



CITY OF SOUTH PADRE ISLAND, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2023

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For the Fiscal Year Ended
September 30, 2023

Prepared by the Finance Department:
Mr. Rodrigo Gimenez, Chief Financial Officer

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March 27, 2024

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

We are pleased to submit to you the Annual Comprehensive Financial Report for the City of South Padre Island (City), Texas for the fiscal year that ended September 30, 2023. 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, 2023 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 beaches. The City occupies approximately 2.5 square miles and serves a full-time residential population of approximately 2,386.

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



MAJOR INITIATIVES

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

Parks

The City of South Padre Island is committed to growing the parks system on the Island to bring a variety of recreational activities to residents and visitors. The Parks Department currently maintains six parks and hosts several community events.

Phase III of the John L. Tompkins project is underway with the construction of a 6,100 sq. ft. pavilion over the basketball court. This project is part of a Texas Parks and Wildlife Small Community Recreational Grant. To complete Phase III, solar lighting will be installed throughout the park in 2024.

Two additional Pickleball Courts have been added at the SPI Pickleball Park located at 610 Padre Blvd. At this time the SPI Pickleball Park consists of 4 courts, tables, a shade structure, an ADA ramp, and an ADA sidewalk with plans for additional amenities in the future.

In addition, the City of South Padre Island received a \$10,000 reimbursement from AEP for the SPI Christmas Parade and Holiday Events. The 33rd Annual Christmas parade was held on December 2, 2022. The parade featured wonderfully decorated floats, a marching band, and specialty units with over 50 groups participating in this festive holiday event.

The SPI Community Center located at 4501 Padre Blvd. hosts a variety of activities and events throughout the year. During the fiscal year, The Community Center received fresh interior and exterior paint as part of the Facility Reserve Study to maintain the building in the spring of 2023.

Infrastructure

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

In 2017, the City embraced a comprehensive approach to assessing all City streets through the Master Thoroughfare Plan. This plan was finalized in October 2018 and included Laguna Boulevard as the top priority. The initial 2019 concept was to improve lanes, drainage, and all intersections while incorporating low-impact development to make the City more resilient. In 2020, preliminary engineering commenced with in-house staff. This would be the City's first major improvement that has been designed in-house, saving approximately \$478,000 on the project design with a total construction cost of approximately \$6,500,000. Multiple workshops and open houses were held throughout the design process. Construction of the reconstruction of Laguna Boulevard began on February 25, 2022. During the fiscal year, progress was made in installing the storm water drainage system and the widening of Laguna Boulevard was finalized between West Morningside to West Retama. It is anticipated that the project will be completed by early March of 2024.



In early 2023, the City continued improving additional streets and finalized the design of three side streets, including the remainder of East Mars Lane, Laguna Circle South, and West Morningside. The plan was also done in-house, saving approximately \$110,000 on design with a total construction cost of approximately \$1,200,000. Construction of these streets commenced in late July 2023, with East Mars Lane completing the curb and gutter by the end of the fiscal year. It is anticipated that the project will be completed by late April of 2024.

Transit

The department continues to obtain funding from the Texas Department of Transportation (TxDOT), which is heavily relied upon to continue providing transit services. During the 2022-2023 fiscal year, a total of \$1,170,284 and \$742,492 of federal and state funds were received.

The department invested in purchasing nineteen bus shelters to improve and add bus shelters along Island Metro routes. The project was completed in January 2023. The project's total cost was \$353,981, it was 100% grant-funded, and no local match was required. During the fiscal year, Island Metro provided transit services to a total of 457,732 passengers.

Finance

The City has been awarded with the Triple Crown medallion by the Government Finance Officers Association (GFOA). This award recognizes governments who have received the GFOA's Certificate of Achievement for Excellence in Financial Reporting, the Popular Financial Reporting Award, and the Distinguished Budget Presentation Award. The City is one of only 317 governments that received this special designation.

The City was awarded the GFOA's Certificate of Achievement for Excellence in Finance for the 33rd consecutive year for its 2022 fiscal year's Comprehensive Annual Report. The City was also awarded the GFOA's Distinguished Budget Presentation Award for the 12th consecutive year for the 2023 fiscal year's budget document and the GFOA Popular Annual Financial Report for the 3rd consecutive year.

Administrative Services

The Administrative Services Department was successful in continuing to provide key benefits to employees, including the SPI Connect internal training program for city employees. This program provides specific training to all city employees and is focused on their current needs. The department was also successful in completing the new compensation policies and job descriptions for all city staff. The Employee Handbook was also revised in 2023, and we look forward to having it on a new and easier-to-use platform in 2024.

Convention Center and Tourism

Visit South Padre Island works to generate tourism through leisure travel, group travel, meetings, conventions, and events. As tourism is the Island's only economic engine, success is critical, and this year, the Island welcomed over 9.3 million visitors. Visit South Padre Island continues to deliver robust, innovative marketing and sales campaigns, leading to the sales division contracting over 33,000 room nights throughout 2023, which surpassed their number from 2022. In addition, Visit South Padre Island sponsored 25 special events that brought \$5.1 million in estimated economic impact. Moreover, the Texas Travel Awards awarded South Padre Island the 2023 Texas Destination of the Year. This was the second consecutive win for our destination.



The South Padre Island Convention Center expansion, is a transformative project that embraces the future of South Padre Island as a prominent destination for event planners and youth sporting events. Architectural services were selected through an RFQ process for the expansion.

Shoreline, Boat Ramp, and Wind and Water Sports Park

South Padre Island is committed to preserving and restoring the local beaches and bay to maintain our quality of life and sustain the local tourism-based economy. It has received many accolades over the years as one of the nation's most desirable coastal communities. The City works extremely hard to protect and maintain our beach to ensure that our citizens and visitors can continue having memorable and enjoyable experiences while increasing resiliency to protect the community and Island from significant storms and tides.

During the 2022-2023 fiscal year, the Shoreline Department was notified of grant awards in the amount of \$730,000 from both the Texas General Land Office (GLO) Coastal Management Program (CMP)'s Cycle 28 as well as from the National Fish and Wildlife Foundation's National Coastal Resiliency Fund (NFWF NCRF). Funding will be used to perform dune restoration along our beach, where native vegetation will be planted alongside the placement of sand fencing to help capture wind-driven sediment. This ongoing project is crucial to maintaining a sustainable dune system to protect against tidal surges. Improvements at Neptune Circle will include additional amenities as well as transforming the access to be ADA-accessible.

A grand opening for Whitecap Circle Beach Access improvements occurred in May 2023, which was partially funded through the CMP's Cycle 25 (\$200,000 in grant funds). Access amenity improvements at Sea Island Circle continued through 2023, which is partially funded by CMP's Cycle 26 (\$120,000 in grant funds). These improvements will include two permanent restrooms, changing rooms, and rinse stations. Engineering and permitting for Fantasy Circle improvements also continued through 2023, a project that is partially funded by both CMP's Cycle 27 and Cycle 29 (\$120,000 and \$240,000 in grant funds, respectively). Improvements at this beach access will include a wooden emergency drive-over, an ADA dune walkover, a permanent restroom, rinse stations, and sidewalk/parking improvements.

In June 2023, the City partnered with the United States Army Corps of Engineers (USACE), GLO, and Cameron County to place approximately 238,700 cubic yards of material on City beaches. The GLO's Coastal Erosion Planning and Response Act (CEPRA) partially funds this continued partnership. The USACE is responsible for dredging the Brazos Santiago Pass, and the City/GLO will pay the incremental cost to place that material on our beaches to offset erosion.

The City is responsible for the maintenance dredging of Tompkins Channel, the recreational boating channel along the bayside of South Padre Island. During the fiscal year, the City continued to work with HDR Engineering on the final designs and permitting for this project. Construction procurement began at the end of the 2022-2023 fiscal year, with construction anticipated to begin shortly after.

Ongoing engineering and permitting for the City's future boat ramp occurred during the 2022-2023 fiscal year. This project is partially funded through the Texas Parks and Wildlife Department (TPWD) Boating Access Grant (engineering and permitting) as well as the RESTORE Act (land acquisition and construction). This project will not only provide a new boat ramp for the public's use but will also be the first City ramp that will have dedicated truck/trailer parking spots. Final designs and permits were received in 2023.

The South Padre Island Wind and Water Sports Venue is still underway. The project is awaiting permit approval from the USACE, the United States Fish and Wildlife Service (USFWS), and a GLO lease. This project is a component of



the Venue Tax Project approved by voters in 2016. The park will provide a dedicated access point for wind and water sports athletes and will decrease the damage to the wetlands that currently occur. The design includes parking areas and a launch area to access the lower Laguna Madre.

Environmental Health Services

The City's Environmental Health Services Department and the City's Recycling and Education Outreach team are committed to protecting the Island by providing environmentally friendly solutions to waste management. This year, Keep Texas Beautiful (KTB) named South Padre Island a Gold Star Affiliate. KTB works with governments, businesses, civic groups, and volunteers to ensure that every Texan has the opportunity to take individual responsibility for making Texas the cleanest, most beautiful state in the nation. The Gold Star recognition is the highest status any community affiliate can achieve.

Over 108,460 pounds of recyclable materials were collected in 2023. Successful programs maintained by the Environmental Health Services Department include the following: weekly recycling, Annual Recycle Land Event, The "I Love SPI" Campaign, Composter Loan Program, Annual E-Waste Event, Utility Easement Enforcement Program, Anti-litter Beach Program, Phone Book Recycling, and beach cleanup.

Public Safety

During the fiscal year, the Police Department updated its fleet by purchasing new vehicles and motorcycles for a total of approximately \$185,000. In addition, the department purchased eleven bullet resistant shields for a total cost of approximately \$83,755 which was reimbursed by the Office of the Governor's SH-Bullet-Resistant Shield Grant Program.

The department received a total reimbursement of \$126,421 from the Homeland Security Grant Program for operations related to Operation Stonegarden. This program provides funding to enhance cooperation and coordination among state, local, tribal, territorial, and federal law enforcement agencies to jointly enhance security along the U.S. land and water borders. In addition, the department received \$60,000 in funding to be allocated to the Local Border Security Program. The purpose of the program is to sustain interagency law enforcement operations and enhance local law enforcement patrols to facilitate directed actions to deter and interdict criminal activity.

The Fire Department purchased a wave runner for a total of \$14,186 for the Beach Patrol Division. In addition, the department purchased and equipped three truck for a total cost of \$146,155. The department spent a total of 33,950 on fire hydrant repairs and \$99,991 on SCBA gear funded with funds earned from the American Rescue Plan. Furthermore, the department was awarded funding from the Texas Intrastate Fire Mutual Aid System Grant program in the amount of \$1,950 for training expenses and the Trauma Regional Advisory Council - V grant of \$5,466 for medical supplies.

Historical Museum of South Padre Island

The Economic Development Administration awarded a \$1.5 million grant to the City of South Padre Island, Texas, for the construction of the Historical Museum of South Padre Island, in July of 2022. This grant is funded by the American Rescue Plan. The project will support the local tourism industry by attracting new visitors to the City and its businesses through this new local attraction on South Padre Island. The construction plans are at 100% and the construction of the museum is currently being bid out.



Tax Increment Reinvestment Zone (TIRZ)

Tax Increment Reinvestment Zones (TIRZs) are special zones created by City Council to attract new investment in an area. The benefits of a TIRZ include building needed public infrastructure in areas lacking sufficient improvement to draw businesses; boosting development, which grows property values and long-term property tax collections; and lessening the cost of private development by providing reimbursement for qualified public improvements.

The Zone presently has 288 accounts and the base year is 2011. Total tax accounts include those accounts that were originally part of the Zone when it was created in 2011 and new accounts annexed into the Zone in 2016. The City contributes incremental revenue to the Zone at 100% of its tax rate. The County contributes 75% of its Maintenance and Operations (M&O) tax rate. During fiscal year 2022-2023, TIRZ funds were allocated for infrastructure expenditures related to engineering of crosswalks and lighting to enhance safety on Padre Blvd. The TIRZ fund balance on September 30, 2023 was \$472,428.

Economic Development

In 2023, the South Padre Island Economic Development Corporation (EDC) continued efforts on a deep water marina. Partnering with Cameron County to expand the existing Sea Ranch Marina, Edgewater Resources was hired for a preliminary engineering study of the breakwater island habitat for the Marina. The addition of the breakwater islands will offer protection from any storm waves that reach the site, therefore increasing the resiliency of the upland area.

Furthermore, the EDC supported the Friends of RGV Reef artificial reef project for a sixth year by providing funding to assist in the deployment of material to expand the reef. The EDC also partnered with Visit South Padre Island, the Texas International Fishing Tournament, and Friends of RGV Reef to purchase FADs (Fish Aggregate Devices) to be placed in the Gulf of Mexico to greatly enhance the fishing in our area. A total of fourteen FADs will be placed along the Texas Gulf coast. EDC will continue to support projects that solidify South Padre Island as a world class fishing destination including the one of a kind Fishing's Future ICAN initiative. The ICAN is a specially equipped boat to provide families with mobility disabilities an opportunity to get out on the beautiful Laguna Madre and fish and even has a chair lift that Fishing's Future designed to lower and raise the disabled into the water. The 2022-2023 fiscal year was the second year EDC was honored to provide financial assistance to this worthy organization.

The Art Business Incubator welcomed five new artists which included artists from Mexico City, Michigan, and the Rio Grande Valley. This public-private partnership to establish South Padre Island as an arts destination has exceeded expectations. In 2023, another three art galleries opened to add to the previous three, and 2024 will bring another three, bringing the total number of art galleries to nine.

In 2023, the EDC awarded two Façade Improvement Grants to Café Karma and SPI Sessions. This is an incentive program that allows businesses to apply for a 50/50 grant to improve the appearance of their storefront. The EDC will contribute up to \$25,000 for their 50% match.

The EDC provides capital funding for businesses through another grant program, Sand Dollars for Success. Sand Dollars for Success is a business plan competition where a maximum of \$10,000 for new businesses/startups and \$25,000 for existing businesses can be awarded. In 2023, the EDC Sand Dollars for Success grants were awarded to eleven businesses including the SPI Wine Bar, Hooked on Seafood, Upper Deck Hotel, Carol Plumb Art Studio, Isla Tours, Paper Caper Co Gallery, Little Leaf Microgreens, Sommer Sculpt, Lisa's Flower Shop, Burrito Express, and Karla's Katering.



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 9.1 million per year according to the Texas Department of Transportation. In the most recent City of SPI Economic Index, over 6 million visitors come to the Island annually.

During 2023, the Texas economy continued to expand at a modest pace overall. Second to California, Texas yields 9% of U.S. GDP. Texas' large and diverse workforce encompasses 15 million workers. Notably, Texas' job growth (3.1%) continues to outpace the nation's (1.7%). Texas growth is expected to continue through 2024 but at a slower pace. Risks to consider include weather conditions, energy prices (oil & natural gas), labor markets, interest rates, and inflation.

Despite increased interest rates, declining manufacturing production, and recession fears, Texas job growth has remained robust. The unemployment rate, as of September 2023, for Texas and the Rio Grande Valley area are 4.1% and 5.7%, respectively. Furthermore, Texas job growth has risen an annualized 3.3%. During the year, job gains were noted across all sectors. Texas experienced solid growth in the nonfinancial service sector with the strongest employment growth in Leisure & Hospitality (5.2% growth). Texas initial unemployment claims remain subdued. The Texas labor market seems to be stabilizing after experience strong growth in the past two years. The Dallas Fed's Texas employment forecast predicts a 2024 employment growth rate of 2.9%. As of August 2023, the average hourly earnings was at a noteworthy rate of \$31.45. However, businesses continue experiencing difficulty in finding skilled workers in certain areas.

