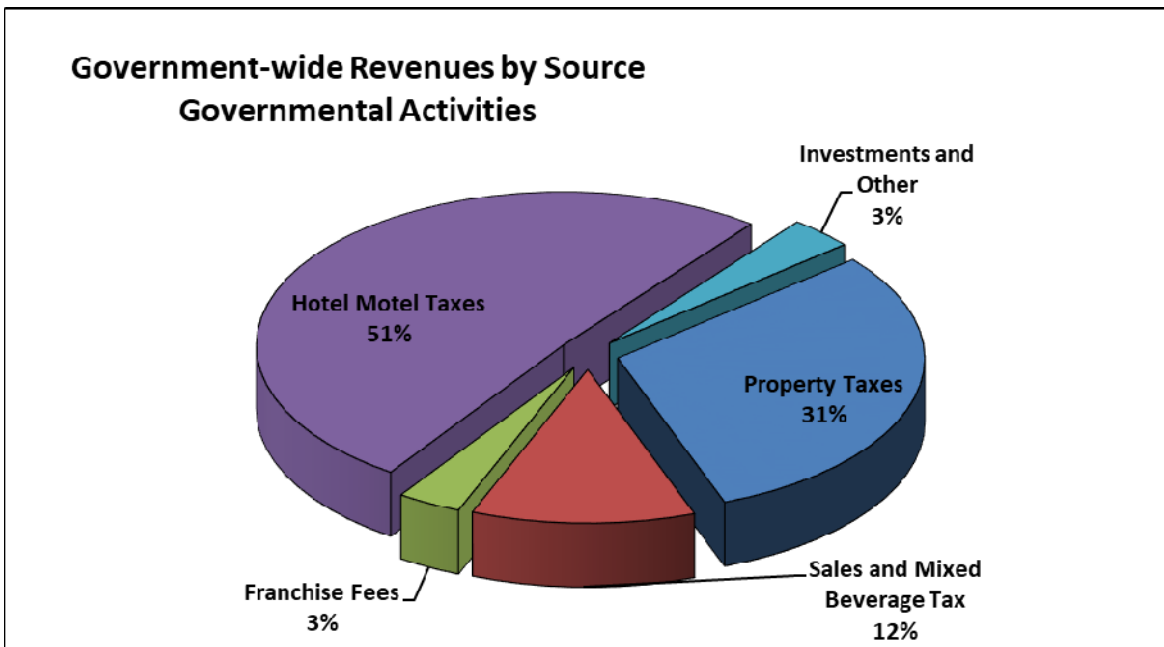
	Total Governmental Activities 2019	Total Governmental Activities 2018
Program Revenues:		
Charges for Services	\$ 2,450,755	\$ 2,773,678
Operating Grants and Contributions	1,589,941	3,003,264
Capital Grants and Contributions	3,519,537	802,184
General Revenues:		
Property Tax	8,040,930	7,904,409
Sales Tax	2,729,632	2,556,853
Franchise Tax	886,318	885,011
Hotel Motel Tax	10,650,064	10,340,024
Hotel Motel Beach Maintenance Tax	2,741,917	2,619,316
Mixed Beverage Tax	361,391	339,170
Gain/(Loss) on Sale of Capital Assets	(9,839)	42,253
Interest and Other	901,409	671,562
Total Revenues	33,862,055	31,937,724
Program Expenses:		
General Government	4,034,629	4,073,602
Public Safety	6,965,278	6,363,761
Public Works/Shoreline	4,405,207	4,215,756
Transportation	1,866,276	1,794,636
Community Service	183,225	197,944
Convention and Visitors Bureau	10,041,264	9,379,337
Interest on Long-Term Debt	566,295	581,354
Total Expenses	28,062,174	26,606,390
Increase in Net Position	5,799,881	5,331,334
Beginning Net Position	47,961,791	42,915,192
Prior Period Adjustment	-	(284,735)
Beginning Net Position, as restated	47,961,791	42,630,457
Ending Net Position	\$ 53,761,672	\$ 47,961,791

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 \$37,238,386 an increase of \$2,151,121 in comparison with the prior year. Approximately 22.2%, or \$8,263,718 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 \$6,129,472 and is contained within the unassigned fund balance of the General Fund. The restricted funds are 77.4% or \$28,819,672 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 \$146,296 of the fund balance is nonspendable; in this case all of the \$146,296 consists of prepaid expenses and 0.1% constitutes the remaining \$8,700 in committed fund balance.

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 \$8,263,718 while total fund balance reached \$8,356,831. 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 67.5% of total General Fund expenditures, while total fund balance represents 68.2% of that same amount.

The fund balance of the City's General Fund increased by \$724,587 during the current fiscal year.

Revenues increased by \$714,461 mainly due to increases in property taxes (\$130,200), intergovernmental revenue (\$265,548) and sales tax (\$172,779). In comparison with last year, the total actual expenditures decreased by approximately \$95,577. The decrease is primarily due to less capital outlay expenditures as well as a reduction in capital lease payments.

Non-property taxes for both the Hotel Motel and Convention Center funds, increased by approximately 3.0% or \$245,501 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$538,114 due to enhancements in sales and marketing programs while the Convention Center Fund balance increased by \$176,370.

The Transportation Fund did not have significant variances in fund balance. A total of \$4,607,958 was spent mainly on the capital expenditures related to the City's Multi-Modal facility.

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

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

The Venue Project Fund experienced an increase in fund balance due to additional hotel motel occupancy taxes collected during the fiscal year.

General Fund Budgetary Highlights

The original budget of the General Fund was amended by ordinance four times during fiscal year 2018-2019. Amendments included major investments in public safety including, but not limited to, vehicles for the Police Department, defibrillators and an ambulance for the EMS/Fire Department as well as the addition of one firefighter/paramedic position. Additionally, the City amended the General Fund budget to purchase new servers and technology equipment.

General Fund Budget Variances

During the year, revenues were \$434,664 higher than budgeted. This change can be primarily attributed to an increase of \$172,779 in sales tax, \$73,942 in EMS revenue, and \$78,809 in interest revenue.

Total expenditures were \$855,243 less than budgeted amounts. All operating expenditures of the General Fund departments were under budget. For general government expenditures, savings in the amount of \$333,484 were materialized representing a reduction of 9.5% compared to what was budgeted. Additionally, for public safety departments had savings in the amount of approximately \$375,263 mainly due to vacant personnel positions in the Police department. Finally, Public Works had savings also related to personnel vacancies in different divisions.

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

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2019 amounts to \$37,051,501 (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>	2019	2018
Land	\$ 1,497,793	\$ 1,497,793
Construction in progress	-	3,696,240
Buildings	20,300,371	14,855,954
Improvements	3,771,979	3,974,150
Furniture and equipment	2,469,094	2,181,624
Infrastructure	9,012,264	8,376,998
Total capital assets	\$ 37,051,501	\$ 34,582,759

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,130,000. 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>	2019	2018
General Obligation Bonds and Tax Anticipation Notes	\$17,130,000	\$18,750,000
	\$17,130,000	\$18,750,000

The City of South Padre Island's total bonded debt decreased by \$1,620,000 during the current fiscal year. This change is the result of paying \$180,000 principal on the Series 2011 General Obligation Bond, \$300,000 principal on the Series 2012 General Obligation Refunding Bonds, \$415,000 principal on the Series 2015 Tax Anticipation Notes, \$540,000 principal on the Series 2016 Tax Anticipation Notes and \$185,000 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 2019-2020 fiscal year.

Certified property tax values for the City showed an increase in property values by approximately \$82.2 million, or 3.33% from the preceding year. The City Council adopted a tax rate of \$0.315640 cents per hundred which is split between \$0.252024 per hundred for maintenance and operations and \$0.063616 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, 2019

	Primary Government	
	Total Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 22,740,267	\$ 879,786
Cash and cash equivalents- restricted	659,552	427,710
Investments	12,243,045	-
Investments- restricted	-	153,763
Receivables, net	1,778,687	100,973
Due from other governments	1,428,745	-
Prepaid expenses	146,296	350,325
Loans receivable	-	23,533
Capital assets, net		
Non-depreciable assets	1,497,793	657,236
Depreciable assets	35,553,708	5,282,933
TOTAL ASSETS	76,048,093	7,876,259
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	2,517,082	17,999
Deferred outflows related to OPEB	37,522	305
Deferred amount on refunding	140,137	147,231
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,694,741	165,535
LIABILITIES		
Accounts payable	981,949	-
Other liabilities	160,528	40,658
Unearned revenues	70,002	-
Non-current liabilities		
Due within one year	2,433,640	328,782
Due in more than one year	21,174,121	2,973,417
TOTAL LIABILITIES	24,820,240	3,342,857
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB liabilities	24,138	172
Deferred inflows related to pension liabilities	136,784	1,918
TOTAL DEFERRED INFLOWS OF RESOURCES	160,922	2,090
NET POSITION		
Net investment in capital assets	28,045,389	2,818,361
Restricted		
Debt service	1,102,379	451,069
Capital projects	505,037	-
Beach nourishment	3,232,805	-
Transportation	74,242	-
Beach maintenance	2,885,300	-
Municipal court	77,995	-
Criminal justice	19,450	-
Venue project	4,285,701	-
Parks and recreation	181,925	-
Hotel/motel taxes	7,553,277	-
Unrestricted	5,798,172	1,427,417
TOTAL NET POSITION	\$ 53,761,672	\$ 4,696,847

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, 2019

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 Government	
					Governmental Activities	Component Unit
Governmental activities:						
General government	\$ 4,034,629	\$ 728,337	\$ 45,973	\$ 59,114	\$ (3,201,205)	
Public safety	6,965,278	1,436,732	148,499	356,770	(5,023,277)	
Public works	3,282,686	-	-	-	(3,282,686)	
Shoreline	1,122,521	-	-	-	(1,122,521)	
Transportation	1,866,276	-	1,395,469	3,103,653	2,632,846	
Community service	183,225	7,902	-	-	(175,323)	
Convention and visitors bureau	10,041,264	277,784	-	-	(9,763,480)	
Interest and fees on long-term debt	566,295	-	-	-	(566,295)	
Total governmental activities	28,062,174	2,450,755	1,589,941	3,519,537	(20,501,941)	
Component unit:						
Economic development services	491,264	-	-	-	(491,264)	
Interest expense	78,327	-	-	-	(78,327)	
Total component unit	\$ 569,591	\$ -	\$ -	\$ -	\$ (569,591)	

General revenues:

Property taxes, levied for general purposes	6,388,216	-
Property taxes, levied for debt service	1,652,714	-
Sales taxes	2,729,632	909,877
Franchise taxes	886,318	-
Hotel motel taxes	10,650,064	-
Hotel motel beach maintenance taxes	2,741,917	-
Mixed beverage taxes	361,391	-
Unrestricted investment earnings	802,814	-
Gain/(loss) on disposal of capital assets	(9,839)	-
Miscellaneous	98,595	41,622
Total general revenues	26,301,822	951,499
Change in net position	5,799,881	381,908
Net position - beginning	47,961,791	4,314,939
Net position - ending	\$ 53,761,672	\$ 4,696,847