Since Texas' inflation peak in mid-2022, inflation has trended down but remained elevated. Although down from the 9.6% increase in 2022, Texas businesses input costs increased by 4% on average in 2023. However, businesses are experiencing difficulty in passing on increase costs to consumers. This is partially due to overall inflation coupled with a decrease in Supplemental Nutrition Assistance Program benefits.

During 2023, manufacturing indexes reflected a contracted pace of expansion. Declines in capital spending, output, and new orders were evident, most notably in high-tech, chemical, and machinery manufacturing. Growth was noted in food and fabricated metals manufacturing. The service industry, which accounts for over 73% of private sector, makes up the bulk of the Texas economy. Revenue growth was steered by professional and business services, mostly in leisure and hospitality. Despite the negative impact of extreme heat, airline demand remained strong, especially for leisure travel. Furthermore, Texas remains the number one producer of oil and natural gas in the U.S., producing 30% of the nation's refinery capacity and 75% of the nation's petrochemical.

Texas accounts for 22% of U.S. exports making it the top exporting state. Texas' combination of strategic location, vast ports of entry, largest United States (U.S.) rail and road infrastructure, immense multilingual workforce, and concentration of financial and corporate resources continues to make Texas an international trade leader. The Texas economy remains most vulnerable to tariffs, energy price volatility, and changes in trade policies. These issues increase trade uncertainty, especially with Mexico, and may obstruct economic growth. Mexico currently receives 30% of Texas' exports, making Mexico Texas' top trading partner. In addition, the Texas-Mexico border ports process over 50% of Texas' exports.



Although, in 2022, Texas housing market was fueled by economic growth and high migration to the state, the housing market has slowed with falling prices due to mortgage rate increases, which suppressed demand. Since peaking in early 2022, across Texas home prices have been subdued to down. Home sales have decreased in Texas and inventories have increased. During 2023, Texan median home prices decline from record highs, averaging between \$317,000 and \$466,000.

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.

A good indicator of the City's economy is the collection of hotel occupancy taxes. During fiscal year 2022-2023, the City experienced slight decrease of 2.96% to fiscal year 2021-2022. The highly seasonal nature of tourist activity means that almost half of the lodging sales come in June, July, and August. Another key economic indicator for the City is the sales tax growth rate. The City recognized a 5.96% increase in sales tax. In addition, the City's certified property values increased to approximately \$4.2 billion, representing a bigger and stronger taxable base.

South Padre Island continues to establish itself as a premier visitor destination, with its unique setting, pristine beach environment, and abundant water and outdoor activities. As the area gains more recognition as a year-round vacation retreat, there will be a growing need to preserve, improve, and add to the amenities and attractions sought by the rising tide of tourists.

Long Term Financial Planning

Budgeting is an essential element of the financial planning, control and evaluation process of a municipal government. City officials remain committed to a policy of maintaining a six-month reserve level for all operating funds, creating strong budgetary flexibility. Multi-year budgeting provides a means of identifying the impact of implementing new programs and projects on future budgets. The Business Plan is the City's long range operations and capital plan. The plan includes all of the operating departments of the General Fund, Convention Centre, Beach Maintenance, 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.

Federal and State Single Audit

As a recipient of federal and state 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 and state 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, 2023 identified no material weaknesses of the internal control or violations of applicable laws and regulations of federal or state grant awards.

OTHER INFORMATION

Independent Audit

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

Awards

The City has been awarded with the Triple Crown medallion by the Government Finance Officer's Association (GFOA). This award recognizes governments who have received the GFOA's Certificate of Achievement for Excellence in Financial Reporting, the Popular Financial Reporting Award, and the Distinguished Budget Presentation Award. The City is one of only 317 governments that received this special designation.

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 Annual Comprehensive Financial Report for the fiscal year that ended September 30, 2022. This was the 33rd 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 Annual Comprehensive 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 Annual Comprehensive 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, 2022. This was the 12th consecutive year the City has achieved this prestigious award. To receive the award, the Finance Department had to satisfy nationally recognized guidelines for effective budget presentation. The budget is ranked on how well it serves as a policy document, a financial plan, an operations guide, and a communications device. All four categories must be rated proficient. Additionally, fourteen mandatory criteria must be met.

Acknowledgments

We would like to thank the Finance Department staff and the Department Directors for their diligent efforts in the preparation of the annual financial report. 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,

William Randall Smith, City Manager

Rodrigo Gimenez, Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

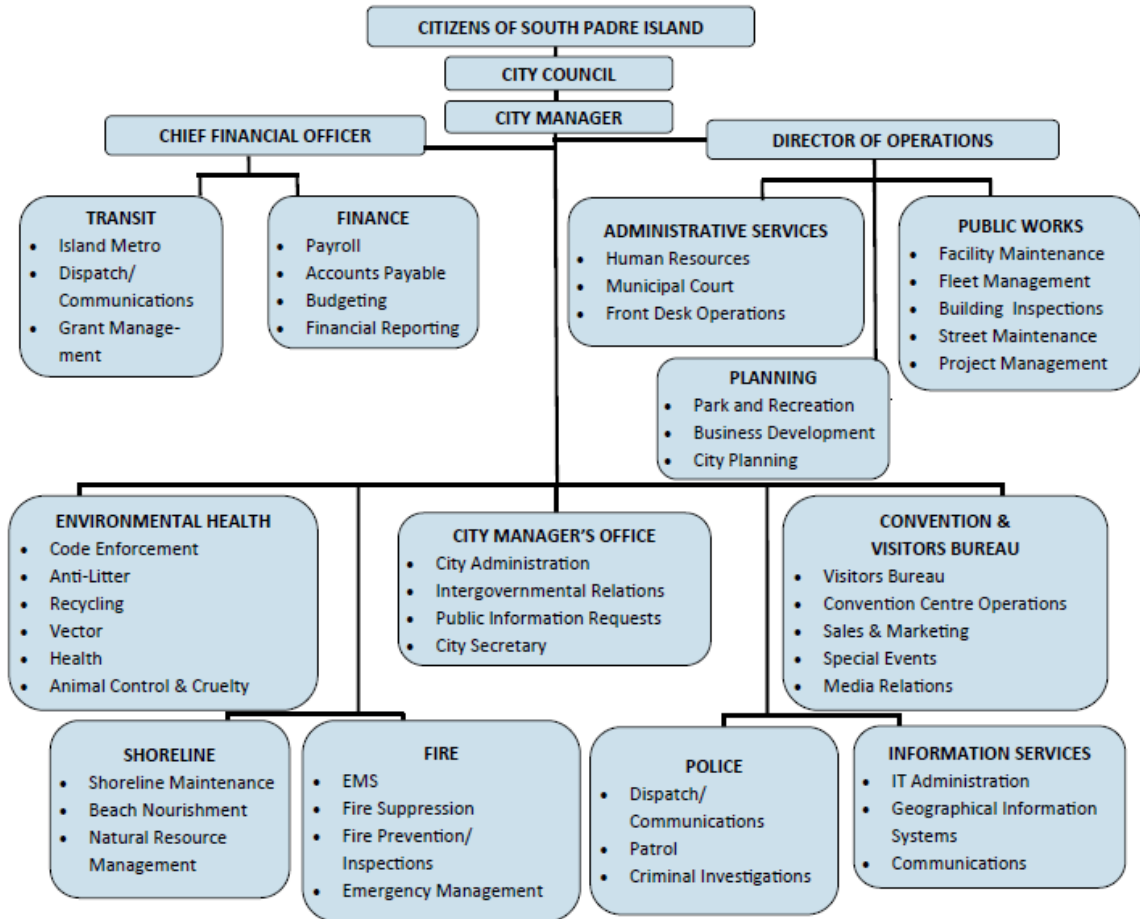
**City of South Padre Island
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO



City of South Padre Island, Texas
List of Principal Officials
September 30, 2022

ELECTED OFFICIALS

NAME	TITLE
PATRICK MCNULTY	MAYOR
KERRY SCHWARTZ	MAYOR PRO-TEM, PLACE 2
JOE RICCO	COUNCIL MEMBER, PLACE 3
KEN MEDDERS, JR.	COUNCIL MEMBER, PLACE 1
REES LANGSTON	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
BLAKE HENRY	CONVENTION AND VISITORS BUREAU DIRECTOR
CLAUDINE O'CARROLL	POLICE CHIEF
JIM PIGG	FIRE CHIEF
CARLOS SANCHEZ	PUBLIC WORKS DIRECTOR
VICTOR MARTINEZ	INFORMATION TECHNOLOGY DIRECTOR
WENDY SALDANA	HUMAN RESOURCES MANAGER
VICTOR BALDOVINOS	ENVIRONMENTAL HEALTH SERVICES DIRECTOR
KRISTINA BORBURKA	SHORELINE DIRECTOR
JESSE ARRIAGA	TRANSIT DIRECTOR
ANGELIQUE SOTO	CITY SECRETARY
DENTON, NAVARRO, ROCHA, BERNAL & ZECH	CITY ATTORNEY



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of South Padre Island, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of South Padre Island, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of South Padre Island, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of South Padre Island, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 22 through 32 and 89 through 100 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Padre Island, Texas' basic financial statements. The accompanying other supplementary information (as listed in the table of contents), schedule of expenditures of federal awards and the schedule of expenditures of state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Texas Grant Management Standards of the State of Texas, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying other supplementary information, schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, 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.

Carr, Rigg & Ingram, L.L.C.

Harlingen, Texas
March 27, 2024

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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, 2023. 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 1-10 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 \$96,573,179 (net position). Of this amount, \$12,570,508 (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 \$11,318,791 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 \$71,939,126. Approximately 16% of this amount, \$11,510,429 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 (\$7,351,750 for 2023) established by the City Charter.
- At the end of the current fiscal year 81%, \$58,526,091, of the governmental funds fund balance was restricted, 2%, \$1,723,601, was assigned, and approximately 0.2%, \$179,005 was non-spendable.
- The City of South Padre Island's total bonded debt increased by \$2,120,000 during the current fiscal year. This is the net effect of bond payments made during the current year and the issuance of a Series 2023 Tax Notes for \$3.79 million.

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.

The City of South Padre Island maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Hotel Motel Fund, the 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

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

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; **Nonspendable:** 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:

<i>September 30,</i>	Total Governmental Activities 2023	Total Governmental Activities 2022
Assets		
Current and other assets	\$ 75,832,001	\$ 64,011,141
Capital and non-current assets	46,932,560	44,957,652
Total assets	122,764,561	108,968,793
Deferred Outflows of Resources		
Deferred outflows related to pension liabilities	4,836,571	1,625,597
Deferred outflows related to OPEB liabilities	124,042	148,476
Deferred amount on refunding	46,709	70,066
Total deferred outflows of resources	5,007,322	1,844,139
Liabilities		
Current liabilities	3,493,747	2,660,547
Non-current liabilities	27,184,351	19,669,946
Total liabilities	30,678,098	22,330,493
Deferred Inflows of Resources		
Deferred inflows related to pension liabilities	277,429	3,182,512
Deferred inflows related to OPEB liabilities	227,935	28,120
Deferred inflows on bond refunding	15,242	17,419
Total deferred inflows of resources	520,606	3,228,051
Net Position		
Net investment in capital assets	30,014,420	29,909,022
Restricted		
Debt service	1,058,877	1,029,326
Special revenue fund	52,929,374	43,596,736
Capital projects	-	662,729
Unrestricted	12,570,508	10,056,575
Total net position	\$ 96,573,179	\$ 85,254,388

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

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

exceeded liabilities and deferred inflows of resources by \$96,573,179 at the close of the most recent fiscal year.

A large portion of the City's net position (31%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position. Governmental activities increased the City's net position by \$11,318,791 from the beginning net position of \$85,254,388, as a result of current year activities. Total revenues increased approximately \$459 thousand. This is primarily the result of an increase in interest of approximately \$1.5 million and an increase in property tax of approximately \$772 thousand coupled with a decrease in operating grants and capital grants of \$2 million, which were caused by an increase in property tax, higher than normal interest rates and the decrease in grant funding during fiscal 2023.

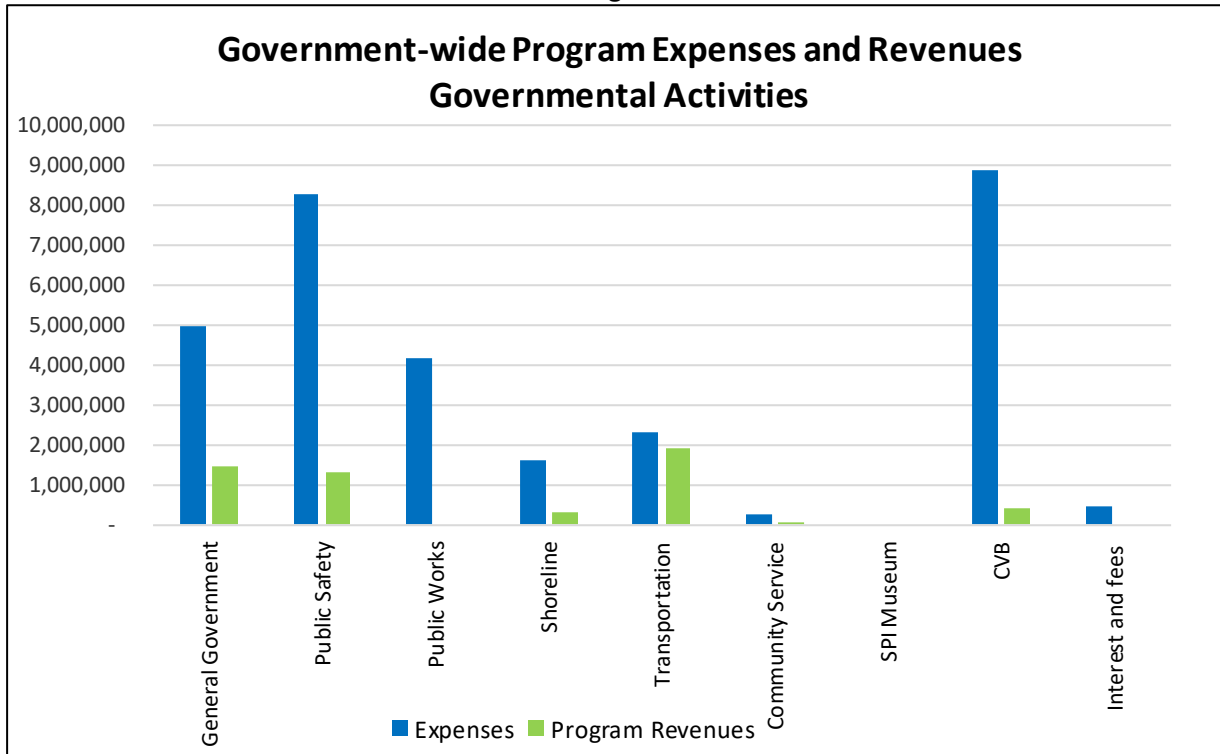
City of South Padre Island, Texas
Management's Discussion and Analysis

Expenses during the fiscal period increased by approximately \$2.2 million or 7.75%. This increase was mostly due to the increase on events and activities held at the public safety.

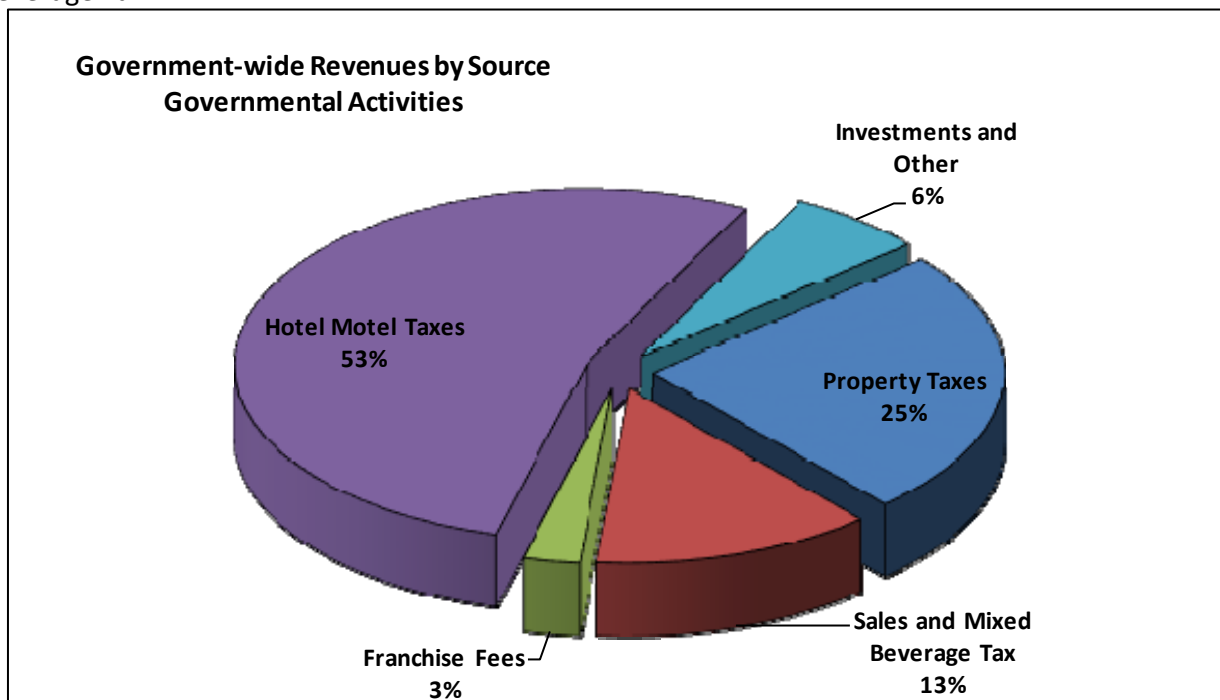
	Total Governmental Activities 2023	Total Governmental Activities 2022
Revenues		
Program revenues		
Charges for Services	\$ 2,722,367	\$ 2,270,347
Operating Grants and Contributions	1,968,745	3,444,973
Capital Grants and Contributions	749,531	1,591,435
General revenues		
Property Tax	9,060,930	8,288,587
Sales Tax	4,226,070	3,988,332
Franchise Tax	958,246	922,027
Hotel Motel Tax	15,534,794	15,988,214
Hotel Motel Beach Maintenance Tax	4,168,093	4,333,632
Mixed Beverage Tax	543,783	532,823
Interest	1,680,748	184,970
Miscellaneous	646,025	254,727
Total revenues	42,259,332	41,800,067
Expenses		
Program expenses		
General Government	4,969,391	4,433,409
Public Safety	8,262,976	6,867,398
Public Works/Shoreline	5,789,297	5,890,215
Transportation	2,306,392	2,153,857
Community Service	257,219	198,737
SPI Museum	-	32,066
Convention and Visitors Bureau	8,896,692	8,708,194
Bond Issuance Costs	-	-
Interest on Long-Term Debt	458,574	430,555
Total expenses	30,940,541	28,714,431
Increase in Net Position	11,318,791	13,085,636
Beginning Net Position	85,254,388	72,168,752
Ending Net Position	\$ 96,573,179	\$ 85,254,388

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 and fees 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 \$71,939,126 an increase of \$12,255,809 in comparison with the prior year. Approximately 16%, or \$11,510,429 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 \$7,351,750 and is contained within the unassigned fund balance of the General Fund. The restricted funds are 81% or \$58,526,091 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. The assigned funds are 2% or \$1,723,601 of the total fund balance, this portion is a self-imposed restriction on funds by the city council. Approximately 0.2% or \$179,005 of the fund balance is nonspendable; in this case all of the \$179,005 consists of prepaid expenses.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,510,429 while total fund balance reached \$11,664,295. 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 83.2% of total General Fund expenditures, while total fund balance represents 84.3% of that same amount.

The fund balance of the City's General Fund increased by \$920,090 during the current fiscal year.

Revenues increased by \$1,358,764 which is mainly attributed to an increase in property tax and interest revenues of approximately \$564,610 or 8.60% and \$263,045 or 532.90%, respectively. In comparison with last year, the total actual expenditures decreased by \$525,550. The decrease is primarily due to the less capital outlay expenditures. Interest revenues for the Hotel Motel fund increased by approximately 1454.21% or \$486,738 compared to last fiscal year. The Hotel Motel fund expenditures increased by \$223,004 due primarily to an increase on marketing expenses and more events held at the convention center.

The Venue Project Fund experienced an increase in fund balance due to collecting more hotel motel occupancy taxes than expenditures during the fiscal year.

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

General Fund Budgetary Highlights

The original budget of the General Fund was amended by ordinance one time during fiscal year 2022-2023. The majority of amendments this fiscal year were due to large projects. City Council approved funding to expand the Short-Term Rental Compliance Program for \$143,750, to proceed with phase II of the pickleball project for \$150,000, and to purchase and install a shade structure and solar lighting to John L. Tompkins Park for \$204,000. Furthermore, the funding of \$82,000 was approved for lobbying services, \$344,846 for public safety, \$17,350 for the purchase of a cargo trailer, \$22,831 for the purchase of a mobile wash rig, and \$21,460 for the purchase of two scags. Amendments related to the purchase of machinery and equipment include \$83,755 for 27 bullet-resistant shields and \$33,526 for plate readers for officers, and \$36,260 for e-ticket writers for code enforcement staff. Additionally, some smaller amendments related to training, postage, awards, salary, vehicle and AC repairs, and the purchase of other miscellaneous equipment.

General Fund Budget Variances

During the fiscal year, revenues experienced a substantial increase, surpassing last year's collections by \$814,749. This increase can be primarily attributed to two key factors: an increase in licenses and fees, mainly from the introduction of a new short-term rental license; and a notable rise in interest income, driven by investments with higher rates of return.

Expenditures for the fiscal period were lower than budget by \$1,638,332, primarily attributed to ongoing projects that were carried over into the new fiscal year.

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, 2023 amounts to \$46,932,560 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, equipment, streets, leases and construction in progress. Additional information on capital assets can be found in Note 8. Capital asset balances are as follows:

<i>September 30,</i>	2023	2022
Land	\$ 3,084,077	\$ 3,079,263
Construction in progress	6,166,811	3,036,230
Buildings	16,332,117	15,929,298
Improvements	11,254,045	10,643,808
Furniture and equipment	3,712,224	3,696,286
Infrastructure	6,093,781	6,821,756
Right-to-use leased assets	289,505	338,053
Total capital assets	\$ 46,932,560	\$ 43,544,694

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$18,725,000 for its governmental activities. The table below reflects the outstanding debt at the fiscal year end. Additional information can be found in Note 11. The City's outstanding general obligation bonds underlying rating is "AA+/Stable" by Standard and Poor's Rating Service and Aa2 Moody's rating.

<i>September 30,</i>	Total Governmental Activities 2023	Total Governmental Activities 2022
General Obligation Bonds and Tax Anticipation Notes	\$ 18,725,000	\$ 16,605,000
Total long-term debt	\$ 18,725,000	\$ 16,605,000

The City of South Padre Island's total bonded debt decreased by \$2,120,000 during the current fiscal year. This change is the result of bond payments in the year.

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 2023-2024 fiscal year.

Certified property tax values for the City showed an increase in approved net taxable values of approximately \$819 million, or 26% from the preceding year. The City Council adopted a tax rate of \$0.232159 cents per hundred valuation which is split between \$0.185021 for maintenance and operations, and \$0.047138 per hundred allocated to the debt service fund for the retirement of general obligation bonds and tax notes.

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.

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BASIC FINANCIAL STATEMENTS



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City of South Padre Island, Texas
Statement of Net Position

<i>September 30, 2023</i>	Primary Government Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	\$ 31,426,180	\$ 2,041,165
Cash and cash equivalents- restricted	662,991	430,466
Investments	39,806,816	-
Investments- restricted	-	431,455
Receivables, net	2,663,265	138,688
Leases receivable	69,478	-
Due from other governments	1,024,266	-
Prepaid expenses	179,005	367,475
Capital assets, net		
Non-depreciable assets	9,250,888	657,236
Depreciable assets	37,392,167	4,647,838
Right-to-use leased assets	289,505	-
Total assets	122,764,561	8,714,323
Deferred Outflows of Resources		
Deferred outflows related to pension liabilities	4,836,571	43,925
Deferred outflows related to OPEB	124,042	1,127
Deferred amount on refunding	46,710	81,795
Total deferred outflows of resources	5,007,323	126,847
Liabilities		
Accounts payable	3,011,311	-
Interest payable	175,194	27,474
Other liabilities	246,370	2,131
Unearned revenues	60,873	-
Non-current liabilities		
Due within one year	2,765,518	358,782
Due in more than one year	18,681,988	1,550,129
Net pension liability	5,324,792	48,358
Net OPEB liability	412,053	3,742
Total Liabilities	30,678,099	1,990,616
Deferred Inflows of Resources		
Deferred inflows related to pension liabilities	277,429	2,521
Deferred inflows related to OPEB liabilities	227,935	2,070
Deferred charge on bond refunding	15,242	-
Total deferred inflows of resources	520,606	4,591
Net Position		
Net investment in capital assets	30,014,420	3,477,958
Restricted		
Debt service	1,058,877	822,719
Special revenue funds	52,929,374	-
Unrestricted	12,570,508	2,545,286
Total net position	\$ 96,573,179	\$ 6,845,963

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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 4,969,391	\$ 1,083,608	\$ 270,863	130,889
Public safety	8,262,976	1,212,744	-	83,755
Public works	4,170,966	-	-	-
Shoreline	1,618,331	-	-	315,593
Transportation	2,306,392	-	1,697,882	219,294
Community service	257,219	6,400	-	-
Convention and visitors bureau	8,896,692	419,615	-	-
Interest and fees on long-term debt	458,574	-	-	-
Total primary government	\$ 30,940,541	\$ 2,722,367	\$ 1,968,745	\$ 749,531
Component Unit				
Economic development services	820,119	-	-	-
Interest expense	52,527	-	-	-
Total component unit	\$ 872,646	\$ -	\$ -	\$ -

General revenues

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Sales taxes

 Franchise taxes

 Hotel motel taxes

 Hotel motel beach maintenance taxes

 Mixed beverage taxes

Interest revenue

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

City of South Padre Island, Texas
Statement of Activities

<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Component Unit</u>
\$ (3,484,031)	\$ -
(6,966,477)	-
(4,170,966)	-
(1,302,738)	-
(389,216)	-
(250,819)	-
(8,477,077)	-
(458,574)	-
<u>(25,499,898)</u>	<u>-</u>
-	(820,119)
-	(52,527)
<u>-</u>	<u>(872,646)</u>
7,333,812	-
1,727,118	-
4,226,070	1,408,690
958,246	-
15,534,794	-
4,168,093	-
543,783	-
1,680,748	14,541
646,025	53,100
<u>36,818,689</u>	<u>1,476,331</u>
11,318,791	603,685
<u>85,254,388</u>	<u>6,242,278</u>
<u>\$ 96,573,179</u>	<u>\$ 6,845,963</u>

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

City of South Padre Island, Texas
Balance Sheet
Governmental Funds

<i>September 30, 2023</i>	General Fund	Hotel Motel Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,073,634	\$ 9,710,893	\$ 3,618,682	\$ 14,022,971	\$ 31,426,180
Cash and cash equivalents - restricted	-	-	-	662,991	662,991
Investments	9,850,043	9,175,049	10,166,694	10,615,030	39,806,816
Receivables, net					
Property taxes	108,872	-	-	24,734	133,606
Accounts	1,011,049	878,100	222,384	418,126	2,529,659
Due from other governments	-	-	-	1,024,266	1,024,266
Leases receivable	-	-	-	69,478	69,478
Prepaid items	59,045	23,927	12,966	83,067	179,005
Total assets	\$ 15,102,643	\$ 19,787,969	\$ 14,020,726	\$ 26,920,663	\$ 75,832,001
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 2,708,558	\$ 14,145	\$ 2,829	\$ 285,779	\$ 3,011,311
Other liabilities	246,371	-	-	-	246,371
Unearned revenues	-	-	-	60,873	60,873
Total liabilities	2,954,929	14,145	2,829	346,652	3,318,555
Deferred inflows of resources					
Unavailable revenue - property taxes	79,400	-	-	17,679	97,079
Unavailable revenue - other	404,019	-	-	73,222	477,241
Total deferred inflows of resources	483,419	-	-	90,901	574,320
Fund balances					
Nonspendable	59,045	23,927	12,966	83,067	179,005
Restricted	94,821	19,749,897	14,004,931	24,676,442	58,526,091
Assigned	-	-	-	1,723,601	1,723,601
Unassigned	11,510,429	-	-	-	11,510,429
Total fund balances (deficits)	11,664,295	19,773,824	14,017,897	26,483,110	71,939,126
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,102,643	\$ 19,787,969	\$ 14,020,726	\$ 26,920,663	\$ 75,832,001

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

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

September 30, 2023

Fund balances of governmental funds	\$ 71,939,126
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.	46,643,055
Right-to-use leased assets of \$452,598 net of accumulated amortization of \$163,093 are not financial resources, and therefore are not reported as assets in governmental funds.	289,505
Some liabilities, including bonds payable (\$18,725,000) and premiums of (\$1,265,233), are not due in the current period and, therefore, are not reported in the funds.	(19,990,233)
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(277,648)
Deferred outflows and inflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	31,468
Liabilities for compensated absences are not due in the current period and therefore are not reported in the funds.	(1,179,624)
Certain amounts receivable for property taxes \$97,079 and other receivables \$477,241 but which do not represent current financial resources are deferred in the funds.	574,320
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(175,194)
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 \$5,324,792, a deferred resource inflow in the amount of (\$277,429), and a deferred resource outflow in the amount of \$4,836,571. This resulted in a decrease in net position of (\$765,650).	(765,650)
Included in the non-current liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of (\$412,053), a deferred resource inflow in the amount of (\$227,935) and a deferred resource outflow in the amount of \$124,042. This resulted in a decrease in net position by (\$515,946).	(515,946)
Net position of governmental activities	\$ 96,573,179