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, 2019

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,445,236	\$ 1,010,127		\$ 8,918,631	\$ 3,154,237	\$ 7,212,036	\$ 22,740,267
Cash and cash equivalents- restricted	-	-	-	-	-	659,552	659,552
Investments	6,202,502	2,519,065	-	-	1,006,243	2,515,235	12,243,045
Receivables (net of allowance for uncollectibles)							
Property taxes	205,209	-	-	-	-	47,055	252,264
Accounts	867,867	416,545	-	-	125,221	116,790	1,526,423
Due from other governments	-	-	325,259	-	-	1,103,486	1,428,745
Due from other funds	251,017	-	-	-	-	-	251,017
Prepaid items	64,963	7,961	41,728	-	-	31,644	146,296
Total assets	\$ 10,036,794	\$ 3,953,698	\$ 366,987	\$ 8,918,631	\$ 4,285,701	\$ 11,685,798	\$ 39,247,609
LIABILITIES							
Accounts payable	\$ 980,186	\$ -	\$ -	\$ -	\$ -	\$ 1,763	\$ 981,949
Due to other funds	-	-	251,017	-	-	-	251,017
Other liabilities	71,072	-	-	-	-	-	71,072
Unearned revenues - other	29,828	500	-	-	-	39,674	70,002
Total liabilities	1,081,086	500	251,017	-	-	41,437	1,374,040
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	163,462	-	-	-	-	36,306	199,768
Unavailable revenue - other	435,415	-	-	-	-	-	435,415
Total deferred inflows of resources	598,877	-	-	-	-	36,306	635,183
FUND BALANCE							
Nonspendable	64,963	7,961	41,728	-	-	31,644	146,296
Restricted	19,450	3,945,237	74,242	8,918,631	4,285,701	11,576,411	28,819,672
Committed	8,700	-	-	-	-	-	8,700
Unassigned	8,263,718	-	-	-	-	-	8,263,718
Total fund balances	8,356,831	3,953,198	115,970	8,918,631	4,285,701	11,608,055	37,238,386
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
	\$ 10,036,794	\$ 3,953,698	\$ 366,987	\$ 8,918,631	\$ 4,285,701	\$ 11,685,798	\$ 39,247,609

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, 2019

Fund balances of governmental funds	\$ 37,238,386
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.	37,051,501
Some liabilities, including bonds payable (\$17,130,000 and premiums of \$741,221), and capital leases (\$212,894) are not due in the current period and, therefore, are not reported in the funds.	(18,084,115)
Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	140,137
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(1,011,823)
Certain amounts receivable for property taxes (\$199,768) and other revenues (\$435,415) but which do not represent current financial resources are deferred in the funds.	635,183
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(89,456)
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 (\$4,150,483), a deferred resource inflow in the amount of (\$136,784), and a deferred resource outflow in the amount of \$2,517,082. This resulted in a decrease in net position of \$(1,770,185).	(1,770,185)
Included in the non-current liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of (\$361,340), a deferred resource inflow in the amount of (\$24,138) and a deferred resource outflow in the amount of \$37,522. This resulted in a decrease in net position by (\$347,956).	(347,956)
Net position of governmental activities	\$ 53,761,672

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, 2019

	General Fund	Hotel Motel Fund	Transportation Grant Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 6,299,498	\$ -	\$ -	\$ -	\$ -	\$ 1,743,320	\$ 8,042,818
Nonproperty taxes	3,977,342	7,100,449	-	-	2,130,531	4,161,001	17,369,323
Fees and services	1,591,062	7,889	-	-	-	274,020	1,872,971
Fines and forfeitures	377,917	-	-	-	-	13,006	390,923
Licenses and permits	233,392	-	-	-	-	-	233,392
Intergovernmental	551,242	-	4,449,122	-	-	59,114	5,059,478
Miscellaneous	261,248	94,106	63,613	228,177	59,529	241,511	948,184
Total revenues	13,291,701	7,202,444	4,512,735	228,177	2,190,060	6,491,972	33,917,089
EXPENDITURES							
Current							
General government	3,504,571	-	-	-	25,218	85,019	3,614,808
Public safety	5,828,295	-	-	-	-	449,250	6,277,545
Public works	2,018,663	-	-	-	-	-	2,018,663
Shoreline	-	-	-	-	-	1,099,574	1,099,574
Transportation	-	-	1,504,305	-	-	-	1,504,305
Community service	-	-	-	-	-	64,598	64,598
Convention and visitors bureau	-	7,443,354	-	-	-	1,336,602	8,779,956
Capital outlay	739,884	86,430	3,103,653	255,775	-	1,867,602	6,053,344
Debt service							
Principal - bonds							
General obligation bonds	-	-	-	-	-	480,000	480,000
Tax anticipation notes	-	-	-	-	-	955,000	955,000
Venue tax revenue bonds	-	-	-	-	-	185,000	185,000
Principal - capital leases	142,804	-	-	-	-	-	142,804
Interest	10,594	-	-	-	-	614,338	624,932
Administrative charges	-	-	-	-	-	12,175	12,175
Total expenditures	12,244,811	7,529,784	4,607,958	255,775	25,218	7,149,158	31,812,704
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	1,046,890	(327,340)	(95,223)	(27,598)	2,164,842	(657,186)	2,104,385
Other financing sources (uses)							
Sale of capital assets	42,129	-	194	-	-	4,413	46,736
Transfers in	195,691	-	125,757	-	-	1,178,866	1,500,314
Transfers out	(560,123)	-	-	-	(506,138)	(434,053)	(1,500,314)
Total other financing sources (uses)	(322,303)	-	125,951	-	(506,138)	749,226	46,736
Net change in fund balances	724,587	(327,340)	30,728	(27,598)	1,658,704	92,040	2,151,121
Fund balance -- beginning	7,632,244	4,280,538	85,242	8,946,229	2,626,997	11,516,015	35,087,265
Fund balance -- ending	\$ 8,356,831	\$ 3,953,198	\$ 115,970	\$ 8,918,631	\$ 4,285,701	\$ 11,608,055	\$ 37,238,386

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, 2019

Net change in fund balances -total governmental funds	\$ 2,151,121
<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 \$6,053,344 and including depreciation (\$3,528,027), in the current period is to increase net position.</p>	
	2,525,317
<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>	
	(56,575)
<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>	
	1,762,804
<p>The increase in compensated absences payable of (\$4,551) 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>	
	54,225
<p>GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$770,497. 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 (\$799,828). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(541,271). The result of these changes is to decrease net position.</p>	
	(570,602)
<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 \$45,195 and interest expense decreased by \$12,036 in 2019. Recognition of these amounts in the statement of activities results in a decrease in the change in net position.</p>	
	(33,159)
<p>The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$9,624. 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 \$(10,556). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(32,318). The result of these changes is to decrease the change in net position by \$(33,250).</p>	
	(33,250)
Change in net position of governmental activities	\$ 5,799,881

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.

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.

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.

Implementation of New Standard

In fiscal year 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Recently Issued Accounting Pronouncements

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

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, 2019 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.

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

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

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

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

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

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

e. Compensated Absences

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.

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*.

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. Other Post-Employment Benefits (OPEB)

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

h. Bond Discounts/Issue Costs

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

i. Comparative Data

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

j. Estimates

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

k. Interfund Transfers

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

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

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

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

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

The City charter requires establishment of an operating reserve in the General Fund of no less than six months of operating expenditures, to be used for emergency appropriations. The estimated required fund balance to meet this at September 30, 2019 is \$6,129,472. Since the City's unassigned fund balance exceeds this amount at September 30, 2019, 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."

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

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 4, 2020 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgetary Information - Continued

e. Revisions that alter budgets at the department level within a fund must be approved by the Council Members. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types reflect these revisions. Actual expenditures and transfers may not legally exceed budget appropriations at the department level.

f. Formal budgetary integration is employed as a management control device during the year for the General, certain Special Revenue, Capital Projects and Debt Service Funds.

g. Annual appropriated budgets are adopted for the General, certain Special Revenue, Capital Projects and Debt Service Funds. All annual appropriations lapse at year-end to the extent they have not been expended or encumbered.

The City prepares its budget on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets for the Debt Service fund are legally adopted on an annual basis.

During fiscal year 2019, 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, Transportation Grant and Venue Project Funds), that have adopted a budget.

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

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

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

1. Expenditures over Appropriations

None noted.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. During the year ended September 30, 2019 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, 2019 are as follows:

	Investment Maturities (in years)	
	Value	1 or less
Primary Government		
Cash equivalents		
Money market accounts	\$ 10,958,819	\$ 10,958,819
Investments		
TexPool	7,788	7,788
Texas Term	119,895	119,895
Certificates of deposit	12,115,362	12,115,362
	<u>\$ 23,201,864</u>	<u>\$ 23,201,864</u>
Component Unit		
TexPool	\$ 23,359	\$ 23,359
Certificates of deposit	130,404	130,404
	<u>\$ 153,763</u>	<u>\$ 153,763</u>

A reconciliation of cash and investment follows:

	Primary Government	Component Units	Total
	Governmental Activities		
Cash and cash equivalents			
Cash and cash equivalents	\$ 22,740,267	\$ 879,786	\$ 23,620,053
Cash - restricted	659,552	427,710	1,087,262
Total cash and cash equivalents	<u>23,399,819</u>	<u>1,307,496</u>	<u>24,707,315</u>
Investment:			
TexPool	7,788	23,359	31,147
Texas Term	119,895	-	119,895
Certificates of deposit	12,115,362	130,404	12,245,766
Total Investments	<u>12,243,045</u>	<u>153,763</u>	<u>12,396,808</u>
Total cash and investments	<u>\$ 35,642,864</u>	<u>\$ 1,461,259</u>	<u>\$ 37,104,123</u>

As of September 30, 2019 The City's investments in certificates of deposit are valued at cost plus accrued interest.

See Note 10 for components of cash restrictions.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

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

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

Interest Rate Risk

Description	Rate	Amount	Maturity
East West Bank CD	2.56%	\$ 506,134	October 10, 2019
East West Bank CD	2.71%	1,272,001	February 10, 2020
East West Bank CD	2.35%	2,519,065	June 5, 2020
Legacy Texas Bank CD	2.20%	3,016,666	June 19, 2020
East West Bank CD	2.01%	501,158	August 20, 2020
LegacyTexas Bank CD	2.63%	1,519,997	September 22, 2020
East West Bank CD	2.05%	1,003,601	January 29, 2021
Origin Bank CD	2.82%	1,271,654	February 20, 2021
East West Bank CD	2.43%	505,085	May 3, 2021
Total Certificates of Deposit		\$ 12,115,361	

Description	Rate	Amount	Maturity
EDC Certificate of Deposit	2.29%	\$ 130,404	October 1, 2019

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, 2019 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Public Funds Investment Pools

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

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

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

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

NOTE 4: PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2018 upon which the 2018 levy was based, was \$2,558,588,118. State statutes require that all assessments be made on one hundred percent (100%) of fair market value.

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 4: PROPERTY TAXES (Continued)

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

The City is permitted by the Municipal Finance Law of Texas to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental service and the payment of principal and interest on long-term debt for the year ended September 30, 2019 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, 2019 were 98 percent of the tax levy. In regards to the TIRZ fund, property taxes include a contribution from the County in the amount of \$54,772.

NOTE 5: RECEIVABLES

Receivables at September 30, 2019, consist of the following:

	Primary Government					Component Unit
	General Fund	Hotel Motel Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds	
Receivables						
Property Taxes	\$ 216,010	\$ -	\$ -	\$ 49,531	\$ 265,541	\$ -
Accounts	1,573,099	416,545	125,221	116,790	2,231,655	100,973
Gross receivables	1,789,109	416,545	125,221	166,321	2,497,196	100,973
Less allowance for uncollectibles						
Property Taxes	(10,800)	-	-	(2,477)	(13,277)	-
Accounts	(705,232)	-	-	-	(705,232)	-
	(716,032)	-	-	(2,477)	(718,509)	-
Total receivables, net	\$ 1,073,077	\$ 416,545	\$ 125,221	\$ 163,844	\$ 1,778,687	\$ 100,973

As of September 30, 2019 the component unit had a loan receivable of \$23,533. The Revolving Loan Fund was granted to the EDC in 2011 at an amount of \$105,150 at a rate of 4% for 10 years.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 6: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2019 consist of the following:

	Primary Government		
	Transportation Grant Fund	Other Governmental Funds	Total Governmental Funds
Texas State Comptroller - Occupancy Tax	\$ -	\$ 1,103,486	\$ 1,103,486
State of Texas - Department of Transportation	325,259	-	325,259
	<u>\$ 325,259</u>	<u>\$ 1,103,486</u>	<u>\$ 1,428,745</u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

Governmental Activities

	Beginning Balance October 1, 2018	Additions	Transfers	Retirements	Ending Balance September 30, 2019
Capital assets, not being depreciated					
Land	\$ 1,497,793	\$ -	\$ -	\$ -	\$ 1,497,793
Constuction in progress	3,696,240	-	(3,696,240)	-	-
	5,194,033	-	(3,696,240)	-	1,497,793
Capital assets, being depreciated					
Buildings	34,414,013	3,457,867	3,696,240	-	41,568,120
Improvements	7,664,923	188,956	7,135	-	7,861,014
Furniture and equipment	8,538,539	1,036,830	(7,135)	(826,249)	8,741,985
Infrastructure	16,147,898	1,369,691	-	-	17,517,589
	66,765,373	6,053,344	3,696,240	(826,249)	75,688,708
Less accumulated depreciation					
Buildings	(19,558,058)	(1,709,691)	-	-	(21,267,749)
Improvements	(3,690,773)	(393,030)	(5,232)	-	(4,089,035)
Furniture and equipment	(6,356,915)	(690,882)	5,232	769,674	(6,272,891)
Infrastructure	(7,770,901)	(734,424)	-	-	(8,505,325)
Total accumulated depreciation	(37,376,647)	(3,528,027)	-	769,674	(40,135,000)
Total capital assets, being depreciated, net	29,388,726	2,525,317	3,696,240	(56,575)	35,553,708
Governmental activities, capital assets, net	\$ 34,582,759	\$ 2,525,317	\$ -	\$ (56,575)	\$ 37,051,501

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

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	\$ 308,390
Public safety	406,942
Public works	1,196,392
Community service	116,815
Convention and visitor bureau	1,182,203
Transportation	317,285
Total depreciation - governmental activities	\$ 3,528,027

Component Unit

Activity for the Economic Development Corporation is as follows:

	Beginning Balance				Ending Balance
	October 1, 2018	Additions	Transfers	Retirements	
Capital assets, not being depreciated					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
	657,236	-	-	-	657,236
Capital assets, being depreciated					
Buildings	6,569,015	30,000	-	-	6,599,015
Improvements	375,000	-	-	-	375,000
Furniture and equipment	21,604	-	-	-	21,604
	6,965,619	30,000	-	-	6,995,619
Less accumulated depreciation					
Buildings	(1,406,774)	(136,548)	-	-	(1,543,322)
Improvements	(122,275)	(25,485)	-	-	(147,760)
Furniture and equipment	(21,604)	-	-	-	(21,604)
Total accumulated depreciation	(1,550,653)	(162,033)	-	-	(1,712,686)
Total capital assets, being depreciated, net	5,414,966	(132,033)	-	-	5,282,933
Component unit, capital assets, net	\$ 6,072,202	\$ (132,033)	\$ -	\$ -	\$ 5,940,169

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 8: DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

	Unavailable
Governmental funds	
Delinquent property taxes receivable	\$ 199,768
Grants and other	435,915
Total deferred inflows of resources for governmental funds	\$ 635,683

The component unit reported \$23,533 in unavailable revenue related to noncurrent receivables at September 30, 2019.

In governmental activities, deferred outflows of resources consist of \$140,137 of deferred charges on refundings of long-term debt and \$2,517,082 and \$37,522 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$136,784 and \$24,138 at September 30, 2019. In the component unit deferred outflows of resources consist of \$147,231 of deferred charges on refundings of long-term debt and \$17,999 and \$305 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$1,918 and \$172 at September 30, 2019 for the component unit.

NOTE 9: UNEARNED REVENUE

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

For the year ended September 30, 2019, \$70,002 of unearned revenues are reported in the government funds and in the statement of net position for amounts received for in advance of the City performing the related services.

NOTE 10: LONG-TERM DEBT

Primary Government

General Obligation Bonds

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

1. Bonds

	Beginning Balance October 1, 2018			Ending Balance September 30, 2019		Due In One Year
		Additions	Reductions			
<i>General Government:</i>						
Series 2011 General Obligation Bond	\$ 2,975,000	\$ -	\$ (180,000)	\$ 2,795,000	\$ 190,000	
Series 2012 General Obligation Refunding Bonds	2,280,000	-	(300,000)	1,980,000	310,000	
Series 2015 Tax Anticipation Notes	1,755,000	-	(415,000)	1,340,000	430,000	
Series 2016 Tax Anticipation Notes	2,840,000	-	(540,000)	2,300,000	550,000	
Series 2017 Venue Hotel Occupancy Tax Revenue Bonds	8,900,000	-	(185,000)	8,715,000	190,000	
	<u>\$ 18,750,000</u>	<u>\$ -</u>	<u>\$ (1,620,000)</u>	<u>\$ 17,130,000</u>	<u>\$ 1,670,000</u>	

The following table summarizes the restricted cash and cash equivalents as of September 30, 2019:

	Governmental Activities
Cash and cash equivalents - restricted	
Cash restricted for Venue Seasonal Reserve	\$ 131,757
Cash restricted for Venue Debt Reserve	527,795
	<u>\$ 659,552</u>

Cash and cash equivalents of \$414,005 and \$13,705 are restricted for the EDC Debt Service Reserve and EDC Debt Service Fund, respectively. In addition, the EDC Debt Service Fund reported \$23,359 in restricted investments.

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

Year Ending September 30,	General Obligation Bonds		Tax Anticipation Notes		Venue Tax Revenue Bonds		Total		Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 500,000	\$ 152,225	\$ 980,000	\$ 100,850	\$ 190,000	\$ 317,438	\$ 1,670,000	\$ 570,513	\$ 2,240,513
2021	510,000	135,150	1,010,000	71,525	195,000	313,638	1,715,000	520,313	2,235,313
2022	525,000	118,650	1,050,000	36,075	200,000	309,738	1,775,000	464,463	2,239,463
2023	545,000	102,338	600,000	9,000	205,000	303,738	1,350,000	415,076	1,765,076
2024	560,000	86,150	-	-	210,000	297,588	770,000	383,738	1,153,738
2025-2029	1,575,000	242,000	-	-	1,150,000	1,387,190	2,725,000	1,629,190	4,354,190
2030-2034	560,000	22,600	-	-	1,380,000	1,153,940	1,940,000	1,176,540	3,116,540
2035-2039	-	-	-	-	1,700,000	841,176	1,700,000	841,176	2,541,176
2040-2044	-	-	-	-	2,065,000	470,050	2,065,000	470,050	2,535,050
2045-2047	-	-	-	-	1,420,000	100,625	1,420,000	100,625	1,520,625
	<u>\$ 4,775,000</u>	<u>\$ 859,113</u>	<u>\$ 3,640,000</u>	<u>\$ 217,450</u>	<u>\$ 8,715,000</u>	<u>\$ 5,495,122</u>	<u>\$ 17,130,000</u>	<u>\$ 6,571,685</u>	<u>\$ 23,701,685</u>

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

Component Unit

1. Revenue Bonds

	Beginning Balance			Ending Balance	
	October 1, 2018	Additions	Reductions	September 30, 2019	Due In One Year
2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,410,000	\$ -	\$ (310,000)	\$ 3,100,000	\$ 310,000

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
2020	\$ 310,000	\$ 77,550	\$ 387,550
2021	320,000	71,250	391,250
2022	320,000	64,850	384,850
2023	335,000	58,300	393,300
2024	340,000	51,550	391,550
2025-2028	1,475,000	104,175	1,579,175
	<u>\$ 3,100,000</u>	<u>\$ 427,675</u>	<u>\$ 3,527,675</u>

Primary Government

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

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

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

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

Advance Refundings

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

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

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

Capital Lease Obligations

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

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

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, 2019:

Year ending September 30,	Fire Ladder Truck	Police Radio Equipment	Total
2020	\$ 52,878	\$ 65,060	\$ 117,938
2021	52,878	-	52,878
2022	52,878	-	52,878
Total minimum lease payments	158,634	65,060	223,694
Less the amount representing interest	(8,803)	(1,997)	(10,800)
Present value of net minimum lease payments	\$ 149,831	\$ 63,063	\$ 212,894

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, 2019, the following changes occurred in liabilities reported as non-current liabilities.

	October 1, 2018	Additions	Reductions	September 30, 2019	Amount Due Within One Year
Bonds payable	\$ 18,750,000	\$ -	\$ (1,620,000)	\$ 17,130,000	\$ 1,670,000
Premium on bond issuances	823,354	-	(82,133)	741,221	82,133
Total bonds payable	19,573,354	-	(1,702,133)	17,871,221	1,752,133
Compensated absences*	1,007,272	791,955	(787,404)	1,011,823	571,924
Capital leases	355,698	-	(142,804)	212,894	109,583
Net pension liability	1,030,786	4,878,306	(1,758,609)	4,150,483	-
Net OPEB liability	351,621	40,353	(30,634)	361,340	-
Total long-term debt	\$ 22,318,731	\$ 5,710,614	\$ (4,421,584)	\$ 23,607,761	\$ 2,433,640

*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

	October 1, 2018	Additions	Reductions	September 30, 2019	Amount Due Within One Year
2016 Series, Sales Tax Revenue Refunding Bond	\$ 3,410,000	\$ -	\$ (310,000)	\$ 3,100,000	\$ 310,000
Premium on bond issuance	187,821	-	(18,782)	169,039	18,782
Total bonds payable	3,597,821	-	(328,782)	3,269,039	328,782
Net pension liability	7,927	35,037	(12,729)	30,235	-
Net OPEB liability	2,856	288	(219)	2,925	-
Total long-term debt	\$ 3,608,604	\$ 35,325	\$ (341,730)	\$ 3,302,199	\$ 328,782

NOTE 11: INTERFUND ASSETS/LIABILITIES

Due to/from other funds:

Payable Fund	Receivable Fund General Fund
Transporation Grant Fund	\$ 251,017

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			Total
	General Fund	Transportation Grant Fund	Other Governmental Funds	
Transfers Out Funds				
General	\$ -	\$ 125,757	\$ 434,366	\$ 560,123
Venue Project Fund	-	-	506,138	506,138
Other Governmental Funds	195,691	-	238,362	434,053
Total transfers	\$ 195,691	\$ 125,757	\$ 1,178,866	\$ 1,500,314

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	\$ 390,650	\$ 97,600	\$ 488,250

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, 2019, 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, 2019, 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 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	94
Active employees	<u>168</u>
	328

C. Contributions

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

Employees for the City of South Padre Island were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 12.88% and 12.81% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$1,093,601, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial assumptions (continued):

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvement subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	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			EDC		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	City Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	EDC Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$ 33,897,877	\$ 32,867,091	\$ 1,030,786	\$ 270,744	\$ 262,817	\$ 7,927
Changes for the year:						
Service cost	1,570,536	-	1,570,536	11,282	-	11,282
Interest	2,302,103	-	2,302,103	16,537	-	16,537
Change in benefit terms	-	-	-	-	-	-
Difference between expected/actual experience	(37,428)	-	(37,428)	(269)	-	(269)
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	1,115,131	(1,115,131)	-	8,011	(8,011)
Contributions - employee	-	606,050	(606,050)	-	4,354	(4,354)
Net investment income	-	(985,528)	985,528	-	(7,080)	7,080
Benefit payments, including refunds of employee contributions	(1,209,938)	(1,209,938)	-	(8,692)	(8,692)	-
Administrative expenses	-	(19,043)	19,043	-	(137)	137
Other charges	-	(1,097)	1,097	-	95	(95)
Net changes	2,625,272	(494,425)	3,119,697	18,859	(3,449)	22,308
Balance at December 31, 2018	\$ 36,523,149	\$ 32,372,666	\$ 4,150,483	\$ 289,603	\$ 259,368	\$ 30,235

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	\$ 9,993,892	\$ 4,150,483	\$ (571,494)
EDC (component unit) net pension liability	71,791	30,235	(4,105)
City's net pension liability	\$ 10,065,683	\$ 4,180,718	\$ (575,599)

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, 2019 the City and the EDC recognized combined pension expense in the amounts of \$1,099,050 and \$7,895, respectively. At September 30, 2019 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)	\$ 9,479	\$ 136,784	\$ 68	\$ 1,918
Changes in actuarial assumptions	41,405	-	297	-
Differences between projected and actual investment earnings (net of current year amortization)	1,695,726	-	12,099	-
Contributions subsequent to the measurement date	770,472	-	5,535	-
Total	\$ 2,517,082	\$ 136,784	\$ 17,999	\$ 1,918

The \$770,472 and \$5,535 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2019	\$ 533,339	\$ 2,813	\$ 536,152
2020	215,048	1,545	216,593
2021	229,799	1,651	231,450
2022	633,826	4,553	638,379
2023	(2,186)	(16)	(2,202)
Thereafter	-	-	-

NOTE 16: OTHER POST EMPLOYMENT BENEFITS

Plan Description and Benefits

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>168</u>
	242

Contributions

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

Employees for the City of South Padre Island were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of South Padre Island were 0.17% and 0.17% in calendar year 2018 and 2019, respectively. The City's contributions to the SDBF for the year ended September 30, 2019 were \$13,884, and were equal to the required contributions.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2018
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2018.