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

<i>For the year ended September 30, 2023</i>	General Fund	Hotel Motel Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 7,129,111	\$ -	\$ -	\$ 1,947,911	\$ 9,077,022
Nonproperty taxes	5,728,100	10,261,191	3,072,449	6,369,246	25,430,986
Fees and services	1,228,266	-	-	426,015	1,654,281
Fines and forfeitures	326,176	-	-	15,609	341,785
Licenses and permits	681,700	-	-	1,585	683,285
Intergovernmental	354,618	130,889	-	3,420,320	3,905,827
Interest revenue	312,411	520,209	327,537	520,591	1,680,748
Miscellaneous	77,898	26,738	-	589,325	693,961
Total revenues	15,838,280	10,939,027	3,399,986	13,290,602	43,467,895
Expenditures					
Current					
General government	4,080,489	-	41,156	155,001	4,276,646
Public safety	6,896,439	-	-	481,260	7,377,699
Public works	2,362,168	-	-	-	2,362,168
Shoreline	-	-	-	1,508,846	1,508,846
Transportation	-	-	-	1,844,665	1,844,665
Community service	-	-	-	128,242	128,242
Convention and visitors bureau	-	6,654,921	-	1,591,697	8,246,618
Capital outlay	434,308	166,793	5,485	6,746,797	7,353,383
Debt service					
General obligation bonds	-	-	-	545,000	545,000
Tax anticipation notes	-	-	-	920,000	920,000
Venue tax revenue bonds	-	-	-	205,000	205,000
Leases	62,691	680	-	12,066	75,437
Interest	2,284	73	-	540,839	543,196
Administrative charges	-	-	-	2,750	2,750
Total expenditures	13,838,379	6,822,467	46,641	14,682,163	35,389,650
Excess (deficiency) of revenues over (under) expenditures	1,999,901	4,116,560	3,353,345	(1,391,561)	8,078,245
Other Financing Sources (Uses)					
Sale of capital assets	21,645	-	-	25,068	46,713
Leases issued	9,038	3,182	-	8,612	20,832
Issuance of debt	-	-	-	3,790,000	3,790,000
Premium on issuance of debt	-	-	-	320,019	320,019
Transfers in	90,422	-	292,669	3,578,445	3,961,536
Transfers out	(1,200,916)	(50,000)	(543,223)	(2,167,397)	(3,961,536)
Net other financing sources (uses)	(1,079,811)	(46,818)	(250,554)	5,554,747	4,177,564
Net change in fund balances	920,090	4,069,742	3,102,791	4,163,186	12,255,809
Fund balance, beginning of year	10,744,205	15,704,082	10,915,106	22,319,924	59,683,317
Fund balance, end of year	\$ 11,664,295	\$ 19,773,824	\$ 14,017,897	\$ 26,483,110	\$ 71,939,126

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

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City of South Padre Island, Texas

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

For the year ended September 30, 2023

Net change in fund balances - total governmental funds	\$ 12,255,809
Amounts reported for governmental activities in the statement of activities are different because:	
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 \$7,332,551 and including depreciation (\$3,875,904), in the current period is to increase net position.	3,456,647
New right-to-use of \$20,832, and its related lease liability of (\$20,832), principal payments related to lease liabilities of \$75,438 and the amortization of right-to-use assets of (\$69,380) were reported in the statement of activities.	6,058
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.	(20,233)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,670,000
The issuance of debt is recorded as other financing sources, but in the governmental activities the issuance of debt is recorded as a long term liability. The effect of removing the bond proceeds of (\$3,790,000) and its related premium on debt issuance of (\$320,019) from the statement of activities results in a decrease in the change in net position.	(4,110,019)
The increase in compensated absences payable of (\$159,909) during the year is reported as a increase to expenditures in the statement of activities but not in the governmental funds. The amortization of bond premiums \$141,658 reduces interest expense in the statement of activities and the interest accrual of (\$33,106) increase interest expense and it is not due in the current period. The amortization of debt refunding related deferred outflows of resources of (\$23,357) and debt refunding related deferred inflows of \$2,177 offset expenses in the statement of activities but not in the governmental funds. The net effect of including the amortization of deferred outflows and inflows of resources, bond premiums, accrued interest, and the change in compensated absences is to decrease net position.	(72,537)
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 (\$1,235,044). Recognition of this amount in the statement of activities results in a decrease in the change in net position.	(1,235,044)
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase in the amount of \$999,433. 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 (\$896,415). The City's reported TMRS net pension expense had to be recorded. The change in pension expense decreased the change in net position by (\$724,711). The result of these changes is to decrease net position.	(621,693)
GASB 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase in the amount of \$21,785. 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 (\$14,635). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by (\$17,347). The result of these changes is to decrease the change in net position.	(10,197)
Change in net position of governmental activities	\$ 11,318,791

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

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.

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

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.

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.

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

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

Recently Issued and Implemented Accounting Pronouncements

In 2022, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement was adopted in the current year, resulting in no material effect.

The City also implemented Statement No. 99, *Omnibus 2022*, enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This Statement was adopted in the current year, resulting in no material effect.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences* requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The City is evaluating the requirements of GASB No. 101 and the impact on reporting for future years.

The City is evaluating the requirements of the above statements and the impact on reporting.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

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. Investments

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in entities (such as investment pools that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79) are also reported at amortized cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Nonparticipating interest-earning investment contracts, including repurchase agreements, are reported using a cost-based measure. The term nonparticipating means that the investment's value does not vary with market interest rate changes. All other investments are reported at fair value.

c. 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 component units are reported as "internal balances."

d. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2023 are recorded as prepaid items, in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

e. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

f. Capital Assets

Capital assets, which includes property, plant, equipment, leased assets 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 Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (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.

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
Leased assets	5 – 15 years

g. 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, 2022.

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

h. 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.

i. Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

j. Pensions

For purposes of measuring the net pension liability (asset), 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 Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

k. 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*.

l. Bond Discounts/Issue Costs

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

m. Comparative Data

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

n. 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.

o. 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.

p. Fund Balance Reporting

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

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

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

Restricted fund balance – Restricted fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – The committed fund balance classification contains 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 balance – Amounts that contain self-imposed constraints of the government to be used for specific purposes but do not meet the criteria to be classified as committed. 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 – 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, 2023 is \$7,351,750. Since the City's unassigned fund balance exceeds this amount at September 30, 2023, 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.

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

City of South Padre Island, Texas Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

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

r. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has three (3) items that qualify for reporting as deferred outflows of resources, the deferred amount on refunding and the deferred outflows related to pensions, and the deferred outflows related to OPEB, each reported in the government-wide. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceeds their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and other post-employment benefits as calculated in accordance with GASB Codification (GASBC) Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension liability or OPEB liability in future reporting years.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pensions and OPEB are an aggregate of items related to pensions as calculated in accordance with GASBC Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years. The deferred inflows related to leases are associated with amounts owed to the City, as lessor, by entities leasing the City’s capital assets. The deferred inflow related to charges on bond refunding are amortized over the lesser life of the refunded bonds or refunding debt.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 27, 2024 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

Budgetary Information

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

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

During fiscal year 2023, various transfers of appropriations were made for the Governmental Funds. The original and final amended budget are presented in the Required Supplementary Information for the General Fund and major Special Revenue Funds (Hotel Motel, Venue Project Funds), that have adopted a budget.

At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at year end. At September 30, 2023, there were no significant encumbrances at year end.

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the Budget Committee 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

Expenditures over Appropriations

None noted.

NOTE 3: DEPOSITS AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value (with exception of deposits secured with irrevocable letters of credit at 100% of the principal and anticipated accrued interest), less the amount of the Federal Deposit Insurance Corporation insurance. During the year ended September 30, 2023 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, 2023 are as follows:

	Value	Maturity (in years) 1 or less
Primary Government		
Cash equivalents		
Money market accounts	\$ 17,931,218	\$ 17,931,218
Investments		
TexPool	11,698,378	11,698,378
Texas Term	127,716	127,716
Certificates of deposit	27,980,722	17,942,880
Total primary government	\$ 57,738,034	\$ 47,700,192
Component Unit		
TexPool	\$ 24,777	\$ 24,777
Certificates of deposit	406,678	406,678
Total component unit	\$ 431,455	\$ 431,455

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and investment follows:

	Primary Government <u>Governmental</u> Activities	Component Units	Total
Cash and cash equivalents			
Cash and cash equivalents	\$ 31,426,178	\$ 2,041,165	\$ 33,467,343
Cash - restricted	662,991	430,466	1,093,457
Total cash and cash equivalents	32,089,169	2,471,631	34,560,800
Investments			
TexPool	11,698,378	24,777	11,723,155
Texas Term	127,716	-	127,716
Certificates of deposit	27,980,722	406,678	28,387,400
Total Investments	39,806,816	431,455	40,238,271
Total cash and investments	\$ 71,895,985	\$ 2,903,086	\$ 74,799,071

As of September 30, 2023, the City's investments in certificates of deposit are valued at cost plus accrued interest.

See Note 11 for components of cash restrictions.

Interest Rate Risk

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

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Description	Rate	Amount	Maturity
Primary Government			
East West Bank CD	5.74%	\$ 505,773	October 20, 2023
East West Bank CD	4.62%	4,174,832	October 27, 2023
East West Bank CD	4.69%	2,597,577	December 7, 2023
East West Bank CD	5.72%	2,528,768	January 22, 2024
East West Bank CD	5.07%	2,060,053	March 4, 2024
East West Bank CD	5.39%	5,075,877	June 21, 2024
BOK Financial CD	5.11%	1,000,000	May 16, 2024
Bank Ozk CD	5.45%	4,000,000	March 27, 2025
American National Bank	5.10%	6,037,842	August 14, 2025
Total primary government		\$ 27,980,722	
Component Unit			
First Community Bank CD	0.30%	\$ 159,319	May 5, 2023
East West Bank CD	4.62%	247,359	October 27, 2023
Total component unit		\$ 406,678	

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, 2023 the investments in TexPool and Texas Term investment risk pools were rated AAAM and AA Af by Standard and Poor's, respectively. The City's investment policy limits authorized investments to certain Texas government investments pools, obligations of or guaranteed by the U. S. and State of Texas and their agencies thereof, certificates of deposit of Texas banks and fully collateralized repurchase agreements.

Public Funds Investment Pools

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

City of South Padre Island, Texas Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

NOTE 4: PROPERTY TAXES

The assessed value for the tax roll as of January 1, 2022 upon which the 2022 levy was based, was \$2,655,714,976. State statutes require that all assessments be made on one hundred percent (100%) of fair market value.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1st or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

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

The City is permitted by the Municipal Finance Law of Texas to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 4: PROPERTY TAXES (Continued)

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, 2023 was \$.289143 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, 2023 were 99 percent of the tax levy.

NOTE 5: RECEIVABLES

Receivables at September 30, 2023, 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	\$ 114,602	\$ -	\$ -	\$ 26,036	\$ 140,638	\$ 138,688
Accounts Receivable	1,603,554	878,100	222,384	418,126	3,122,164	-
Total receivables	1,718,156	878,100	222,384	444,162	3,262,802	138,688
Allowance for uncollectibles						
Property taxes	(5,730)	-	-	(1,302)	(7,032)	-
Accounts receivable	(592,505)	-	-	-	(592,505)	-
Total allowance for uncollectibles	(598,235)	-	-	(1,302)	(599,537)	-
Total receivables, net	\$ 1,119,921	\$878,100	\$ 222,384	\$ 442,860	\$ 2,663,265	\$ 138,688

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 6: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2023 consist of the following:

	Primary Government	
	Other Governmental Funds	Total Governmental Funds
Texas State Comptroller - Occupancy Tax	\$ 612,899	\$ 612,899
State of Texas - Department of Transportation	409,421	409,421
Texas Water Development Board	1,946	1,946
Total due from other governments	\$ 1,024,266	\$ 1,024,266

NOTE 7: LEASES RECEIVABLE

Leases - Lessor

The City accounts for leases in accordance with GASB Statement No. 87, Leases. The City has the below two non-cancelable agreements, which expire between the year 2026 and 2027.

On October 2021, the City entered into a lease agreement with South Padre Island Chamber of Commerce. Under the lease, the vendor pays the City \$1,000 per month for 5 years in exchange for office space in the Transit building. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.15%. Lease receivable balance at September 30, 2023 is \$37,298.

On October 2021, the City entered into a lease agreement with a home care. Under the lease, the home care pays the City \$550 per month for 5 years in exchange for office space in the Transit building. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.93%. Lease receivable balance at September 30, 2023 is \$19,520.

On January 2023, the City entered into a lease agreement with SPI Surf Shuttle. Under the lease, SPI Surf Shuttle pays the City \$270 per month for 5 years in exchange for office space in the Transit building. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.94%. Lease receivable balance at September 30, 2023 is \$12,660.

In the fiscal year 2023, the City recognized \$19,956 of lease revenue and \$1,074 of interest revenue under the lease.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 7: LEASES RECEIVABLE (Continued)

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2023:

For the Years Ending September 30,	Principal	Interest	Total Future Minimum Lease Payments
2024	\$ 20,869	\$ 971	\$ 21,840
2025	21,176	664	21,840
2026	21,489	351	21,840
2027	5,138	102	5,240
2028	806	5	811
Total	\$ 69,478	\$ 2,093	\$ 71,571

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 8: CAPITAL ASSETS

The governmental activities capital asset activity for the year ended September 30, 2023 is as follows:

<i>For the year ended September 30, 2023</i>	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated					
Land	\$ 3,079,263	\$ 4,814	\$ -	\$ -	\$ 3,084,077
Constuction in progress	3,036,230	4,424,944	(1,294,363)	-	6,166,811
Capital assets, not being depreciated	6,115,493	4,429,758	(1,294,363)	-	9,250,888
Capital assets, being depreciated					
Buildings	42,105,470	1,594,368	-	111,375	43,588,463
Improvements	16,959,879	310,307	1,294,363	27,205	18,537,344
Furniture and equipment	10,537,364	998,118	-	210,605	11,324,877
Infrastructure	17,564,831	-	-	-	17,564,831
Capital assets, being depreciated	87,167,544	2,902,793	1,294,363	349,185	91,015,515
Less accumulated depreciation					
Buildings	(26,176,172)	(1,191,549)	-	111,375.00	(27,256,346)
Improvements	(6,316,071)	(982,191)	-	14,963.00	(7,283,299)
Furniture and equipment	(6,841,078)	(974,189)	-	202,614	(7,612,653)
Infrastructure	(10,743,075)	(727,975)	-	-	(11,471,050)
Total accumulated depreciation	(50,076,396)	(3,875,904)	-	328,952	(53,623,348)
Total capital assets being depreciated, net	37,091,148	(973,111)	1,294,363	(20,233)	37,392,167
Capital assets, being amortized					
Right-to-use leased assets					
Furniture and equipment	431,766	20,832	-	-	452,598
Less accumulated amortization	(93,713)	(69,380)	-	-	(163,093)
Total capital assets being amortized, net	338,053	(48,548)	-	-	289,505
Governmental activities capital assets, net	\$ 43,544,694	\$ 3,408,099	\$ -	\$ (20,233)	\$ 46,932,560

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 8: CAPITAL ASSETS (Continued)

Depreciation and amortization expense were allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30, 2023</i>	Depreciation	Amortization
General government	\$ 386,740	\$ 42,014
Community service	124,934	-
Convention and Visitor Bureau	569,458	5,990
Public works	1,719,978	12,993
Public safety	588,992	-
Shoreline	79,534	-
Transportation	406,268	8,383
Total depreciation and amortization expense- governmental activities	\$ 3,875,904	\$ 69,380

Component Unit

The capital asset activity for the Economic Development Corporation for the year ended September 20, 2023 is as follows:

<i>For the year ended September 30, 2023</i>	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated					
Land	\$ 657,236	\$ -	\$ -	\$ -	\$ 657,236
Capital assets, not being depreciated	657,236	-	-	-	657,236
Capital assets, being depreciated					
Buildings	6,599,015	-	-	-	6,599,015
Improvements	375,000	-	-	-	375,000
Furniture and equipment	26,874	11,180	-	13,104	24,950
Capital assets, being depreciated	7,000,889	11,180	-	13,104	6,998,965
Less accumulated depreciation					
Buildings	(1,954,169)	(136,949)	-	-	(2,091,118)
Improvements	(224,214)	(25,485)	-	-	(249,699)
Furniture and equipment	(21,855)	(1,559)	-	13,104	(10,310)
Total accumulated depreciation	(2,200,238)	(163,993)	-	13,104	(2,351,127)
Total capital assets being depreciated, net	4,800,651	(152,813)	-	-	4,647,838
Component unit capital assets, net	\$ 5,457,887	\$ (152,813)	\$ -	\$ -	\$ 5,305,074

City of South Padre Island, Texas Notes to Financial Statements

NOTE 9: 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, governmental funds reported \$97,079 of unavailable revenue related to property taxes receivable, \$404,019 related to EMS receivables, \$68,822 of unavailable lease revenue and \$4,400 of unavailable grants revenues.