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, 2018 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2018, 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, 2017	\$ 351,621	\$ 2,856
Changes for the year:		
Service cost	21,645	155
Interest	11,965	86
Change in benefit terms	-	-
Difference between expected/actual experience	6,742	48
Changes of assumptions	(28,037)	(200)
Contributions - employer	-	-
Contributions - employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(2,597)	(19)
Administrative expenses	-	-
Other charges	-	-
Net changes	9,719	69
Balance at December 31, 2018	\$ 361,340	\$ 2,925

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate.

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 437,727	\$ 361,340	\$ 303,404
EDC (component unit) total OPEB liability	3,130	2,925	2,170
City's total OPEB liability	\$ 440,857	\$ 364,265	\$ 305,574

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, 2019 the City and the EDC recognized combined OPEB expense in the amounts of \$32,318 and \$231, respectively. At September 30, 2019 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)	\$ 5,804	\$ -	\$ 42	\$ -
Changes in actuarial assumptions	22,094	24,138	194	172
Differences between projected and actual investment earnings (net of current year amortization)	-	-	-	-
Contributions subsequent to the measurement date	9,624	-	69	-
Total	\$ 37,522	\$ 24,138	\$ 305	\$ 172

The \$9,624 and \$69 in the City and EDC which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	City	EDC	Total
2019	\$ 1,303	\$ 9	\$ 1,312
2020	1,303	9	1,312
2021	1,303	9	1,312
2022	1,303	9	1,312
2023	1,303	9	1,312
Thereafter	(2,755)	19	(2,736)

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	Transportation Grant Fund	Venue Tax Construction Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
Fund balance							
Nonspendable							
Prepaid	\$ 64,963	\$ 7,961	\$ 41,728	\$ -	\$ -	\$ 31,644	\$ 146,296
Restricted							
Debt service	-	-	-	-	-	1,066,073	1,066,073
Capital projects	-	-	-	8,918,631	4,285,701	337,051	13,541,383
Hotel/motel tax	-	3,945,237	-	-	-	3,608,040	7,553,277
Beach nourishment	-	-	-	-	-	3,232,805	3,232,805
Transportation	-	-	74,242	-	-	-	74,242
Beach maintenance	-	-	-	-	-	2,885,300	2,885,300
Municipal court	-	-	-	-	-	77,995	77,995
Criminal justice	19,450	-	-	-	-	-	19,450
Parks and recreation	-	-	-	-	-	181,925	181,925
TIRZ	-	-	-	-	-	187,222	187,222
Committed	8,700	-	-	-	-	-	8,700
Unassigned	8,263,718	-	-	-	-	-	8,263,718
	<u>\$ 8,356,831</u>	<u>\$ 3,953,198</u>	<u>\$ 115,970</u>	<u>\$ 8,918,631</u>	<u>\$ 4,285,701</u>	<u>\$ 11,608,055</u>	<u>\$ 37,238,386</u>

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	\$ 37,051,501	\$ 5,940,169
Deferred outflows of resources - deferred amount on refunding	140,137	147,231
Less related liabilities (bonds, net of premium, and capital leases)	(18,084,115)	(3,269,039)
Unspent bond proceeds	8,937,866	-
Net investment in capital assets - total	<u>28,045,389</u>	<u>2,818,361</u>
Restricted net position consists of the following:		
Restricted for debt service	1,102,379	451,069
Restricted for capital projects	505,037	-
Restricted for beach nourishment	3,232,805	-
Restricted for transportation	74,242	-
Restricted for beach maintenance	2,885,300	-
Restricted for municipal court	77,995	-
Restricted for criminal justice	19,450	-
Restricted for venue project	4,285,701	-
Restricted for parks and recreation	181,925	-
Restricted for hotel/motel taxes	7,553,277	-
Restricted net position - total	<u>19,918,111</u>	<u>451,069</u>
Unrestricted net position	<u>5,798,172</u>	<u>1,427,417</u>
Total net position	<u>\$ 53,761,672</u>	<u>\$ 4,696,847</u>



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, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes - including penalty and interest	\$ 6,395,453	\$ 6,395,453	\$ 6,299,498	\$ (95,955)
Nonproperty taxes	3,713,873	3,713,873	3,977,342	263,469
Fees and services	1,032,730	1,437,047	1,591,062	154,015
Fines and forfeitures	500,000	505,020	377,917	(127,103)
Licenses and permits	186,700	186,700	233,392	46,692
Intergovernmental	87,600	507,212	551,242	44,030
Miscellaneous and program revenues	109,500	111,252	261,248	149,996
Total revenues	12,025,856	12,856,557	13,291,701	435,144
EXPENDITURES				
Current				
General government				
City council	20,000	20,000	5,147	14,853
City administration	641,714	641,714	601,470	40,244
Finance	448,225	448,225	418,888	29,337
Planning	182,634	182,634	170,823	11,811
Human resources	338,499	332,495	270,005	62,490
Information services	554,298	562,797	535,416	27,381
Environmental health services	462,029	462,029	442,455	19,574
General services	985,800	985,800	884,893	100,907
Special projects	69,500	202,361	175,474	26,887
Total general government	3,702,699	3,838,055	3,504,571	333,484
Public safety				
Municipal court	221,268	228,268	199,538	28,730
Police	3,116,167	3,377,783	3,099,562	278,221
Fire	2,438,666	2,594,609	2,517,899	76,710
Emergency management	16,370	16,370	11,296	5,074
Total public safety	5,792,471	6,217,030	5,828,295	388,735
Public works				
Building maintenance	169,073	169,073	163,004	6,069
Inspections	204,395	204,395	203,235	1,160
Fleet management	474,370	469,370	442,735	26,635
Public works	1,231,988	1,265,496	1,209,689	55,807
Total public works	2,079,826	2,108,334	2,018,663	89,671
Capital outlay	60,000	796,707	739,884	56,823
Debt service				
Principal retirement - capital lease	142,805	142,805	142,804	1
Interest and fees	10,595	10,595	10,594	1
Total debt service	153,400	153,400	153,398	2
Total expenditures	11,788,396	13,113,526	12,244,811	868,715
EXCESS OF REVENUES OVER EXPENDITURES	237,460	(256,969)	1,046,890	1,303,859

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Sale of fixed asset	\$ -	\$ 16,470	\$ 42,129	\$ 25,659
Transfers in	170,000	170,000	195,691	25,691
Transfers out	(407,232)	(541,202)	(560,123)	18,921
Total other financing sources (uses)	(237,232)	(354,732)	(322,303)	32,429
NET CHANGE IN FUND BALANCE	\$ 228	\$ (611,701)	724,587	\$ 1,336,288
Fund balance -- beginning			7,632,244	
Fund balance -- ending			\$ 8,356,831	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 6,341,110	\$ 6,341,110	\$ 7,100,449	\$ 759,339
Fees and services	7,000	7,000	7,889	889
Miscellaneous and program revenues	45,000	45,000	94,106	49,106
Total revenues	6,393,110	6,393,110	7,202,444	809,334
EXPENDITURES				
Current				
Convention and visitors bureau				
Visitors bureau	227,675	234,491	223,573	10,918
Sales and marketing	1,974,712	2,165,361	1,930,125	235,236
Events marketing	934,366	1,257,091	1,200,616	56,475
Marketing	3,251,350	4,381,150	4,089,040	292,110
Total convention and visitors bureau	6,388,103	8,038,093	7,443,354	594,739
Capital outlay	-	350,000	86,430	263,570
Total expenditures	6,388,103	8,388,093	7,529,784	858,309
NET CHANGE IN FUND BALANCE	\$ 5,007	\$ (1,994,983)	(327,340)	\$ 1,667,643
Fund balance -- beginning			4,280,538	
Fund balance -- ending			\$ 3,953,198	

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

For the Year Ended September 30, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 4,713,568	\$ 4,767,321	\$ 4,449,122	\$ (318,199)
Miscellaneous and program revenues	50,000	50,000	63,613	13,613
Total revenues	4,763,568	4,817,321	4,512,735	(304,586)
EXPENDITURES				
Current				
Transportation				
SPI metro	1,420,568	1,470,559	1,461,692	8,867
Metro connect	439,836	283,000	42,613	240,387
Total transportation	1,860,404	1,753,559	1,504,305	249,254
Capital outlay	3,010,000	3,170,598	3,103,653	66,945
Total expenditures	4,870,404	4,924,157	4,607,958	316,199
EXCESS (DEFICIENCY) OF REVENUES OVER				
EXPENDITURES	(106,836)	(106,836)	(95,223)	11,613
OTHER FINANCING SOURCES (USES)				
Transfers in	106,836	106,836	125,757	18,921
Sale of capital asset	-	-	194	194
Total other financing sources (uses)	106,836	106,836	125,951	19,115
NET CHANGE IN FUND BALANCE	\$ -	\$ -	30,728	\$ 30,728
Fund balance -- beginning			85,242	
Fund balance -- ending			\$ 115,970	

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, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 1,901,899	\$ 1,901,899	\$ 2,130,531	\$ 228,632
Miscellaneous	-	-	59,529	59,529
Total revenues	1,901,899	1,901,899	2,190,060	288,161
EXPENDITURES				
Current				
General government	-	-	25,218	(25,218)
Total expenditures	-	-	25,218	(25,218)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	1,901,899	1,901,899	2,164,842	262,943
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(506,138)	(506,138)	(506,138)	-
Total other financing sources (uses)	(506,138)	(506,138)	(506,138)	-
NET CHANGE IN FUND BALANCE	\$ 1,395,761	\$ 1,395,761	1,658,704	\$ 262,943
Fund balance -- beginning			2,626,997	
Fund balance -- ending			\$ 4,285,701	

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>	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 1,581,818	\$ 1,501,734	\$ 1,362,970	\$ 1,328,713	\$ 1,221,450
Interest (on the total pension liability)	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	(37,697)	(4,413)	20,476	(254,650)	(172,667)
Changes of assumptions	-	-	-	136,482	-
Benefit payments, including refunds of employee contributions	(1,218,630)	(1,185,643)	(968,845)	(706,482)	(733,635)
Net change in total pension liability	2,644,131	2,462,509	2,405,682	2,408,291	2,069,786
Total pension liability – beginning	34,168,621	31,706,112	29,300,430	26,892,139	24,822,353
Total pension liability – ending (a)	\$ 36,812,752	\$ 34,168,621	\$ 31,706,112	\$ 29,300,430	\$ 26,892,139
Plan Fiduciary Net Position					
Contributions – employer	\$ 1,123,142	\$ 1,035,135	\$ 950,341	\$ 941,947	\$ 920,340
Contributions – employee	610,404	580,140	533,900	521,648	516,630
Net investment income	(992,608)	3,983,187	1,788,988	37,906	1,352,871
Benefit payments, including refunds of employee contributions	(1,218,630)	(1,185,643)	(968,845)	(706,482)	(733,635)
Administrative expense	(19,180)	(20,642)	(20,192)	(23,085)	(14,122)
Other	(1,002)	(1,046)	(1,088)	(1,140)	(1,161)
Net change in plan fiduciary net position	(497,874)	4,391,131	2,283,104	770,794	2,040,923
Plan fiduciary net position – beginning	33,129,908	28,738,777	26,455,673	25,684,879	23,643,956
Plan fiduciary net position – ending (b)	32,632,034	33,129,908	28,738,777	26,455,673	25,684,879
Net pension liability – ending (a) – (b)	\$ 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	88.64%	96.96%	90.64%	90.29%	95.51%
Covered payroll	\$ 8,720,053	\$ 8,287,714	\$ 7,627,140	\$ 7,452,122	\$ 7,380,428
Net pension liability as a percentage of covered payroll	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>	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,093,602	\$ 1,097,022	\$ 1,009,664	\$ 952,539	\$ 926,892
Contributions in relation to actuarially determined contribution	(1,093,602)	(1,097,022)	(1,009,664)	(952,539)	(926,892)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,523,629	\$ 8,587,911	\$ 7,980,143	\$ 7,614,798	\$ 7,359,671
Contributions as a percentage of covered payroll	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>	2019	2018
Total OPEB Liability		
Service cost	\$ 21,800	\$ 17,404
Interest (on the total OPEB liability)	12,051	11,515
Changes of benefit terms	-	-
Difference between expected and actual experience	6,790	-
Change of assumptions	(28,237)	30,878
Benefit payments, including refunds of employee contributions	(2,616)	(2,486)
Net Change in Total OPEB Liability	9,788	57,311
Total OPEB Liability - Beginning	354,477	297,166
Total OPEB Liability - Ending (a)	\$ 364,265	\$ 354,477
Covered Employee Payroll	\$ 8,720,053	\$ 8,287,714
Total OPEB Liability as a Percentage of Covered Employee Payroll	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, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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

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

City of South Padre Island, Texas
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

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.

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

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

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

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

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

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

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

Capital project fund: **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, 2019

	Special Revenue Funds		
	Convention Center Fund	Padre Blvd Improvement Fund	Municipal Court Technology Fund
ASSETS			
Cash and cash equivalents	\$ 3,058,376	\$ 19,236	\$ 20,023
Cash and cash equivalents- Restricted	-	-	-
Investments	506,134	-	-
Receivables (net of allowance)			
Taxes	-	-	-
Accounts	83,204	-	-
Due from other governments	-	-	-
Prepaid items	30,670	-	-
TOTAL ASSETS	\$ 3,678,384	\$ 19,236	\$ 20,023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	39,674	-	-
TOTAL LIABILITIES	39,674	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCE			
Nonspendable	30,670	-	-
Restricted	3,608,040	19,236	20,023
TOTAL FUND BALANCE	3,638,710	19,236	20,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,678,384	\$ 19,236	\$ 20,023

Special Revenue Funds				
Municipal Court Security Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund
\$ 57,972	\$ 181,925	\$ 187,222	\$ 779,976	\$ 2,196,072
-	-	-	-	-
-	-	-	1,003,601	1,005,500
-	-	-	-	-
-	-	-	-	31,233
-	-	-	1,103,486	-
-	-	-	974	-
<u>\$ 57,972</u>	<u>\$ 181,925</u>	<u>\$ 187,222</u>	<u>\$ 2,888,037</u>	<u>\$ 3,232,805</u>
\$ -	\$ -	\$ -	\$ 1,763	\$ -
-	-	-	-	-
-	-	-	1,763	-
-	-	-	-	-
-	-	-	-	-
-	-	-	974	-
<u>57,972</u>	<u>181,925</u>	<u>187,222</u>	<u>2,885,300</u>	<u>3,232,805</u>
<u>57,972</u>	<u>181,925</u>	<u>187,222</u>	<u>2,886,274</u>	<u>3,232,805</u>
<u>\$ 57,972</u>	<u>\$ 181,925</u>	<u>\$ 187,222</u>	<u>\$ 2,888,037</u>	<u>\$ 3,232,805</u>

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

September 30, 2019

	Capital Projects Funds				Total
	Street Improvement Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	
ASSETS					
Cash and cash equivalents	\$ 3,348	\$ 104,129	\$ 166,715	\$ 43,623	\$ 6,818,617
Cash and cash equivalents- Restricted	-	-	-	-	-
Investments	-	-	-	-	2,515,235
Receivables (net of allowance)					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	114,437
Due from other governments	-	-	-	-	1,103,486
Prepaid items	-	-	-	-	31,644
TOTAL ASSETS	\$ 3,348	\$ 104,129	\$ 166,715	\$ 43,623	\$ 10,583,419
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,763
Unearned revenues	-	-	-	-	39,674
TOTAL LIABILITIES	-	-	-	-	41,437
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCE					
Nonspendable	-	-	-	-	31,644
Restricted	3,348	104,129	166,715	43,623	10,510,338
TOTAL FUND BALANCE	3,348	104,129	166,715	43,623	10,541,982
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,348	\$ 104,129	\$ 166,715	\$ 43,623	\$ 10,583,419

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
\$ 393,023	\$ 396	\$ -	\$ -	\$ 393,419	\$ 7,212,036
-	-	131,757	527,795	659,552	659,552
-	-	-	-	-	2,515,235
47,055	-	-	-	47,055	47,055
2,353	-	-	-	2,353	116,790
-	-	-	-	-	1,103,486
-	-	-	-	-	31,644
<u>\$ 442,431</u>	<u>\$ 396</u>	<u>\$ 131,757</u>	<u>\$ 527,795</u>	<u>\$ 1,102,379</u>	<u>\$ 11,685,798</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,763
-	-	-	-	-	39,674
-	-	-	-	-	41,437
36,306	-	-	-	36,306	36,306
36,306	-	-	-	36,306	36,306
-	-	-	-	-	31,644
406,125	396	131,757	527,795	1,066,073	11,576,411
<u>406,125</u>	<u>396</u>	<u>131,757</u>	<u>527,795</u>	<u>1,066,073</u>	<u>11,608,055</u>
<u>\$ 442,431</u>	<u>\$ 396</u>	<u>\$ 131,757</u>	<u>\$ 527,795</u>	<u>\$ 1,102,379</u>	<u>\$ 11,685,798</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, 2019

	Special Revenue Funds		
	Convention Center Fund	Padre Blvd Improvement Fund	Municipal Court Technology Fund
Revenues			
Property taxes	\$ -	\$ -	\$ -
Nonproperty taxes	1,419,084	-	-
Fees and services	269,895	-	-
Fines and forfeitures	-	-	7,432
Intergovernmental	-	-	-
Miscellaneous	71,965	9,853	374
Total revenues	1,760,944	9,853	7,806
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	8,060
Shoreline	-	-	-
Community service	-	-	-
Convention and visitors bureau	1,336,602	-	-
Capital outlay	251,548	1,123,748	-
Debt service			
Principal - bonds			
General obligation bonds	-	-	-
Tax anticipation notes	-	-	-
Venue tax revenue bonds	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total expenditures	1,588,150	1,123,748	8,060
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	172,794	(1,113,895)	(254)
Other financing sources (uses)			
Sale of capital assets	3,576	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	3,576	-	-
NET CHANGE IN FUND BALANCES	176,370	(1,113,895)	(254)
Fund balance, beginning of year	3,462,340	1,133,131	20,277
Fund balance, end of year	\$ 3,638,710	\$ 19,236	\$ 20,023

Special Revenue Funds				
Municipal Court Security Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund
\$ -	\$ -	\$ 91,061	\$ -	\$ -
-	-	-	2,210,084	531,833
-	4,125	-	-	-
5,574	-	-	-	-
-	-	-	59,114	-
1,064	5,097	3,264	51,846	67,638
6,638	9,222	94,325	2,321,044	599,471
-	-	-	85,019	-
2,761	-	-	438,429	-
-	-	-	975,147	86,513
-	64,598	-	-	-
-	-	-	-	-
-	-	-	165,571	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	8,625	-
2,761	64,598	-	1,672,791	86,513
3,877	(55,376)	94,325	648,253	512,958
-	-	-	837	-
-	209,366	-	-	-
-	-	(50,000)	(374,053)	-
-	209,366	(50,000)	(373,216)	-
3,877	153,990	44,325	275,037	512,958
54,095	27,935	142,897	2,611,237	2,719,847
\$ 57,972	\$ 181,925	\$ 187,222	\$ 2,886,274	\$ 3,232,805

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, 2019

	Capital Projects Funds				Total
	Street Improvement Fund	Capital Replacement Fund	Beach Access Fund	Bay Access Fund	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 91,061
Nonproperty taxes	-	-	-	-	4,161,001
Fees and services	-	-	-	-	274,020
Fines and forfeitures	-	-	-	-	13,006
Intergovernmental	-	-	-	-	59,114
Miscellaneous	-	-	2,363	778	214,242
Total revenues	-	-	2,363	778	4,812,444
Expenditures					
Current					
General government	-	-	-	-	85,019
Public safety	-	-	-	-	449,250
Shoreline	-	-	1,890	36,024	1,099,574
Community service	-	-	-	-	64,598
Convention and visitors bureau	-	-	-	-	1,336,602
Capital outlay	-	163,254	163,481	-	1,867,602
Debt service					
Principal - bonds					
General obligation bonds	-	-	-	-	-
Tax anticipation notes	-	-	-	-	-
Venue tax revenue bonds	-	-	-	-	-
Interest	-	-	-	-	-
Administrative charges	-	-	-	-	8,625
Total expenditures	-	163,254	165,371	36,024	4,911,270
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES					
	-	(163,254)	(163,008)	(35,246)	(98,826)
Other financing sources (uses)					
Sale of capital assets	-	-	-	-	4,413
Transfers in	-	225,000	150,883	37,479	622,728
Transfers (out)	(10,000)	-	-	-	(434,053)
Total other financing sources (uses)	(10,000)	225,000	150,883	37,479	193,088
NET CHANGE IN FUND BALANCES	(10,000)	61,746	(12,125)	2,233	94,262
Fund balance, beginning of year	13,348	42,383	178,840	41,390	10,447,720
Fund balance, end of year	\$ 3,348	\$ 104,129	\$ 166,715	\$ 43,623	\$ 10,541,982

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
\$ 1,652,259	\$ -	\$ -	\$ -	\$ 1,652,259	\$ 1,743,320
-	-	-	-	-	4,161,001
-	-	-	-	-	274,020
-	-	-	-	-	13,006
-	-	-	-	-	59,114
14,350	-	2,481	10,438	27,269	241,511
1,666,609	-	2,481	10,438	1,679,528	6,491,972
-	-	-	-	-	85,019
-	-	-	-	-	449,250
-	-	-	-	-	1,099,574
-	-	-	-	-	64,598
-	-	-	-	-	1,336,602
-	-	-	-	-	1,867,602
480,000	-	-	-	480,000	480,000
955,000	-	-	-	955,000	955,000
-	185,000	-	-	185,000	185,000
293,200	321,138	-	-	614,338	614,338
2,750	800	-	-	3,550	12,175
1,730,950	506,938	-	-	2,237,888	7,149,158
(64,341)	(506,938)	2,481	10,438	(558,360)	(657,186)
-	-	-	-	-	4,413
50,000	506,138	-	-	556,138	1,178,866
-	-	-	-	-	(434,053)
50,000	506,138	-	-	556,138	749,226
(14,341)	(800)	2,481	10,438	(2,222)	92,040
420,466	1,196	129,276	517,357	1,068,295	11,516,015
\$ 406,125	\$ 396	\$ 131,757	\$ 527,795	\$ 1,066,073	\$ 11,608,055