In governmental activities, deferred outflows of resources consist of \$46,709 of deferred charges on refundings of long-term debt and \$4,836,571 and \$124,042 of deferred outflows related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to a deferred charge on bond refunding of \$15,242 and deferred inflows related to pension and OPEB are \$277,429 and \$227,935, respectively at September 30, 2023. In the component unit deferred outflows of resources consist of \$81,795 of deferred charges on refundings of long-term debt and \$43,925 and \$1,127 of deferred outflows related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$2,521 and \$2,070 at September 30, 2023 for the component unit.

NOTE 10: 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, 2023, \$60,873 of unearned revenues are reported in the government funds and in the statement of net position for amounts received for in advance. The entire amount is related to funds advanced for a governmental grant, but for which the expenditures and other conditions allowing revenue to be recognized have not yet occurred.

NOTE 11: 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, while tax notes are normally for about 7 years, 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

General obligation bonds and tax anticipation notes currently outstanding are as follows:

	Beginning Balance October 1, 2022		Additions	Reductions	Ending Balance September 30, 2023		Due In One Year
Primary Government							
Series 2012 General Obligation Refunding Bonds	\$ 1,030,000	\$ -	\$ (335,000)	\$ 695,000	\$ 345,000		
Series 2016 Tax Anticipation Notes	600,000	-	(600,000)	-	-		
Series 2017 Venue Hotel Occupancy Tax Revenue Bonds	8,130,000	-	(205,000)	7,925,000	210,000		
Series 2020 General Obligation Refunding Bonds	2,270,000	-	(210,000)	2,060,000	230,000		
Series 2021 Tax Anticipation Notes	4,575,000	-	(320,000)	4,255,000	795,000		
Series 2023 Tax Notes	-	3,790,000	-	3,790,000	210,000		
Total primary government	\$ 16,605,000	\$ 3,790,000	\$(1,670,000)	\$18,725,000	\$1,790,000		

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

For the Years Ending September 30,	Principal	Interest	Total
2024	\$ 1,720,000	\$ 693,457	\$ 2,413,457
2025	1,780,000	624,763	2,404,763
2026	1,590,000	567,663	2,157,663
2027	1,650,000	509,338	2,159,338
2028	1,700,000	453,313	2,153,313
2029-2033	6,075,000	1,378,615	7,453,615
2034-2038	1,925,000	911,339	2,836,339
2039-2043	2,285,000	543,575	2,828,575
2044-2048	-	165,725	165,725
Total	18,725,000	5,847,788	24,572,788
Current portion	1,720,000	693,457	2,413,457
Payable after one year	\$ 17,005,000	\$ 5,154,331	\$ 22,159,331

City of South Padre Island, Texas Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

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

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

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

In July of 2022, the City issued Series 2021 Tax Notes for \$4,620,000 primarily to finance the cost of improvements to streets, sidewalks, and related drainage improvements on Laguna 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 2028. Principal is due annually, and interest payments are due on February 15 and August 15 of each year.

In June 2023, the City issued Series 2023 Tax Notes for \$3,790,000 primarily to finance the cost related to street, sidewalk, median and related drainage improvements and pay costs of issuance of the Notes. 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 2030. Principal is due annually, and interest payments are due on February 15 and August 15 of each year commencing February 15, 2024, until stated maturity.

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, 2022, the defeased portion of the 2005 Series General Obligation bonds has been fully paid.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

In October of 2020, the City issued Series 2020 General Obligation Refunding Bonds in the amount of \$2,270,000 to provide resources to refund the remaining balance of the City's 2011 Series General Obligation bonds and cover costs of issuance. As a result, the Series 2011 bonds are considered to be defeased and the liability has been removed from the accounts of the City. The cost of issuance totaled \$79,192 on the Series 2021 Bonds. Principal is due annually on February 15 starting in February of 2023, and interest payments are due in February and August of each year until maturity in the fiscal year end September 30, 2031.

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 \$298,490, and a gross savings of \$140,000. At September 30, 2023, the defeased portion of the 2011 Series General Obligation bonds had a balance of \$2,210,000.

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

Component Unit

	Beginning Balance		Ending Balance		Due In One Year
	October 1, 2022	Additions	Reductions	September 30, 2023	
2016 Series, Sales Tax Revenue Refunding Bond	\$ 2,150,000	\$ -	\$ (335,000)	\$ 1,815,000	\$ 340,000

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

For the Years Ending September 30,	Principal	Interest	Total
2024	\$ 340,000	\$ 51,550	\$ 391,550
2025	350,000	42,900	392,900
2026	360,000	32,250	392,250
2027	375,000	21,225	396,225
2028	390,000	7,800	397,800
Total	1,815,000	155,725	1,970,725
Current portion	340,000	51,550	391,550
Payable after one year	\$ 1,475,000	\$ 104,175	\$ 1,579,175

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

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.

The following table summarizes the restricted cash and cash equivalents related to long-term debt as of September 30, 2023:

		Governmental Activities
<hr/>		
Cash and cash equivalents - restricted		
Cash restricted for Venue Seasonal Reserve	\$	132,419
Cash restricted for Venue Debt Reserve		530,572
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Total cash and cash equivalents - restricted	\$	662,991
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Cash and cash equivalents of \$416,184 and \$14,282 are restricted for the EDC Debt Service Reserve and EDC Debt Service Fund, respectively. In addition, the EDC Debt Service Fund reported \$24,777 in restricted investments.

Leases – Lessee

The City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 *Leases* and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Lease liabilities at September 30, 2023 are as follows:

Agreements with Xerox Financial Services for copy machines for different departments of the City; monthly payments ranges from \$28 - \$833; lease liability measured using a range of discount rate from 0.49% - 1.20% due in 2026.	\$	106,828
Agreements with Quadient, Inc for mail machine; monthly payments of \$230; lease liability measured using discount rate of 0.93%.		5,008
Agreement with State of Texas for a state highway asset; yearly payment of \$7,500; lease liability measured using a discount rate of 2.04%, due in 2047.		141,278
Agreement with CCH Industrial Capital for a case tractor loader backhoe; monthly payments of \$1,795; lease liability measured using a discount rate 7.1% due in November 2024.		24,534
<hr/>		
Total lease liabilities	\$	277,648
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City of South Padre Island, Texas
Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2023 were as follows:

For the Years Ending September 30,	Principal	Interest	Total
2024	\$ 71,945	\$ 4,673	\$ 76,618
2025	54,800	3,402	58,202
2026	23,712	2,770	26,482
2027	4,964	2,592	7,556
2028	5,008	2,492	7,500
2029-2033	26,614	10,886	37,500
2034-2038	29,442	8,058	37,500
2039-2043	32,570	4,930	37,500
2044-2048	28,593	1,470	30,063
Total	\$ 277,648	\$ 41,273	\$ 318,921

Changes in Long-term Liabilities for Governmental Activities

During the year ended September 30, 2023, the following changes occurred in liabilities reported as non-current liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Bonds payable	\$ 16,605,000	\$ 3,790,000	\$(1,670,000)	\$ 18,725,000	\$1,790,000
Premium on bond issuances	1,086,872	320,019	(141,658)	1,265,233	202,405
Total bonds payable	17,691,872	4,110,019	(1,811,658)	19,990,233	1,992,405
Compensated absences*	1,019,717	970,709	(810,801)	1,179,625	701,168
Lease liabilities	332,254	20,832	(75,438)	277,648	71,945
Net pension liability	(1,411,677)	8,630,846	(1,894,377)	5,324,792	-
Net OPEB liability	626,104	46,524	(260,575)	412,053	-
Primary government long-term liabilities	\$ 18,258,270	\$ 13,778,930	\$(4,852,849)	\$ 27,184,351	\$2,765,518

*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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 11: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities for Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit					
Bonds payable					
Sales Tax Revenue Refunding					
Bond, Series 2016	\$ 2,150,000	\$ -	\$ (335,000)	\$ 1,815,000	\$ 340,000
Premium on bond issuance	112,693	-	(18,782)	93,911	18,782
Total bonds payable	2,262,693	-	(353,782)	1,908,911	358,782
Net pension liability	(12,820)	78,382	(17,204)	48,358	-
Net OPEB liability	5,113	990	(2,361)	3,742	-
Component unit long-term liabilities	\$ 2,254,986	\$ 79,372	\$ (373,347)	\$ 1,961,011	\$ 358,782

NOTE 12: TRANSFERS

Transfers between governmental funds at September 30, 2023 consisted of the following:

Transfers Out Funds	Transfer In Funds			Total
	General Fund	Venue Project Fund	Other Governmental Funds	
General	\$ -	\$ -	\$ 1,200,916	\$ 1,200,916
Hotel Motel Fund	-	-	50,000	50,000
Venue Project Fund	33,485	-	509,738	543,223
Other Governmental Funds	56,937	292,669	1,817,791	2,167,397
Total transfers	\$ 90,422	\$ 292,669	\$ 3,578,445	\$ 3,961,536

Transfers into the General fund of \$90,422 includes \$56,937 from Beach Maintenance fund to reimburse for beach related expenditure and \$33,485 from Venue Project Fund to reimburse for operating expenditures. Transfers into the Venue Project fund of \$292,669. Transfers into other governmental funds from general fund of \$1,200,916 includes \$464,256 for capital projects and operating expenditures on the Park and Recreation fund, \$344,846 for allocation of COVID funds, \$225,000 for building maintenance expenditures on the Capital Replacement fund, and \$166,814 for City's local contribution to the Transit department. Transfers into other governmental funds for \$2,377,529 includes \$1,102,391 of transfers made into Laguna Blvd Reconstruction fund from tax note proceeds received in current year and reimbursement of capital expenditures from local funds, transfers

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 12: TRANSFERS (Continued)

made into Venue Debt Service fund of \$509,738 were made to pay for venue tax debt service, \$695,400 of transfers made into Beach Access Fund from Beach Maintenance fund for improvements, \$50,000 of transfers made into Transit department for operating expenditures and \$20,000 of transfers made into Bay Access fund for operating expenditures.

Transfers between Component Unit funds at September 30, 2023 consisted of the following:

Transfer Out Funds	Transfer In Funds		Total
	EDC Debt Service Fund	BNC Facility Maintenance	
Economic Development Corporation	\$ 394,950	\$ 50,000	\$ 444,950

Transfers among component unit funds were made for debt service payments and for the Birding and Nature Center facility maintenance.

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, 2023, 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.

3. *Construction Commitments*

The City has remaining construction commitment of \$1,047,214 in the Laguna Blvd (Clare project), \$115,190 in the Laguna Blvd (Cornett project), and \$960,256 in the Side Streets Project for a total commitment of \$2,122,660 at September 30, 2023.

City of South Padre Island, Texas Notes to Financial Statements

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 \$212,000,000 (as of September 30, 2023, 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 895 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.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

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.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	93
Inactive employees entitled to but not yet receiving benefits	127
Active employees	<u>168</u>
	388

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 12.25% and 12.50% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$1,299,384, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	45.00%
Core Fixed Income	6.00%	11.00%
Non-Core Fixed Income	20.00%	25.00%
Other Public & Private markets	12.00%	17.00%
Real Estate	12.00%	17.00%
Hedge funds	5.00%	10.00%
Private Equity	10.00%	15.00%
Total	100.00%	

Discount Rate

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

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 15: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability

	Primary Government Increase (Decrease)			Component Unit Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 44,513,183	\$ 45,924,860	\$ (1,411,677)	\$ 404,257	\$ 417,077	\$ (12,820)
Changes for the year						
Service cost	1,726,601	-	1,726,601	15,681	-	15,681
Interest	2,999,462	-	2,999,462	27,241	-	27,241
Difference between expected/actual experience	521,444	-	521,444	4,736	-	4,736
Contributions - employer	-	1,183,419	(1,183,419)	-	10,748	(10,748)
Contributions - employee	-	676,341	(676,341)	-	6,142	(6,142)
Net investment income	-	(3,354,327)	3,354,327	-	(30,463)	30,463
Benefit payments, including refunds of employee contributions	(1,880,032)	(1,880,032)	-	(17,074)	(17,074)	-
Administrative expenses	-	(29,010)	29,010	-	(263)	263
Other additions	-	34,617	(34,617)	-	314	(314)
Net changes	3,367,477	(3,368,992)	6,736,468	30,584	(30,596)	61,179
Balance at December 31, 2022	\$ 47,880,661	\$ 42,555,868	\$ 5,324,792	\$ 434,840	\$ 386,482	\$ 48,358

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%)
Primary government's net pension liability (asset)	\$ 12,785,420	\$ 5,324,792	\$ (709,876)
Component unit's net pension liability (asset)	116,114	48,358	(6,447)
City's net pension liability (asset)	\$ 12,901,534	\$ 5,373,150	\$ (716,323)

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, 2023 the City and the EDC recognized combined pension expense in the amounts of \$1,287,690 and \$11,694, respectively. At September 30, 2023 the City and the EDC reported combined deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit	
	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	\$ 861,895	\$ 277,429	\$ 7,827	\$ 2,521
Changes in actuarial assumptions	33,173	-	301	-
Differences between projected and actual investment earnings, net of current year amortization	2,942,070	-	26,720	-
Contributions subsequent to the measurement date	999,433	-	9,077	-
Total	\$ 4,836,571	\$ 277,429	\$ 43,925	\$ 2,521

The \$999,433 and \$9,077 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, 2024. 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,	Primary Government	Component Unit	Total
2024	\$ 330,071	\$ 2,998	\$ 333,069
2025	944,676	8,579	953,255
2026	958,866	8,708	967,574
2027	1,326,096	12,043	1,338,139
2028	-	-	-
Total	\$ 3,559,709	\$ 32,328	\$ 3,592,037

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).

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>168</u>
	269

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 0.20% and 0.30% in calendar year 2023 and 2022, respectively. The City’s contributions to the SDBF for the year ended September 30, 2023 were \$28,954, and were equal to the required contributions.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2022
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2022.