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 228,177	\$ 228,177
Total revenues	-	-	228,177	228,177
EXPENDITURES				
Capital outlay	4,000,000	4,133,825	255,775	3,878,050
Total expenditures	4,000,000	4,133,825	255,775	3,878,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,000,000)	(4,133,825)	(27,598)	4,106,227
NET CHANGE IN FUND BALANCE	\$ (4,000,000)	\$ (4,133,825)	(27,598)	\$ 4,106,227
Fund balance -- beginning			8,946,229	
Fund balance -- ending			\$ 8,918,631	

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, 2019

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,558,201	\$ 1,558,201	\$ 1,652,259	\$ 94,058
Miscellaneous and program revenues	-	-	14,350	14,350
Total revenues	1,558,201	1,558,201	1,666,609	108,408
EXPENDITURES				
Debt service				
Principal - bonds				
General obligation bonds	480,000	480,000	480,000	-
Tax anticipation notes	955,000	955,000	955,000	-
Interest	293,201	293,201	293,200	1
Administrative charges	3,000	3,000	2,750	250
Total expenditures	1,731,201	1,731,201	1,730,950	251
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(173,000)	(173,000)	(64,341)	108,659
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	\$ (123,000)	\$ (123,000)	(14,341)	\$ 108,659
Fund balance -- beginning			420,466	
Fund balance -- ending			\$ 406,125	

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, 2019

	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	185,000	185,000	185,000	-
Interest	321,138	321,138	321,138	-
Administrative charges	-	-	800	(800)
Total expenditures	506,138	506,138	506,938	(800)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(506,138)	(506,138)	(506,938)	(800)
OTHER FINANCING SOURCES (USES)				
Transfers in	506,138	506,138	506,138	-
Total other financing sources (uses)	506,138	506,138	506,138	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(800)	\$ (800)
Fund balance -- beginning			1,196	
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, 2019

	Budget			Variance Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 1,266,487	\$ 1,266,487	\$ 1,419,084	\$ 152,597
Fees and services	235,000	235,000	269,895	34,895
Miscellaneous and program revenues	15,000	15,000	71,965	56,965
Total revenues	1,516,487	1,516,487	1,760,944	244,457
EXPENDITURES				
Current				
Convention and visitors bureau	1,312,368	1,381,450	1,336,602	44,848
Capital outlay	194,633	254,633	251,548	3,085
Total expenditures	1,507,001	1,636,083	1,588,150	47,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,486	(119,596)	172,794	292,390
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3,576	3,576
Total other financing sources (uses)	-	-	3,576	3,576
NET CHANGE IN FUND BALANCE	\$ 9,486	\$ (119,596)	176,370	\$ 295,966
Fund balance -- beginning			3,462,340	
Fund balance -- ending			\$ 3,638,710	

**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, 2019

	Budget			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 7,432	\$ (2,568)
Miscellaneous and program revenues	-	-	374	374
Total revenues	10,000	10,000	7,806	(2,194)
EXPENDITURES				
Current				
Public safety	9,685	9,685	8,060	1,625
Total expenditures	9,685	9,685	8,060	1,625
NET CHANGE IN FUND BALANCE	\$ 315	\$ 315	(254)	\$ (569)
Fund balance -- beginning			20,277	
Fund balance -- ending			\$ 20,023	

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, 2019

	Budget			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 5,574	\$ (1,426)
Miscellaneous and program revenues	-	-	1,064	1,064
Total revenues	7,000	7,000	6,638	(362)
EXPENDITURES				
Current				
Public safety	6,840	6,840	2,761	4,079
Total expenditures	6,840	6,840	2,761	4,079
NET CHANGE IN FUND BALANCE	\$ 160	\$ 160	3,877	\$ 3,717
Fund balance -- beginning			54,095	
Fund balance -- ending			\$ 57,972	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Fees and services	\$ 3,500	\$ 3,500	\$ 4,125	\$ 625
Intergovernmental	-	500,000	-	(500,000)
Miscellaneous and program revenues	-	5,000	5,097	97
Total revenues	3,500	508,500	9,222	(499,278)
EXPENDITURES				
Current				
Community service	78,896	717,866	64,598	653,268
Total expenditures	78,896	717,866	64,598	653,268
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,396)	(209,366)	(55,376)	153,990
OTHER FINANCING SOURCES (USES)				
Transfers in	75,396	209,366	209,366	-
Total other financing sources (uses)	75,396	209,366	209,366	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	153,990	\$ 153,990
Fund balance -- beginning			27,935	
Fund balance -- ending			\$ 181,925	

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, 2019

	Budget			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 74,871	\$ 74,871	\$ 91,061	\$ 16,190
Miscellaneous and program revenues	-	-	3,264	3,264
Total revenues	74,871	74,871	94,325	19,454
EXPENDITURES				
Current				
General government	2,000	2,000	-	2,000
Total expenditures	2,000	2,000	-	2,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,871	72,871	94,325	21,454
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	\$ 22,871	\$ 22,871	44,325	\$ 21,454
Fund balance -- beginning			142,897	
Fund balance -- ending			\$ 187,222	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 1,901,899	\$ 1,901,899	\$ 2,210,084	\$ 308,185
Intergovernmental	-	-	59,114	59,114
Miscellaneous and program revenues	-	-	51,846	51,846
Total revenues	1,901,899	1,901,899	2,321,044	419,145
EXPENDITURES				
Current				
General government	107,703	107,703	85,019	22,684
Public safety	436,170	457,670	438,429	19,241
Shoreline	918,411	1,134,285	975,147	159,138
Capital outlay	48,000	168,351	165,571	2,780
Debt service				
Administrative charges	-	8,625	8,625	-
Total expenditures	1,510,284	1,876,634	1,672,791	203,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	391,615	25,265	648,253	622,988
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	837	837
Transfers (out)	(197,479)	(348,362)	(374,053)	(25,691)
Total other financing sources (uses)	(197,479)	(348,362)	(373,216)	(24,854)
NET CHANGE IN FUND BALANCE	\$ 194,136	\$ (323,097)	275,037	\$ 598,134
Fund balance -- beginning			2,611,237	
Fund balance -- ending			\$ 2,886,274	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Nonproperty taxes	\$ 475,475	\$ 475,475	\$ 531,833	\$ 56,358
Miscellaneous and program revenues	-	-	67,638	67,638
Total revenues	475,475	475,475	599,471	123,996
EXPENDITURES				
Current				
Shoreline	580,000	580,000	86,513	493,487
Total expenditures	580,000	580,000	86,513	493,487
NET CHANGE IN FUND BALANCE	\$ (104,525)	\$ (104,525)	512,958	\$ 617,483
Fund balance -- beginning			2,719,847	
Fund balance -- ending			\$ 3,232,805	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 9,853	\$ 9,853
Total revenues	-	-	9,853	9,853
EXPENDITURES				
Capital outlay	-	1,142,983	1,123,748	19,235
Total expenditures	-	1,142,983	1,123,748	19,235
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,142,983)	(1,113,895)	\$ 29,088
Fund balance -- beginning			1,133,131	
Fund balance -- ending			\$ 19,236	

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, 2019

	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)	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	\$ (10,000)	\$ (10,000)	(10,000)	\$ -
Fund balance -- beginning			13,348	
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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current				
General government	-	-	-	-
Capital outlay	147,461	165,713	163,254	2,459
Total expenditures	147,461	165,713	163,254	2,459
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,461)	(165,713)	(163,254)	2,459
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	\$ 77,539	\$ 59,287	61,746	\$ 2,459
Fund balance -- beginning			42,383	
Fund balance -- ending			\$ 104,129	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 2,363	\$ 2,363
Total revenues	-	-	2,363	2,363
EXPENDITURES				
Current				
Shoreline	-	-	1,890	(1,890)
Capital outlay	100,000	250,883	163,481	87,402
Total expenditures	100,000	250,883	165,371	85,512
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(100,000)	(250,883)	(163,008)	87,875
OTHER FINANCING SOURCES (USES)				
Transfers in	-	150,883	150,883	-
Total other financing sources (uses)	-	150,883	150,883	-
NET CHANGE IN FUND BALANCE	\$ (100,000)	\$ (100,000)	(12,125)	\$ 87,875
Fund balance -- beginning			178,840	
Fund balance -- ending			\$ 166,715	

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, 2019

	Original	Budget Final	Actual	Variance Final Budget Positive (Negative)
REVENUES				
Miscellaneous and program revenues	\$ -	\$ -	\$ 778	\$ 778
Total revenues	-	-	778	778
EXPENDITURES				
Current				
Shoreline	37,479	37,479	36,024	1,455
Total expenditures	37,479	37,479	36,024	1,455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,479)	(37,479)	(35,246)	2,233
OTHER FINANCING SOURCES (USES)				
Transfers in	37,479	37,479	37,479	-
Total other financing sources (uses)	37,479	37,479	37,479	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	2,233	\$ 2,233
Fund balance -- beginning			41,390	
Fund balance -- ending			\$ 43,623	

**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, 2019

	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	\$ 816,096	\$ -	\$ -	\$ 63,690	\$ 879,786
Cash and cash equivalents- restricted	-	414,005	13,705	-	427,710
Investments- restricted	130,404	-	23,359	-	153,763
Receivables	100,973	-	-	-	100,973
Prepaid items	-	-	350,325	-	350,325
Loans receivable	23,533	-	-	-	23,533
Total assets	\$ 1,071,006	\$ 414,005	\$ 387,389	\$ -	\$ 1,936,090
LIABILITIES					
Other liabilities	\$ 413	\$ -	\$ -	\$ -	\$ 413
Due to primary government/comp unit	-	-	-	-	\$ -
Total liabilities	413	-	-	-	413
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - noncurrent receivables	23,533	-	-	-	23,533
Total deferred inflows of resources	23,533	-	-	-	23,533
FUND BALANCE					
Nonspendable	-	-	350,325	-	350,325
Restricted	-	414,005	37,064	-	451,069
Unassigned	1,047,060	-	-	63,690	1,110,750
Total fund balances	1,047,060	414,005	387,389	63,690	1,912,144
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
	\$ 1,071,006	\$ 414,005	\$ 387,389	\$ 63,690	\$ 1,936,090

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, 2019

Fund balances of the component unit funds \$ 1,912,144

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. 5,940,169

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 23,533

Long term liabilities, including bonds payable, and premiums are not due in the current period and therefore not reported in the funds. (3,269,039)

Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds. 147,231

Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds. (40,245)

Included in the statement of net position non-current liabilities is the recognition of the EDC's portion of net pension liability required by GASB 68 in the amount of (\$30,235), a deferred resource inflow in the amount of (\$1,918), and a deferred resource outflow in the amount of \$17,999. This resulted in a decrease in net position of \$(14,154). (14,154)

Included in the noncurrent liabilities is the recognition of the EDC's portion of the net OPEB liability required by GASB 75 in the amount of \$(2,925), a deferred resource inflow in the amount of \$(172) and a deferred resource outflow in the amount of \$305. This resulted in a decrease in net position by \$(2,792). (2,792)

Net position of governmental type activities \$ 4,696,847

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, 2019

	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	BNC Facility Maintenance	Total Component Unit
REVENUES					
Sales taxes	\$ 909,877	\$ -	\$ -	\$ -	\$ 909,877
Intergovernmental revenues	1,886	-	-	-	1,886
Loan revenue	11,581	-	-	-	11,581
Miscellaneous and program revenues	27,715	8,187	3,834	-	39,736
Total revenues	951,059	8,187	3,834	-	963,080
EXPENDITURES					
Current					
Community service	320,228	-	-	3,910	324,138
Debt service					
Principal retirement	-	-	310,000	-	310,000
Interest expense	-	-	83,750	-	83,750
Capital outlay	-	-	-	30,000	30,000
Total expenditures	320,228	-	393,750	33,910	747,888
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	630,831	8,187	(389,916)	(33,910)	215,192
Other financing sources (uses)					
Transfers out	(488,250)	-	-	-	(488,250)
Transfers in	-	-	390,650	97,600	488,250
Total other financing sources (uses)	(488,250)	-	390,650	97,600	-
Net change in fund balances	142,581	8,187	734	63,690	215,192
Fund balance -- beginning	904,479	405,818	386,655	-	1,696,952
Fund balance -- ending	\$ 1,047,060	\$ 414,005	\$ 387,389	\$ 63,690	\$ 1,912,144