Actuarial assumptions- continued:

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

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

	Increase (Decrease)	
	Total OPEB Liability	
	Primary Government	Component Unit
Balance at December 31, 2021	\$ 625,536	\$ 5,681
Changes for the year:		
Service cost	34,783	316
Interest	11,741	107
Difference between expected/actual experience	(16,995)	(154)
Changes of assumptions	(233,351)	(2,119)
Benefit payments, including refunds of employee contributions	(9,662)	(88)
Net changes	(213,482)	(1,940)
Balance at December 31, 2022	\$ 412,053	\$ 3,742

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 4.05%, 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 (3.05%) or 1 percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Primary government's total OPEB liability	\$ 500,171	\$ 412,053	\$ 344,741
Component unit's total OPEB liability	4,542	3,742	3,131
City's total OPEB liability	\$ 504,713	\$ 415,795	\$ 347,872

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, 2023 the City and the EDC recognized combined OPEB expense in the amounts of \$28,693 and \$261, respectively. At September 30, 2023 the City and the EDC reported combined deferred outflows of related to OPEB from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 4,349	\$ 25,745	\$ 40	\$ 234
Changes in actuarial assumptions	95,706	202,190	869	1,836
Contributions subsequent to the measurement date	23,987	-	218	-
Total	\$ 124,042	\$ 227,935	\$ 1,127	\$ 2,070

The \$23,987 and \$218 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, 2024. 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
2023	\$ (16,841)	\$ (153)	\$ (16,994)
2024	(20,292)	(184)	(20,476)
2025	(19,585)	(178)	(19,763)
2026	(33,699)	(306)	(34,005)
2027	(37,464)	(340)	(37,804)
Thereafter	-	-	-
Total	\$ (127,881)	\$ (1,161)	\$ (129,042)

City of South Padre Island, Texas
Notes to Financial Statements

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.

Assigned – These funds contain self-imposed constraints of the government to be used for specific purposes but do not meet the criteria to be classified as committed.

Unassigned – The unassigned fund balance has no constraints.

September 30, 2023	General Fund	Hotel Motel Fund	Venue Project Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable					
Prepaid	\$ 59,045	\$ 23,927	\$ 12,966	\$ 83,067	\$ 179,005
Assigned					
Capital projects	-	-	-	1,723,601	1,723,601
Restricted					
Debt service	-	-	-	1,058,877	1,058,877
Capital projects	-	-	-	4,657,804	4,657,804
Hotel/motel tax	-	19,749,897	14,004,931	-	33,754,828
Beach nourishment	-	-	-	5,900,747	5,900,747
Transportation	-	-	-	741,049	741,049
Other federal grants	-	-	-	5,896,753	5,896,753
Beach maintenance	-	-	-	5,664,242	5,664,242
Municipal court	-	-	-	100,500	100,500
Criminal justice	94,821	-	-	-	94,821
Parks and recreation	-	-	-	184,042	184,042
TIRZ	-	-	-	472,428	472,428
Unassigned	11,510,429	-	-	-	11,510,429
Total fund					
balances (deficits)	\$ 11,664,295	\$ 19,773,824	\$ 14,017,897	\$ 26,483,110	\$ 71,939,126

City of South Padre Island, Texas
Notes to Financial Statements

NOTE 18: NET POSITION

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

September 30, 2023	Governmental Activities	Component Unit
Net investment in capital assets		
Capital assets, net of accumulated depreciation	\$ 46,932,560	\$ 5,305,074
Deferred outflows and inflows of resources - deferred charges on refunding	31,467	81,795
Less: related liabilities (bonds, net of premium, and lease liabilities)	(20,267,881)	(1,908,911)
Less: retainage/accounts payable	(1,546,298)	-
Plus: Unspent bond proceeds	4,864,572	-
Net investment in capital assets - total	30,014,420	3,477,958
Restricted net position consists of the following:		
Restricted for debt service	1,058,877	822,719
Restricted for special revenue fund	52,929,374	-
Restricted net position - total	53,988,251	822,719
Unrestricted net position	12,570,508	2,545,286
Total net position	\$ 96,573,179	\$ 6,845,963

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REQUIRED SUPPLEMENTARY INFORMATION



City of South Padre Island, Texas
Budgetary Comparison Schedule - General Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 7,365,980	\$ 7,365,980	\$ 7,129,111	\$ (236,869)
Nonproperty taxes	5,544,925	5,544,925	5,728,100	183,175
Fees and services	967,089	1,147,305	1,228,266	80,961
Fines and forfeitures	300,000	300,000	326,176	26,176
Licenses and permits	303,350	303,350	681,700	378,350
Intergovernmental	157,392	262,977	354,618	91,641
Interest revenue	55,000	55,000	312,411	257,411
Miscellaneous	39,000	43,994	77,898	33,904
Total revenues	14,732,736	15,023,531	15,838,280	814,749
Expenditures				
Current				
General government				
City council	20,000	32,000	14,231	17,769
City administration	689,477	692,477	678,264	14,213
Finance	524,267	537,188	533,942	3,246
Planning	100,352	100,352	93,970	6,382
Human resources	361,190	367,190	318,009	49,181
Information services	820,440	833,457	670,452	163,005
Environmental health services	524,643	539,057	502,819	36,238
General services	1,107,000	1,253,750	1,133,145	120,605
Special projects	65,500	480,500	135,657	344,843
Total general government	4,212,869	4,835,971	4,080,489	755,482
Public safety				
Municipal court	349,328	349,328	300,423	48,905
Police	3,588,314	3,722,936	3,546,556	176,380
Fire	2,990,742	3,123,851	3,039,096	84,755
Emergency management	19,144	19,144	10,364	8,780
Total public safety	6,947,528	7,215,259	6,896,439	318,820
Public works				
Building maintenance	205,374	232,407	197,208	35,199
Inspections	289,688	315,197	305,788	9,409
Fleet management	499,156	571,667	453,155	118,512
Public works	1,509,622	1,733,906	1,406,017	327,889
Total public works	2,503,840	2,853,177	2,362,168	491,009
Capital outlay	-	550,769	434,308	116,461

City of South Padre Island, Texas
Budgetary Comparison Schedule - General Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt service				
Leases	19,085	19,085	62,691	(43,606)
Interest and fees	2,450	2,450	2,284	166
Total debt service	21,535	21,535	64,975	(43,440)
Total expenditures	13,685,772	15,476,711	13,838,379	1,638,332
Excess (Deficiency) of revenues over (under) expenditures	1,046,964	(453,180)	1,999,901	2,453,081
Other Financing Sources (Uses)				
Sale of fixed asset	-	-	21,645	21,645
Leases	-	-	9,038	9,038
Transfers in	213,485	213,485	90,422	(123,063)
Transfers out	(516,656)	(1,215,502)	(1,200,916)	14,586
Total other financing sources (uses)	(303,171)	(1,002,017)	(1,079,811)	(77,794)
Net change in fund balance	743,793	(1,455,197)	920,090	2,375,287
Fund balance, beginning of the year	10,744,205	10,744,205	10,744,205	-
Fund balance, end of year	\$ 11,487,998	\$ 9,289,008	\$ 11,664,295	\$ 2,375,287

City of South Padre Island, Texas
Budgetary Comparison Schedule - Hotel Motel Tax Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Nonproperty taxes	\$ 10,174,515	\$ 10,174,515	\$ 10,261,191	\$ 86,676
Intergovernmental	-	1,500,000	130,889	(1,369,111)
Interest revenue	10,000	10,000	520,209	510,209
Miscellaneous and program revenues	20,000	20,000	26,738	6,738
Total revenues	10,204,515	11,704,515	10,939,027	(765,488)
Expenditures				
Current				
Convention and visitors bureau				
Visitors bureau	153,165	153,165	132,990	20,175
Sales and marketing	2,114,879	2,671,915	1,776,200	895,715
Events marketing	922,900	1,103,116	948,675	154,441
Marketing	4,100,000	4,130,000	3,763,316	366,684
SPI Historical Museum	40,000	40,000	33,740	6,260
Total convention and visitors bureau	7,330,944	8,098,196	6,654,921	1,443,275
Capital outlay	1,875,000	1,875,000	166,793	1,708,207
Debt service				
Leases	-	-	680	(680)
Interest and fees	-	-	73	(73)
Total debt service	-	-	753	(753)
Total expenditures	9,205,944	9,973,196	6,822,467	3,150,729
Excess (Deficiency) of revenues over (under) expenditures	998,571	1,731,319	4,116,560	2,385,241
Other Financing Uses				
Leases	-	-	3,182	3,182
Transfers out	-	-	(50,000)	(50,000)
Total other financing uses	-	-	(46,818)	(46,818)
Net change in fund balance	998,571	1,731,319	4,069,742	2,338,423
Fund balance, beginning of the year	15,704,082	15,704,082	15,704,082	-
Fund balance, end of year	\$ 16,702,653	\$ 17,435,401	\$ 19,773,824	\$ 2,338,423

City of South Padre Island, Texas
Budgetary Comparison Schedule - Venue Project Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Nonproperty taxes	\$ 3,089,269	\$ 3,089,269	\$ 3,072,449	\$ (16,820)
Interest Revenue	-	-	327,537	327,537
Total revenues	3,089,269	3,089,269	3,399,986	310,717
Expenditures				
Current				
General government	58,925	58,925	41,156	17,769
Capital outlay	-	79,726	5,485	74,241
Total expenditures	58,925	138,651	46,641	92,010
Excess (Deficiency) of revenues over (under) expenditures	3,030,344	2,950,618	3,353,345	402,727
Other Financing Uses				
Transfers in	-	292,669	292,669	-
Transfers out	(543,223)	(543,223)	(543,223)	-
Total other financing uses	(543,223)	(250,554)	(250,554)	-
Net change in fund balance	2,487,121	2,700,064	3,102,791	402,727
Fund balance, beginning of the year	10,915,106	10,915,106	10,915,106	-
Fund balance, end of year	\$ 13,402,227	\$ 13,615,170	\$ 14,017,897	\$ 402,727

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

<i>For the year ended September 30,</i>	2023	2022	2021	2020
Total Pension Liability				
Service cost	\$ 1,742,282	\$ 1,643,568	\$ 1,521,237	\$ 1,492,650
Interest	3,026,702	2,785,073	2,652,250	2,487,708
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	526,180	875,139	(641,926)	(210,211)
Changes of assumptions	-	-	-	157,458
Benefit payments, including refunds of employee contributions	(1,897,106)	(1,649,799)	(1,600,165)	(1,408,294)
Net change in total pension liability	3,398,058	3,653,981	1,931,396	2,519,311
Total pension liability – beginning	44,917,440	41,263,459	39,332,063	36,812,752
Total pension liability – ending (a)	48,315,498	44,917,440	41,263,459	39,332,063
Plan Fiduciary Net Position				
Contributions – employer	1,194,166	1,146,306	1,149,332	1,052,685
Contributions – employee	682,483	639,375	620,880	574,728
Net investment income	(3,384,790)	5,334,984	2,875,853	5,047,207
Benefit payments, including refunds of employee contributions	(1,897,106)	(1,649,799)	(1,600,165)	(1,408,294)
Administrative expense	(29,273)	(24,668)	(18,600)	(28,506)
Other	34,931	170	(726)	(856)
Net change in plan fiduciary net position	(3,399,589)	5,446,368	3,026,574	5,236,964
Plan fiduciary net position – beginning	46,341,937	40,895,574	37,869,000	32,632,036
Plan fiduciary net position – ending (b)	42,942,348	46,341,942	40,895,574	37,869,000
Net pension liability (asset) – ending (a) – (b)	\$ 5,373,150	\$ (1,424,502)	\$ 367,885	\$ 1,463,063
Plan fiduciary net position as a percentage of total pension liability	88.88%	103.17%	99.11%	96.28%
Covered payroll	\$ 9,749,758	\$ 9,120,802	\$ 8,570,348	\$ 8,210,394
Net pension liability as a percentage of covered payroll	55.11%	-15.62%	4.29%	17.82%

Note: 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 Net Pension Liability (Asset) and Related Ratios
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System

2019	2018	2017	2016
\$ 1,581,818	\$ 1,501,734	\$ 1,362,970	\$ 1,328,713
2,318,640	2,150,831	1,991,081	1,904,228
-	-	-	-
(37,697)	(4,413)	20,476	(254,650)
-	-	-	136,482
<u>(1,218,630)</u>	<u>(1,185,643)</u>	<u>(968,845)</u>	<u>(706,482)</u>
2,644,131	2,462,509	2,405,682	2,408,291
<u>34,168,621</u>	<u>31,706,112</u>	<u>29,300,430</u>	<u>26,892,139</u>
36,812,752	34,168,621	31,706,112	29,300,430
1,123,142	1,035,135	950,341	941,947
610,404	580,140	533,900	521,648
(992,608)	3,983,187	1,788,988	37,906
(1,218,630)	(1,185,643)	(968,845)	(706,482)
(19,180)	(20,642)	(20,192)	(23,085)
<u>(1,002)</u>	<u>(1,046)</u>	<u>(1,088)</u>	<u>(1,140)</u>
(497,874)	4,391,131	2,283,104	770,794
<u>33,129,910</u>	<u>28,738,779</u>	<u>26,455,675</u>	<u>25,684,881</u>
<u>32,632,036</u>	<u>33,129,910</u>	<u>28,738,779</u>	<u>26,455,675</u>
<u>\$ 4,180,716</u>	<u>\$ 1,038,711</u>	<u>\$ 2,967,333</u>	<u>\$ 2,844,755</u>
88.64%	96.96%	90.64%	90.29%
<u>\$ 8,720,053</u>	<u>\$ 8,287,714</u>	<u>\$ 7,627,140</u>	<u>\$ 7,452,122</u>
47.94%	12.53%	38.90%	38.17%

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

<i>For the year ended September 30,</i>	2023	2022	2021
Actuarially determined contribution	\$ 1,299,385	\$ 1,209,849	\$ 1,098,815
Contributions in relation to actuarially determined contribution	(1,299,385)	(1,209,849)	(1,098,815)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 10,442,572	\$ 9,816,586	\$ 8,694,174
Contributions as a percentage of covered payroll	12.44%	12.32%	12.63%

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

2019	2018	2017	2016
\$ 1,093,602	\$ 1,097,022	\$ 1,009,664	\$ 952,539
(1,093,602)	(1,097,022)	(1,009,664)	(952,539)
\$ -	\$ -	\$ -	\$ -
\$ 8,523,629	\$ 8,587,911	\$ 7,980,143	\$ 7,614,798
12.83%	12.77%	12.65%	12.51%

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>	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 35,099	\$ 41,044	\$ 26,568	\$ 16,421	\$ 21,800	\$ 17,404
Interest	11,848	11,556	12,504	13,773	12,051	11,515
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(17,149)	3,485	(143)	(27,878)	6,790	-
Change of assumptions	(235,470)	21,953	82,758	79,011	(28,237)	30,878
Benefit payments, including refunds of employee contributions	(9,750)	(8,209)	(3,428)	(2,463)	(2,616)	(2,486)
Net change in total OPEB liability	(215,422)	69,829	118,259	78,864	9,788	57,311
Total OPEB liability - beginning	631,217	561,388	443,129	364,265	354,477	297,166
Total OPEB liability - ending	\$ 415,795	\$ 631,217	\$ 561,388	\$ 443,129	\$ 364,265	\$ 354,477
Covered-employee payroll	\$ 9,760,446	\$ 9,120,802	\$ 8,570,348	\$ 8,210,394	\$ 8,720,053	\$ 8,287,714
Total OPEB Liability as a percentage of covered payroll	4.26%	6.92%	6.55%	5.40%	4.18%	4.28%

Notes to Schedule:

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

**City of South Padre Island, Texas
Notes to Schedule of Contributions
For Agent Multiple Employer Pension Plan
Texas Municipal Retirement System
For the Year Ended September 30, 2023**

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	23 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table of rates that are specific to the City’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

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

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City of South Padre Island, Texas
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

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

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

Special revenue fund: **Coronavirus Relief Fund** is used to account for COVID grant funds received.