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, 2019

Net change in fund balances --total component unit funds	\$ 215,192
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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. This is the amount by which current period depreciation (\$162,033) exceeded capital outlay of \$30,000.	(132,033)
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GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. Contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$5,510. 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 (\$5,719). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(4,648). The result of these changes is to decrease net position.	(4,857)
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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
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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
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The change in accrued interest on long-term debt provides decreases in long-term liabilities in the statement of net position.	3,000
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Governmental type funds report loans made to outside parties as expenditures. However, in government wide statements, it has no effect on the change in net position.	(11,581)
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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 12/31/18 caused the change in the ending net position to increase in the amount of \$68. 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 \$(73). 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 \$(236).	(236)
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Change in net position of governmental activities	\$ 381,908
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STATISTICAL SECTION

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

CONTENTS

Financial Trends

Schedules 1-4

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

Revenue Capacity

Schedules 5-9

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

Debt Capacity

Schedules 10-13

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

Demographic and Economic Information

Schedules 14-15

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

Operating Information

Schedules 16-19

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

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

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

	2010	2011	2012	2013*	2014**	2015	2016	2017***	2018	2019
Governmental activities										
Net investment in capital assets	\$ 17,882,812	\$ 17,420,780	\$ 18,312,199	\$ 15,534,981	\$ 16,203,813	\$ 16,920,738	\$ 19,810,801	\$ 22,437,085	\$ 25,616,028	\$ 28,045,389
Restricted	5,034,471	4,700,307	6,079,979	9,364,342	11,858,921	13,800,147	14,397,545	15,101,328	17,386,999	19,918,111
Unrestricted	5,768,869	6,174,054	5,697,496	6,588,837	6,025,603	7,484,310	5,485,644	5,092,044	4,958,764	5,798,172
Total governmental activities net position	\$ 28,686,152	\$ 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

* 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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 4,244,372	\$ 3,916,708	\$ 3,262,899	\$ 3,616,084	\$ 3,403,281	\$ 3,549,479	\$ 3,693,337	\$ 4,194,171	\$ 4,073,602	\$ 4,034,629
Public safety	4,675,136	4,639,591	5,154,019	5,617,282	5,635,589	5,534,493	5,871,489	6,041,026	6,363,761	6,965,278
Public works/Shoreline	2,818,149	2,842,168	3,104,579	2,766,161	2,778,620	3,033,574	3,287,013	3,476,918	4,215,756	4,405,207
Transportation	899,298	1,103,616	1,275,542	1,898,136	1,547,923	1,639,747	1,698,124	1,813,049	1,794,636	1,866,276
Community service	40,494	820,784	119,300	621,036	135,357	47,101	1,519,768	136,945	197,944	183,225
Convention and visitors bureau	5,834,572	5,846,869	5,556,513	5,313,518	6,121,250	5,833,410	7,083,205	8,158,210	9,379,337	10,041,264
Interest on long-term debt	310,207	327,532	559,912	306,808	297,596	382,782	434,901	804,150	581,354	566,295
Total primary governmental activities expenses	18,822,228	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
Program Revenues										
Governmental activities:										
Charges for services:										
General government	27,973	222,573	218,276	156,108	277,881	453,066	472,715	747,718	660,501	728,337
Public safety	424,681	497,934	990,410	881,900	1,108,781	878,790	1,188,668	1,228,417	1,778,641	1,436,732
Public works/Shoreline	639,148	36,843	22,646	31,246	39,717	44,853	45,623	-	-	-
Transportation	74,500	30,000	52,250	30,000	-	-	-	-	-	-
Community service	300,690	-	-	-	-	-	-	-	22,092	7,902
Convention and visitors bureau	-	270,838	244,750	286,963	226,391	249,927	256,369	301,620	312,444	277,784
Operating grants and contributions	714,938	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
Capital grants and contributions	190,604	682,935	1,296,789	1,277,434	439,114	662,306	893,030	561,717	802,184	3,519,537
Total governmental activities program revenues	2,372,534	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
Net (Expense)/Revenue										
Total primary government net expense	(16,449,694)	(16,759,366)	(15,133,611)	(16,521,073)	(16,607,618)	(15,571,384)	(18,966,027)	(20,129,467)	(20,027,264)	(20,501,941)
General Revenues										
Property taxes	6,098,437	6,391,852	6,512,050	6,598,351	6,520,967	6,551,645	7,075,139	7,604,876	7,904,409	8,040,930
Sales & mixed beverage taxes	2,001,606	2,116,727	2,171,134	2,335,306	2,604,925	2,663,089	2,650,546	2,775,551	2,896,023	3,091,023
Franchise taxes	802,819	821,796	806,646	819,865	851,056	862,253	886,363	882,469	885,011	886,318
Hotel motel taxes	5,238,745	5,658,555	6,166,994	6,534,215	7,083,965	7,160,795	7,360,083	9,291,508	10,340,024	10,650,064
Hotel motel beach mtn. taxes	945,050	988,132	1,086,920	1,644,572	2,144,126	2,171,319	2,217,195	2,388,471	2,619,316	2,741,917
Unrestricted investment earnings	143,463	97,265	49,345	38,830	31,373	31,952	82,464	180,490	536,833	802,814
Gain/(loss) on disposal of capital assets	16,810	(17,050)	4,545	-	56,072	58	48,779	114,022	42,253	(9,839)
Insurance recoveries	16,510	-	-	-	-	-	-	-	-	-
Miscellaneous	218,133	311,078	130,510	59,156	293,168	247,131	128,478	113,282	134,729	98,595
Total general revenues	15,481,573	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
Changes in Net Position										
Total governmental activities	\$ (968,121)	\$ (391,011)	\$ 1,794,533	\$ 1,509,222	\$ 2,978,034	\$ 4,116,858	\$ 1,483,020	\$ 3,221,202	\$ 5,331,334	\$ 5,799,881

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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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Pre GASB 54										
Reserved	\$ 31,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,144,362	-	-	-	-	-	-	-	-	-
Total pre GASB 54	\$ 6,175,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ 45,959	\$ 21,542	\$ 55,701	\$ 57,868	\$ 56,321	\$ 58,086	\$ 57,138	\$ 65,310	\$ 64,963
Restricted	-	-	-	-	-	-	113,072	93,690	19,450	19,450
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
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
All Other Governmental Funds										
Pre GASB 54										
Reserved	\$ 696,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,590,794	-	-	-	-	-	-	-	-	-
Capital projects funds	1,691,350	-	-	-	-	-	-	-	-	-
Total pre GASB 54	\$ 4,978,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post GASB 54										
Nonspendable	\$ -	\$ 114,554	\$ 148,890	\$ 54,786	\$ 42,639	\$ 1,504,355	\$ 37,490	\$ 45,835	\$ 43,963	\$ 81,333
Restricted:										
Debt service	-	429,784	273,133	309,533	346,602	386,436	413,573	1,162,706	1,068,295	1,066,073
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
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
Beach nourishment	-	-	-	-	2,435,967	1,416,745	1,872,911	2,292,912	2,719,847	3,232,805
Transportation	-	154,277	235,999	287,934	301,277	320,366	231,280	179,071	80,739	74,242
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
Municipal court	-	43,562	48,913	53,594	63,068	72,385	61,026	69,279	74,372	77,995
Parks and recreation	-	2,185	2,372	3,920	1,837	3,117	3,884	8,085	27,935	181,925
TIRZ	-	-	-	-	-	-	-	-	-	187,222
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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Property taxes	\$ 6,042,754	\$ 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
Nonproperty taxes	8,988,221	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
Fees and services	529,702	411,771	847,528	786,089	879,384	970,681	1,007,064	1,256,654	1,774,567	1,872,971
Fines and forfeitures	379,684	424,124	517,776	455,300	576,361	447,666	627,825	577,801	465,341	390,923
Licenses and permits	557,605	222,292	191,105	150,583	137,367	257,990	264,933	447,276	214,353	233,392
Intergovernmental	905,542	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
Miscellaneous and program	361,596	408,344	179,856	158,989	374,541	329,088	259,646	343,772	709,063	948,184
Total revenues	17,765,104	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
EXPENDITURES										
General	3,801,677	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
Public safety	4,478,384	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
Public works & shoreline	2,158,644	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
Transportation	782,525	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
Community service	40,494	820,784	119,300	418,152	131,262	50,810	1,456,385	77,028	73,096	64,598
Convention and visitors	4,653,373	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
Debt service										
Principal retirement	1,205,000	932,358	982,225	634,920	696,201	750,543	1,083,087	1,619,609	1,766,610	1,620,000
Interest	275,612	261,642	400,165	301,716	297,548	275,741	372,256	401,337	675,625	142,804
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
Capital outlay	906,820	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
Total expenditures	18,302,529	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
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(537,425)	(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
Other financing sources (uses)										
Sale of capital assets	85,350	25,933	4,771	22,777	71,780	38,068	54,420	144,037	44,625	46,736
Lease Proceeds	-	902,220	119,200	899,313	-	-	144,335	-	-	-
Proceeds from issuance of	830,000	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	16,510	-	-	-	-	-	-	-	-	-
Transfers out	(1,587,679)	(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)
Transfers in	1,587,679	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
Total other financing	931,860	4,829,615	227,258	922,090	71,780	3,145,331	4,299,184	9,579,932	44,625	46,736
Net change in fund balances	\$ 394,435	\$ 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
Debt service as a percentage of noncapital expenditures	8.51%	6.64%	7.87%	5.20%	5.52%	5.63%	6.84%	8.92%	9.77%	6.84%

Schedule 5
City of South Padre Island, Texas

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

Fiscal Year Ended September 30,	Net Taxable Assessed Value		Less: Exempt Property & Homestead Cap	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2010	\$ 2,539,540,899	\$ 29,230,095	\$ 76,526,864	\$ 2,492,244,130	0.24561
2011	2,635,413,859	30,316,814	84,535,004	2,581,195,669	0.24561
2012	2,656,625,431	29,055,461	77,035,264	2,608,645,628	0.25040
2013	2,653,041,784	28,324,135	75,246,646	2,606,119,273	0.25270
2014	2,629,536,569	31,256,298	77,229,580	2,583,563,287	0.25438
2015	2,574,041,045	32,621,783	90,276,002	2,516,386,826	0.26275
2016	2,535,461,500	34,181,366	91,123,668	2,478,519,198	0.28564
2017	2,553,862,437	33,883,054	91,934,403	2,495,811,088	0.30564
2018	2,579,281,031	35,135,283	90,801,714	2,523,614,600	0.31564
2019	2,613,444,214	39,663,066	94,519,162	2,558,588,118	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					
2010	0.220310	0.025300	0.245610	0.080820	1.081634	0.364291	0.161924	0.049200
2011	0.220310	0.025300	0.245610	0.080820	1.081634	0.384291	0.162423	0.049200
2012	0.224355	0.026045	0.250400	0.080820	1.081634	0.384291	0.164026	0.049200
2013	0.223631	0.029070	0.252701	0.080820	1.081634	0.384291	0.162935	0.049200
2014	0.227828	0.026556	0.254384	0.080820	1.081634	0.384291	0.162935	0.049200
2015	0.235468	0.027286	0.262754	0.039260	1.081634	0.399291	0.164094	0.049200
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

Source: Cameron County Appraisal District

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

Taxpayer	2019			2010		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sapphire VP LP	\$ 22,081,428	1	0.83%	\$ 48,717,558	1	2.00%
SPI Management Co.	18,609,334	2	0.70%			
Affiliated Hospitality LLC	17,036,846	3	0.64%			
SPI Beach Water Resort Waterpark LLC	13,780,605	4	0.52%			
SPI La Copa Ltd.	12,642,720	5	0.48%	7,020,689	6	0.29%
SPI Oleander Ltd.	12,479,775	6	0.47%	6,848,439	7	0.28%
AGORA USA LP	10,312,156	7	0.39%			
Peninsula Island Resort & Spa LLC	10,045,054	8	0.38%	8,907,176	4	0.37%
Modern Resort Lodging LLC	8,663,761	9	0.33%			
7 Hills Hospitality LLC	8,414,010	10	0.32%			
Los Corales Inc				21,525,758	2	0.88%
ICS Management Company				10,837,560	3	0.45%
Rio Padre LLC				7,077,818	5	0.29%
AEP Texas Central Co.				6,727,450	8	0.28%
Bayside Capital LLC.				6,686,247	9	0.27%
Shores Development Inc.				6,598,081	10	0.27%
Total	\$ 134,065,689		5.06%	\$ 130,946,776		5.38%

Source: Cameron County Appraisal District

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

Fiscal Year	Tax Roll Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2010	2009	\$ 6,073,653	\$ 5,804,071	95.56%	\$ 263,977	\$ 6,068,048	99.91%
2011	2010	6,310,281	6,123,665	97.04%	179,133	6,302,798	99.88%
2012	2011	6,520,822	6,294,365	96.53%	211,600	6,505,965	99.77%
2013	2012	6,521,119	6,384,778	97.91%	132,210	6,516,988	99.94%
2014	2013	6,512,667	6,374,024	97.87%	136,073	6,510,097	99.96%
2015	2014	6,565,849	6,450,296	98.24%	113,557	6,563,853	99.97%
2016	2015	7,100,989	6,984,635	98.36%	115,232	7,099,867	99.98%
2017	2016	7,616,524	7,509,760	98.60%	104,409	7,614,169	99.97%
2018	2017	7,897,131	7,771,172	98.41%	86,373	7,857,545	99.50%
2019	2018	8,000,013	7,875,949	98.45%	-	7,875,949	98.45%

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
2010	\$ 6,042,754	\$ 2,001,606	\$ 802,819	\$ 6,183,888	\$ 15,031,067
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

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			
2010	\$ 4,065,000	\$ 830,000	\$ 745,000	\$ -	\$ -	\$ -	\$ 5,640,000	2.57%	956
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

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
2010	\$ 4,065,000	\$ -	\$ 413,918	\$ 3,651,082	0.15%	689
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%	1672

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	\$ 199,590,000	13.01%	\$ 25,966,659
Point Isabel Independent School District	13,825,000	68.10%	9,414,825
Laguna Madre Water District #1	13,495,000	72.90%	9,837,855
Texas Southmost College	38,900,000	19.75%	7,682,750
Subtotal, overlapping debt			52,902,089
*City direct debt	17,342,894	100.00%	17,342,894
Total direct and overlapping debt			\$ 70,244,983

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	
2010	\$ 1,191,421	\$ 1,212,721	\$ (21,300)	\$ 830,000	\$ 41,122	\$ 871,122	(0.02)
2011	2,077,689	1,332,802	744,887	420,000	6,069	426,069	1.75
2012	2,284,146	1,320,451	963,695	-	-	-	-
2013	2,551,906	1,860,510	691,396	-	-	-	-
2014	3,208,757	1,939,326	1,269,431	-	-	-	-
2015	2,919,053	1,106,674	1,812,379	-	-	-	-
2016	1,979,972	1,253,283	726,689	-	-	-	-
2017	2,027,589	1,649,159	378,430	-	-	-	-
2018	2,104,637	1,223,284	881,353	-	-	-	-
2019	1,764,521	1,336,602	427,919	-	-	-	-

(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
2010	5,900	\$ 219,780,900	\$ 37,251	58	2,507	10.9%
2011	5,900	221,592,200	37,558	58.1	2,544	12.4%
2012*	5,900	221,592,200	37,558	58.3	2,574	10.2%
2013*	5,900	221,592,200	37,558	58.7	2,588	10.1%
2014	5,900	260,809,500	44,205	59.2	2,480	8.0%
2015	5,900	260,048,400	44,076	60	2,518	6.6%
2016	2,888	107,650,200	37,275	58.7	2,463	7.5%
2017	2,888	171,215,080	59,285	60.5	2,396	5.5%
2018	2,888	123,303,160	42,695	60	2,314	5.7%
2019	2,856	140,098,224	49,054	59	2,132	5.2%

Source:

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

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

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

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

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

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

Employer	2019			2010		
	Number of Employees (Peak)	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Schlitterbahn Beach Water Park	1,127	1	23.00%	383	1	10.08%
Dirty Al's Management Co. *	497	2	10.14%			
City of South Padre Island	317	3	6.47%	200	4	5.26%
Sea Ranch Enterprises **	206	4	4.20%	85	10	2.24%
Isla Grand Resort	204	5	4.16%	217	3	5.71%
Louie's Backyard	160	6	3.27%	130	7	3.42%
Cameron County Parks	159	7	3.24%			
Hilton Garden Inn	155	8	3.16%	150	6	3.95%
The Pearl Beach Resort	148	9	3.02%			
Blackbeard's Restaurant	138	10	2.82%	180	5	4.74%
Sheraton South PadreIsland Beach Hotel				225	2	5.92%
La Quinta Inn & Suites				120	8	3.16%
La Copa Inn				110	9	2.89%
Total	3,111		63.48%	1,800		47.37%

Source: South Padre Island Economic Development Corporation
*Includes Dirty Al's, Daddy's, Señor Donkey, Liam's, and Josephine's.
**Includes Sea Ranch, Pier 19, Laguna Bob's, and F&B.

Schedule 16
City of South Padre Island, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAM
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
City Administration	6	4	4	4	4.4	4.25	4.25	5	5	5
Finance	5	5	5	5	5	4.9	4.9	5	6	6
Development Services *	2	1.75	1.75	2	2	2	2	3	2	2
Technology	2	3	3	3.25	3	2.95	2.8	3	3	3
Human Resources	2	3	3	3	3	3	3	3	3	3
Municipal Court	3	2	2	2	2	2	3	3	3	3
Police	39	39	38	38	38	37.95	37.75	36.75	37.75	37.75
Fire	21	21	27	27	27	26.75	26	26.75	26.75	26.75
Environmental Health Serv.	6	5	5	6	6	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	3	2	2
Inspections	4	3	3	3	3	3	3	3	3	3
Public Works	18	19	19	18	19	18.85	17.85	19.85	19.85	19.85
Hotel Motel Fund										
Visitor's Center	2	2	2	2	3	3	3	3	3	3
Hotel Motel	9.5	9.5	9.5	8.75	9.5	9.5	9.5	10	10	11
Events Marketing	1	1	1	2	1	1	0.5	-	1	1
Convention Centre										
Convention Centre	13.5	11.5	10.5	12	10	11.2	10.35	11	10	10
Parks and Recreation										
Parks and Recreation	-	-	-	-	-	-	-	-	1	1
Transportation										
Island Metro	9	9.25	15.25	15	16.1	16.2	14.2	14	14	14
Metro Connect	-	-	-	-	4	3	4	7	7	7
Shoreline**										
Police	-	-	-	-	-	0.05	0.05	-	0.25	0.25
Fire	-	-	-	-	-	0.25	-	-	1.25	1.25
Environmental Health Serv.	-	-	-	-	-	0.15	-	-	0.15	0.15
Public Works	-	-	-	-	-	0.15	-	-	0.15	0.15
Beach Maintenance	4	4	4	4	4	6	7	7.6	7	8
Bay Access	-	-	-	-	-	-	-	1.2	1	1
Total Operating Budget FTE's	152	148	158	160	165	167	164	173	175	177

Source: City of South Padre Island Annual Budget

Note: Full-time budgeted positions are shown.

*Formerly Planning

**Formerly Beach Maintenance

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	1,002	1,199	1,454	1,258	1,246	1,246	1,403	1,367	1,430	1,109
Parking violations	2,123	1,897	1,138	724	1,435	793	647	420	217	2,544
Traffic violations	1,204	1,038	748	481	658	245	242	434	562	588
Number of commissioned police officers	28	28	28	29	28	28	27	27	30	29
Number of employees - police officers & civilians	39	38	38	39	38	38	37	37	40	39
Fire										
Number of calls answered	1,783	1,858	1,964	2,107	2,243	2,105	2,410	2,348	2,536	2,490
EMS calls	1,082	1,172	1,415	1,377	1,486	1,543	1,542	1,102	1,876	1,814
Inspections	369	490	327	288	150	166	76	162	194	96
Number of firefighters	18	20	26	26	26	25	25	26	27	28
Number of employees - firefighters & civilians	21	21	27	27	27	26	26	27	28	29
Streets										
Street resurfacing (square yards)	8,611	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	1,640	1,527	1,901	1,901	1,905	2,371	2,371	2,371	2,371
Parks and Recreation										
Playground	2	2	2	2	2	2	2	3	3	3
Parks	2	3	3	3	3	3	3	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)	18	19	19	19	19	20	23	23	27	28
Beach Accesses (undeveloped)	6	5	5	5	5	4	1	3	0	0
Transportation										
Transit - Minibuses	10	9	10	11	10	11	10	11	8	8

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

Source: City Departments

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

Date of incorporation: 1973

Fiscal year begins: October 1st

Number of budgeted City employees: 177

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

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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, 2019, and the related notes to the financial statements, which collectively comprise City of South Padre Island's basic financial statements, and have issued our report thereon dated March 4, 2020.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

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

Harlingen, Texas
March 4, 2020

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**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, 2019. City of South Padre Island, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, City of South Padre Island, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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

Harlingen, Texas
March 4, 2020

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u> X </u> 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, 2019

(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	\$ -	\$ 26,320
Total Federal Transit Cluster				
			-	26,320
Transit Services Programs Cluster				
*Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	ED1801	-	70,017
*Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	ED1901	-	127,083
Total Enhanced Mobility of Seniors and Individuals with Disabilities				
			-	197,100
Total Transit Services Programs Cluster				
			-	197,100
Formula Grants for Rural Areas and Tribal Transit Program				
	20.509	RPT 1802	-	556,106
Formula Grants for Rural Areas and Tribal Transit Program				
	20.509	RPT 1903	-	30,956
Total Formula Grants for Rural Areas and Tribal Transit Program				
			-	587,062
National Infrastructure Investments				
	20.933	TGR 1702	-	3,025,963
Total passed through Texas Department of Transportation				
			-	3,836,445
Passed through City of Brownsville, Texas				
Formula Grants for Rural Areas and Tribal Transit Program				
	20.509	ICB 1701	-	21,265
Total U.S. Department of Transportation				
			-	3,857,710
U.S. Department of the Treasury				
Equitable Sharing				
	21.016		-	44,318
U.S. Department of Homeland Security				
Passed through Texas Office of the Governor - Homeland Security Grants Division				
Homeland Security Grant Program				
	97.067	EMW-2016-SS-00056	-	10,000
Homeland Security Grant Program				
	97.067	EMW-2017-SS-00005	-	53,398
Homeland Security Grant Program				
	97.067	EMW-2018-SS-00022-S01	-	16,915
Homeland Security Grant Program				
	97.067	EMW-2018-SS-00022-S0	-	31,122
Total passed through Texas Office of the Governor - Homeland Security Grants Division				
			-	111,435
Total U.S. Department of Homeland Security				
			-	111,435
Total Expenditures of Federal Awards			\$ -	\$ 4,013,463

* Clustered Programs

The accompanying notes are an integral part of this schedule

City of South Padre Island, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2019

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, 2019. 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, 2019, 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, 2019

NOTE 4- FEDERAL LOANS AND LOAN GUARANTEES

During the year ended September 30, 2019, the City had no outstanding federal loans payable or loan guarantees.

NOTE 5- FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2019, the City had no federally funded insurance.

NOTE 6- NONCASH AWARDS

During the year ended September 30, 2019, 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.