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: **Bay Access Fund** was established to account for project to improve access to the Laguna Madre bay.

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

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

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

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

Capital project fund: **Beach Access Fund** is used to account for projects to improve access to the beaches of the City.

Capital project fund: **Side Street Project Fund** is used to account for projects to improve streets of the City.

Capital project fund: **Laguna Blvd Reconstruction Fund** is used to account for the reconstruction of the Laguna Boulevard (Blvd).

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
Combining Balance Sheets – Nonmajor Governmental Funds

	Special Revenue Funds			
	Convention Center Fund	Municipal Court Technology Fund	Municipal Court Security Grant Fund	Transportation Grant Fund
<i>September 30, 2023</i>				
Assets				
Cash and cash equivalents	\$ 3,111,873	\$ 17,067	\$ 83,433	\$ 335,372
Cash and cash equivalents - restricted	-	-	-	-
Investments	2,533,097	-	-	-
Receivables, net				
Taxes	-	-	-	-
Accounts	157,819	-	-	-
Due from other governments	-	-	-	409,421
Leases receivables	-	-	-	69,478
Prepaid items	32,222	-	-	46,417
Total assets	\$ 5,835,011	\$ 17,067	\$ 83,433	\$ 860,688
Liabilities, Deferred Inflows of Resources and Fund balances				
Liabilities				
Accounts payable	\$ 56,619	\$ -	\$ -	\$ -
Unearned revenues	60,873	-	-	-
Total liabilities	117,492	-	-	-
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other	-	-	-	73,222
Total deferred inflows of resources	-	-	-	73,222
Fund balances				
Nonspendable	32,222	-	-	46,417
Restricted	5,685,297	17,067	83,433	741,049
Assigned	-	-	-	-
Total fund balances	5,717,519	17,067	83,433	787,466
Total liabilities, deferred inflows of resources and fund balances	\$ 5,835,011	\$ 17,067	\$ 83,433	\$ 860,688

City of South Padre Island, Texas
Combining Balance Sheets – Nonmajor Governmental Funds

Special Revenue Funds

Coronavirus Relief Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund	Total Nonmajor Special Revenue Funds
\$ 211,458	\$ 190,607	\$ 362,679	\$ 2,541,883	\$ 3,307,161	\$ 10,161,533
-	-	-	-	-	-
-	-	-	2,509,460	2,537,938	7,580,495
-	-	-	-	-	-
-	-	109,749	-	55,647	323,215
-	-	-	612,899	-	1,022,320
-	-	-	-	-	69,478
-	-	-	4,428	-	83,067
<u>\$ 211,458</u>	<u>\$ 190,607</u>	<u>\$ 472,428</u>	<u>\$ 5,668,670</u>	<u>\$ 5,900,746</u>	<u>\$ 19,240,108</u>
\$ -	\$ 6,566	\$ -	\$ -	\$ -	\$ 63,185
-	-	-	-	-	60,873
-	6,566	-	-	-	124,058
-	-	-	-	-	-
-	-	-	-	-	73,222
-	-	-	-	-	73,222
-	-	-	4,428	-	83,067
211,458	184,041	472,428	5,664,242	5,900,746	18,959,761
-	-	-	-	-	-
<u>211,458</u>	<u>184,041</u>	<u>472,428</u>	<u>5,668,670</u>	<u>5,900,746</u>	<u>19,042,828</u>
<u>\$ 211,458</u>	<u>\$ 190,607</u>	<u>\$ 472,428</u>	<u>\$ 5,668,670</u>	<u>\$ 5,900,746</u>	<u>\$ 19,240,108</u>

City of South Padre Island, Texas
Combining Balance Sheets – Nonmajor Governmental Funds (Continued)

	Capital Projects Funds			
<i>September 30, 2023</i>	Padre Blvd Improvement Fund	Capital Replacement Fund	Venue Tax Construction Fund	Beach Access Fund
Assets				
Cash and cash equivalents	\$ -	\$ 553,511	\$ -	\$ 1,013,090
Cash and cash equivalents - restricted	-	-	-	-
Investments	-	-	-	-
Receivables, net				
Taxes	-	-	-	-
Accounts	-	1,000	-	77,417
Due from other governments	-	-	-	-
Leases receivables	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ -	\$ 554,511	\$ -	\$ 1,090,507
Liabilities, Deferred Inflows of Resources and Fund balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	554,511	-	1,090,507
Total fund balances	-	554,511	-	1,090,507
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 554,511	\$ -	\$ 1,090,507

City of South Padre Island, Texas
Combining Balance Sheets – Nonmajor Governmental Funds (Continued)

	Debt Service Funds		
<i>September 30, 2023</i>	Debt Service Fund	Venue Debt Service Fund	Venue Seasonal Reserve
Assets			
Cash and cash equivalents	\$ 387,662	\$ 501	\$ -
Cash and cash equivalents - restricted	-	-	132,419
Investments	-	-	-
Receivables, net			
Taxes	24,734	-	-
Accounts	668	-	-
Due from other governments	-	-	-
Leases receivables	-	-	-
Prepaid items	-	-	-
Total assets	\$ 413,064	\$ 501	\$ 132,419
Liabilities, Deferred Inflows of Resources and Fund balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources			
Unavailable revenue - property taxes	17,679	-	-
Unavailable revenue - other	-	-	-
Total deferred inflows of resources	17,679	-	-
Fund balances			
Nonspendable	-	-	-
Restricted	395,385	501	132,419
Assigned	-	-	-
Total fund balances	395,385	501	132,419
Total liabilities, deferred inflows of resources and fund balances	\$ 413,064	\$ 501	\$ 132,419

City of South Padre Island, Texas
Combining Balance Sheets – Nonmajor Governmental Funds (Continued)

Debt Service Funds

	Venue Debt Service Reserve		Total Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
\$	-	\$	388,163	\$	14,022,971
	530,572		662,991		662,991
	-		-		10,615,030
	-		24,734		24,734
	-		668		418,126
	-		-		1,024,266
	-		-		69,478
	-		-		83,067
\$	530,572	\$	1,076,556	\$	26,920,663
\$	-	\$	-	\$	285,779
	-		-		60,873
	-		-		346,652
	-		17,679		17,679
	-		-		73,222
	-		17,679		90,901
	-		-		83,067
	530,572		1,058,877		24,676,442
	-		-		1,723,601
\$	530,572	\$	1,058,877	\$	26,483,110
\$	530,572	\$	1,076,556	\$	26,920,663

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds

	Special Revenue Funds			
	Convention Center Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Transportation Grant Fund
<i>For the year ended September 30, 2023</i>				
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	2,201,154	-	-	-
Fees and services	419,615	-	-	-
Fines and forfeitures	-	7,211	8,398	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	1,912,776
Interest revenue	126,301	-	-	-
Miscellaneous	424,475	-	-	147,844
Total revenues	3,171,545	7,211	8,398	2,060,620
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	1,651	1,766	-
Shoreline	-	-	-	-
Transportation	-	-	-	1,844,665
Community service	-	-	-	-
Convention and visitors bureau	1,591,697	-	-	-
Capital outlay	1,430,758	-	-	219,294
Debt service				
Principal				
General obligation bonds	-	-	-	-
Tax anticipation notes	-	-	-	-
Venue tax revenue bonds	-	-	-	-
Leases	5,294	-	-	5,848
Interest	11	-	-	3,174
Administrative charges	-	-	-	-
Total expenditures	3,027,760	1,651	1,766	2,072,981
Excess (deficiency) of revenues over (under) expenditures	143,785	5,560	6,632	(12,361)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Lease proceeds	-	-	-	5,167
Proceeds from issuance of debt	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	-	-	-	216,814
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	221,981
Net change in fund balances	143,785	5,560	6,632	209,620
Fund balance, beginning of year	5,573,734	11,507	76,801	577,846
Fund balance, end of year	\$ 5,717,519	\$ 17,067	\$ 83,433	\$ 787,466

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds

Special Revenue Funds					Total
Coronavirus Relief Fund	Parks and Recreation Fund	TIRZ Fund	Beach Maintenance Fund	Beach Nourishment Fund	Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 217,786	\$ -	\$ -	\$ 217,786
-	-	-	3,389,196	778,896	6,369,246
-	6,400	-	-	-	426,015
-	-	-	-	-	15,609
-	-	-	1,585	-	1,585
-	-	-	22,475	-	1,935,251
-	-	-	93,061	167,672	387,034
-	10,000	-	6,256	-	588,575
-	16,400	217,786	3,512,573	946,568	9,941,101
6,482	-	32,272	96,868	-	135,622
-	-	-	477,843	-	481,260
-	-	-	1,345,681	68,972	1,414,653
-	-	-	-	-	1,844,665
-	128,242	-	-	-	128,242
-	-	-	-	-	1,591,697
133,941	315,206	-	339,735	-	2,438,934
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	924	-	12,066
-	-	-	91	-	3,276
-	-	-	-	-	-
140,423	443,448	32,272	2,261,142	68,972	8,050,415
(140,423)	(427,048)	185,514	1,251,431	877,596	1,890,686
-	-	-	25,068	-	25,068
-	-	-	3,445	-	8,612
-	-	-	-	-	-
-	-	-	-	-	-
344,846	464,256	-	-	-	1,025,916
-	-	-	(772,337)	-	(772,337)
344,846	464,256	-	(743,824)	-	287,259
204,423	37,208	185,514	507,607	877,596	2,177,945
7,035	146,833	286,914	5,161,063	5,023,150	16,864,883
\$ 211,458	\$ 184,041	\$ 472,428	\$ 5,668,670	\$ 5,900,746	\$ 19,042,828

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds (Continued)

	Capital Projects Funds		
	Padre Blvd Improvement Fund	Capital Replacement Fund	Venue Tax Construction Fund
<i>For the year ended September 30, 2023</i>			
Revenues			
Property taxes	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-
Fees and services	-	-	-
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Interest revenue	-	-	9,067
Miscellaneous	-	-	-
Total revenues	-	-	9,067
Expenditures			
Current			
General government	-	19,379	-
Public safety	-	-	-
Shoreline	-	-	-
Transportation	-	-	-
Community service	-	-	-
Convention and visitors bureau	-	-	-
Capital outlay	-	113,082	28,779
Debt service			
Principal			
General obligation bonds	-	-	-
Tax anticipation notes	-	-	-
Venue tax revenue bonds	-	-	-
Leases	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total expenditures	-	132,461	28,779
Excess (deficiency) of revenues over (under) expenditures	-	(132,461)	(19,712)
Other Financing Sources (Uses)			
Sale of capital assets	-	-	-
Lease proceeds	-	-	-
Proceeds from issuance of debt	-	-	-
Premium on issuance of bonds	-	-	-
Transfers in	-	225,000	-
Transfers (out)	(350,348)	-	(292,669)
Total other financing sources (uses)	(350,348)	225,000	(292,669)
Net change in fund balances	(350,348)	92,539	(312,381)
Fund balance, beginning of year	350,348	461,972	312,381
Fund balance, end of year	\$ -	\$ 554,511	\$ -

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds (Continued)

Capital Projects Funds				
Beach Access Fund	Bay Access Fund	Laguna Blvd. Reconstruction Fund	Side Street Project Fund	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
251,478	1,233,591	-	-	1,485,069
-	-	89,955	34,535	133,557
750	-	-	-	750
252,228	1,233,591	89,955	34,535	1,619,376
-	-	-	-	19,379.00
-	-	-	-	-
-	-	-	94,193	94,193
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,138,367	55,520	2,740,408	231,707	4,307,863
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,138,367	55,520	2,740,408	325,900	4,421,435
(886,139)	1,178,071	(2,650,453)	(291,365)	(2,802,059)
-	-	-	-	-
-	-	-	-	-
-	-	-	3,790,000	3,790,000
-	-	-	320,019	320,019
695,400	20,000	1,102,391	-	2,042,791
-	-	-	(752,043)	(1,395,060)
695,400	20,000	1,102,391	3,357,976	4,757,750
(190,739)	1,198,071	(1,548,062)	3,066,611	1,955,691
1,281,246	(1,119,488)	3,139,255	-	4,425,714
\$ 1,090,507	\$ 78,583	\$ 1,591,193	\$ 3,066,611	\$ 6,381,405

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds (Continued)

<i>For the year ended September 30, 2023</i>	Debt Service Funds		
	Debt Service Fund	Venue Debt Service Fund	Venue Seasonal Reserve
Revenues			
Property taxes	\$ 1,730,125	\$ -	\$ -
Nonproperty taxes	-	-	-
Fees and services	-	-	-
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Interest revenue	-	-	-
Miscellaneous	-	-	-
Total revenues	1,730,125	-	-
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Shoreline	-	-	-
Transportation	-	-	-
Community service	-	-	-
Convention and visitors bureau	-	-	-
Capital outlay	-	-	-
Debt service			
Principal			
General obligation bonds	545,000	-	-
Tax anticipation notes	920,000	-	-
Venue tax revenue bonds	-	205,000	-
Leases	-	-	-
Interest	233,825	303,738	-
Administrative charges	2,000	750	-
Total expenditures	1,700,825	509,488	-
Excess (deficiency) of revenues over (under) expenditures	29,300	(509,488)	-
Other Financing Sources (Uses)			
Sale of capital assets	-	-	-
Lease proceeds	-	-	-
Proceeds from issuance of debt	-	-	-
Premium on issuance of bonds	-	-	-
Transfers in	-	509,738	-
Transfers (out)	-	-	-
Total other financing sources (uses)	-	509,738	-
Net change in fund balances	29,300	250	-
Fund balance, beginning of year	366,085	251	132,419
Fund balance, end of year	\$ 395,385	\$ 501	\$ 132,419

City of South Padre Island, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds (Continued)

<u>Debt Service Funds</u>					
	Venue Debt Service Reserve		Total Debt Service Funds		Total Non Major Governmental Funds
\$	-	\$	1,730,125	\$	1,947,911
	-		-		6,369,246
	-		-		426,015
	-		-		15,609
	-		-		1,585
	-		-		3,420,320
	-		-		520,591
	-		-		589,325
	-		1,730,125		13,290,602
	-		-		155,001
	-		-		481,260
	-		-		1,508,846
	-		-		1,844,665
	-		-		128,242
	-		-		1,591,697
	-		-		6,746,797
	-		545,000		545,000
	-		920,000		920,000
	-		205,000		205,000
	-		-		12,066
	-		537,563		540,839
	-		2,750		2,750
	-		2,210,313		14,682,163
	-		(480,188)		(1,391,561)
	-		-		25,068
	-		-		8,612
	-		-		3,790,000
	-		-		320,019
	-		509,738		3,578,445
	-		-		(2,167,397)
	-		509,738		5,554,747
	-		29,550		4,163,186
	530,572		1,029,327		22,319,924
\$	530,572	\$	1,058,877	\$	26,483,110

City of South Padre Island, Texas
Budgetary Comparison Schedule – Convention Center Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Nonproperty taxes	\$2,182,561	\$2,182,561	\$2,201,154	\$ 18,593
Fees and services	215,000	215,000	419,615	204,615
Interest revenue	6,000	6,000	126,301	120,301
Miscellaneous	-	-	424,475	424,475
Total revenues	2,403,561	2,403,561	3,171,545	767,984
Expenditures				
Current				
Convention and visitors bureau	1,585,617	1,589,906	1,591,697	(1,791)
Capital outlay	-	2,574,950	1,430,758	1,144,192
Debt service				
Leases principal	-	-	5,294	(5,294)
Leases interest	-	-	11	(11)
Total expenditures	1,585,617	4,164,856	3,027,760	1,137,096
Net change in fund balance	817,944	(1,761,295)	143,785	1,905,080
Fund balance, beginning of the year	5,573,734	5,573,734	5,573,734	-
Fund balance, end of year	\$6,391,678	\$3,812,439	\$5,717,519	\$1,905,080

City of South Padre Island, Texas
Budgetary Comparison Schedule – Municipal Court Technology Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 3,500	\$ 3,500	\$ 7,211	\$ 3,711
Total revenues	3,500	3,500	7,211	3,711
Expenditures				
Current				
Public safety	5,911	5,911	1,651	4,260
Total expenditures	5,911	5,911	1,651	4,260
Net change in fund balance	(2,411)	(2,411)	5,560	7,971
Fund balance, beginning of the year	11,507	11,507	11,507	-
Fund balance, end of year	\$ 9,096	\$ 9,096	\$ 17,067	\$ 7,971

City of South Padre Island, Texas
Budgetary Comparison Schedule – Municipal Court Security Grant Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 8,398	\$ 3,398
Total revenues	5,000	5,000	8,398	3,398
Expenditures				
Current				
Public safety	6,080	6,080	1,766	4,314
Total expenditures	6,080	6,080	1,766	4,314
Net change in fund balance	(1,080)	(1,080)	6,632	7,712
Fund balance, beginning of the year	76,801	76,801	76,801	-
Fund balance, end of year	\$ 75,721	\$ 75,721	\$ 83,433	\$ 7,712

City of South Padre Island, Texas
Budgetary Comparison Schedule – Transportation Grant Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,806,675	\$ 2,316,746	\$ 1,912,776	\$ (403,970)
Miscellaneous	116,239	116,239	147,844	31,605
Total revenues	1,922,914	2,432,985	2,060,620	(372,365)
Expenditures				
Current				
Transportation	2,088,738	2,428,401	1,844,665	583,736
Capital outlay	75,000	270,408	219,294	51,114
Debt service				
Leases principal	-	-	5,848	(5,848)
Leases interest	-	-	3,174	(3,174)
Total expenditures	2,163,738	2,698,809	2,072,981	625,828
Excess (deficiency) of revenues over (under) expenditures	(240,824)	(265,824)	(12,361)	253,463
Other Financing Sources				
Lease proceeds	5,167	5,167	5,167	-
Transfers in	231,400	231,400	216,814	(14,586)
Total other financing sources	236,567	236,567	221,981	(14,586)
Net change in fund balance	(4,257)	(29,257)	209,620	238,877
Fund balance, beginning of the year	577,846	577,846	577,846	-
Fund balance, end of year	\$ 573,589	\$ 548,589	\$ 787,466	\$ 238,877

City of South Padre Island, Texas
Budgetary Comparison Schedule – Coronavirus Relief Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current				
General government	-	29,420	6,482	22,938
Capital outlay	-	322,461	133,941	188,520
Total expenditures	-	351,881	140,423	211,458
Excess of revenues over expenditures	-	(351,881)	(140,423)	211,458
Other Financing Uses				
Transfers in	-	344,846	344,846	-
Total other financing uses	-	344,846	344,846	-
Net change in fund balance	-	(7,035)	204,423	211,458
Fund balance, beginning of the year	7,035	7,035	7,035	-
Fund balance, end of year	\$ 7,035	\$ -	\$ 211,458	\$ 211,458

City of South Padre Island, Texas
Budgetary Comparison Schedule – Parks and Recreation Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fees and services	\$ 3,500	\$ 3,500	\$ 6,400	\$ 2,900
Intergovernmental	-	125,000	-	(125,000)
Miscellaneous	-	-	10,000	10,000
Total revenues	3,500	128,500	16,400	(112,100)
Expenditures				
Current				
Community service	121,504	144,436	128,242	16,194
Capital outlay	-	494,164	315,206	178,958
Total expenditures	121,504	638,600	443,448	195,152
Excess (deficiency) of revenues over (under) expenditures	(118,004)	(510,100)	(427,048)	83,052
Other Financing Sources				
Transfers in	110,256	464,256	464,256	-
Total other financing sources	110,256	464,256	464,256	-
Net change in fund balance	(7,748)	(45,844)	37,208	83,052
Fund balance, beginning of the year	146,833	146,833	146,833	-
Fund balance, end of year	\$ 139,085	\$ 100,989	\$ 184,041	\$ 83,052

City of South Padre Island, Texas
Budgetary Comparison Schedule – TIRZ Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 204,490	\$ 204,490	\$ 217,786	\$ 13,296
Total revenues	204,490	204,490	217,786	13,296
Expenditures				
Current				
General government	-	33,376	32,272	1,104
Total expenditures	-	33,376	32,272	1,104
Net change in fund balance	204,490	171,114	185,514	14,400
Fund balance, beginning of the year	286,914	286,914	286,914	-
Fund balance, end of year	\$ 491,404	\$ 458,028	\$ 472,428	\$ 14,400

City of South Padre Island, Texas
Budgetary Comparison Schedule – Beach Maintenance Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Nonproperty taxes	\$3,089,269	\$3,089,269	\$3,389,196	\$ 299,927
Licenses and permits	3,500	3,500	1,585	(1,915)
Intergovernmental	-	-	22,475	22,475
Interest revenue	-	-	93,061	93,061
Miscellaneous	-	-	6,256	6,256
Total revenues	3,092,769	3,092,769	3,512,573	419,804
Expenditures				
Current				
General government	100,949	104,449	96,868	7,581
Public safety	493,715	528,595	477,843	50,752
Shoreline	1,325,695	1,462,959	1,345,681	117,278
Capital outlay	14,000	485,252	339,735	145,517
Debt service				
Leases principal	-	-	924	(924)
Leases interest	-	-	91	(91)
Total expenditures	1,934,359	2,581,255	2,261,142	320,113
Excess (deficiency) of revenues over (under) expenditures	1,158,410	511,514	1,251,431	739,917
Other Financing Sources (Uses)				
Sale of capital assets	-	-	25,068	25,068
Lease proceeds	-	-	3,445	3,445
Transfers out	(330,000)	(895,400)	(772,337)	123,063
Total other financing sources (uses)	(330,000)	(895,400)	(743,824)	151,576
Net change in fund balance	828,410	(383,886)	507,607	891,493
Fund balance, beginning of the year	5,161,063	5,161,063	5,161,063	-
Fund balance, end of year	\$5,989,473	\$4,777,177	\$5,668,670	\$ 891,493

City of South Padre Island, Texas
Budgetary Comparison Schedule – Beach Nourishment Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Nonproperty taxes	\$ 772,316	\$ 772,316	\$ 778,896	\$ 6,580
Interest revenue	-	-	167,672	167,672
Total revenues	772,316	772,316	946,568	174,252
Expenditures				
Current				
Shoreline	-	69,000	68,972	28
Total expenditures	-	69,000	68,972	28
Net change in fund balance	772,316	703,316	877,596	174,280
Fund balance, beginning of the year	5,023,150	5,023,150	5,023,150	-
Fund balance, end of year	\$5,795,466	\$5,726,466	\$5,900,746	\$ 174,280

City of South Padre Island, Texas
Budgetary Comparison Schedule – Padre Blvd Improvement Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers out	-	-	(350,348)	(350,348)
Total other financing sources (uses)	-	-	(350,348)	(350,348)
Net change in fund balance	-	-	(350,348)	(350,348)
Fund balance, beginning of the year	350,348	350,348	350,348	-
Fund balance, end of year	\$ 350,348	\$ 350,348	\$ -	\$ (350,348)

City of South Padre Island, Texas
Budgetary Comparison Schedule – Capital Replacement Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current				
General government	\$ 41,827	\$ 67,852	\$ 19,379	\$ 48,473
Capital outlay	53,643	178,834	113,082	65,752
Total expenditures	95,470	246,686	132,461	114,225
Deficiency of revenues under expenditures	(95,470)	(246,686)	(132,461)	114,225
Other Financing Sources				
Transfers in	225,000	225,000	225,000	-
Total other financing sources	225,000	225,000	225,000	-
Net change in fund balance	129,530	(21,686)	92,539	114,225
Fund balance, beginning of the year	461,972	461,972	461,972	-
Fund balance, end of year	\$ 591,502	\$ 440,286	\$ 554,511	\$ 114,225

City of South Padre Island, Texas
Budgetary Comparison Schedule – Venue Tax Construction Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Interest revenue	\$ -	\$ -	\$ 9,067	\$ 9,067
Total revenues	-	-	9,067	9,067
Expenditures				
Capital outlay	-	349,327	28,779	320,548
Total expenditures	-	349,327	28,779	320,548
Deficiency of revenues under expenditures	-	(349,327)	(19,712)	329,615
Other Financing Sources (Uses)				
Transfers out	-	(292,669)	(292,669)	-
Total other financing sources (uses)	-	(292,669)	(292,669)	-
Net change in fund balance	-	(641,996)	(312,381)	329,615
Fund balance, beginning of the year	312,381	312,381	312,381	-
Fund balance, end of year	\$ 312,381	\$ (329,615)	\$ -	\$ 329,615

City of South Padre Island, Texas
Budgetary Comparison Schedule – Beach Access Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 120,000	\$ 217,250	\$ 251,478	\$ 34,228
Miscellaneous and program revenues	-	-	750.00	750
Total revenues	120,000	217,250	252,228	750
Expenditures				
Capital outlay	250,000	2,206,916	1,138,367	1,068,549
Total expenditures	250,000	2,206,916	1,138,367	1,068,549
Deficiency of revenues under expenditures	(130,000)	(1,989,666)	(886,139)	1,069,299
Other Financing Sources				
Transfers in	130,000	695,400	695,400	-
Total other financing sources	130,000	695,400	695,400	-
Net change in fund balance	-	(1,294,266)	(190,739)	1,069,299
Fund balance, beginning of the year	1,281,246	1,281,246	1,281,246	-
Fund balance, end of year	\$ 1,281,246	\$ (13,020)	\$ 1,090,507	\$ 1,103,527

City of South Padre Island, Texas
Budgetary Comparison Schedule – Bay Access Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,233,591	\$ 1,233,591
Total revenues	-	-	1,233,591	-
Expenditures				
Current				
Capital outlay	15,000	122,410	55,520	66,890
Total expenditures	15,000	122,410	55,520	66,890
Deficiency of revenues under expenditures	(15,000)	(122,410)	1,178,071	66,890
Other Financing Sources				
Transfers in	20,000	20,000	20,000	-
Total other financing sources	20,000	20,000	20,000	-
Net change in fund balance	5,000	(102,410)	1,198,071	66,890
Fund balance, beginning of the year	(1,119,488)	(1,119,488)	(1,119,488)	-
Fund balance, end of year	\$ (1,114,488)	\$ (1,221,898)	\$ 78,583	\$ 1,300,481

City of South Padre Island, Texas
Budgetary Comparison Schedule – Laguna Blvd Reconstruction Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Interest revenue	\$ -	\$ -	\$ 89,955	\$ 89,955
Total revenues	-	-	89,955	89,955
Expenditures				
Capital outlay	-	4,222,676	2,740,408	1,482,268
Total expenditures	-	4,222,676	2,740,408	1,482,268
Deficiency of revenues under expenditures	-	(4,222,676)	(2,650,453)	1,572,223
Other Financing Sources				
Transfers in	-	1,102,391	1,102,391	-
Total other financing sources	-	1,102,391	1,102,391	-
Net change in fund balance	-	(3,120,285)	(1,548,062)	1,572,223
Fund balance, beginning of the year	3,139,255	3,139,255	3,139,255	-
Fund balance, end of year	\$ 3,139,255	\$ 18,970	\$ 1,591,193	\$ 1,572,223

City of South Padre Island, Texas
Budgetary Comparison Schedule – Side Street Project Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Interest revenue	\$ -	\$ -	\$ 34,535	\$ 34,535
Total revenues	-	-	34,535	34,535
Expenditures				
Current				
Shoreline	-	-	94,193	(94,193)
Capital outlay	-	1,180,377	231,707	948,670
Total expenditures	-	1,180,377	325,900	854,477
Deficiency of revenues under expenditures	-	(1,180,377)	(291,365)	889,012
Other Financing Sources (Use)				
Proceeds from issuance of debt	-	-	3,790,000	3,790,000.00
Premium on issuance of bonds	-	-	320,019	320,019.00
Transfers out	-	(752,043)	(752,043)	-
Total other financing sources (Use)	-	(752,043)	3,357,976	4,110,019
Net change in fund balance	-	(1,932,420)	3,066,611	4,999,031
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of year	\$ -	\$ (1,932,420)	\$ 3,066,611	\$ 4,999,031

City of South Padre Island, Texas
Budgetary Comparison Schedule – Debt Service Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,698,826	\$ 1,698,826	\$ 1,730,125	\$ 31,299
Total revenues	1,698,826	1,698,826	1,730,125	31,299
Expenditures				
Debt service				
Principal - bonds				
General obligation bonds	545,000	545,000	545,000	-
Tax anticipation notes	920,000	920,000	920,000	-
Interest	233,825	233,825	233,825	-
Administrative charges	3,500	3,500	2,000	1,500
Total expenditures	1,702,325	1,702,325	1,700,825	1,500
Net change in fund balance	(3,499)	(3,499)	29,300	32,799
Fund balance, beginning of the year	366,085	366,085	366,085	-
Fund balance, end of year	\$ 362,586	\$ 362,586	\$ 395,385	\$ 32,799

City of South Padre Island, Texas
Budgetary Comparison Schedule – Venue Debt Service Fund

<i>For the year ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Debt service				
Principal - bonds				
Venue tax revenue bonds	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest	303,738	303,738	303,738	-
Administrative charges	1,000	1,000	750	250
Total expenditures	509,738	509,738	509,488	250
Other Financing Sources				
Transfers in	509,738	509,738	509,738	-
Total other financing sources	509,738	509,738	509,738	-
Net change in fund balance	-	-	250	250
Fund balance, beginning of the year	251	251	251	-
Fund balance, end of year	\$ 251	\$ 251	\$ 501	\$ 250

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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

<i>September 30, 2023</i>	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	\$ 1,783,045	\$ -	\$ -	\$ 258,120	\$ 2,041,165
Cash and cash equivalents - restricted	-	416,184	14,282	-	430,466
Investments - restricted	406,678	-	24,777	-	431,455
Receivables	138,689	-	-	-	138,689
Prepaid items	-	-	367,476	-	367,476
Total assets	\$ 2,328,412	\$ 416,184	\$ 406,535	\$ 258,120	\$ 3,409,251
Liabilities and Fund Balances					
Liabilities					
Other liabilities	\$ 2,132	\$ -	\$ -	\$ -	\$ 2,132
Total liabilities	2,132	-	-	-	2,132
Fund Balances					
Nonspendable	-	-	367,476	-	367,476
Restricted	-	416,184	39,059	-	455,243
Unassigned	2,326,280	-	-	258,120	2,584,400
Total fund balances	2,326,280	416,184	406,535	258,120	3,407,119
Total liabilities and fund balances	\$ 2,328,412	\$ 416,184	\$ 406,535	\$ 258,120	\$ 3,409,251

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, 2023

Fund balances of the component unit funds	\$ 3,407,119
<p>Amounts reported for governmental type activities in the statement of net position are different because:</p>	
Capital assets used in governmental type activities are not financial resources and therefore are not reported in the funds.	5,305,074
Long term liabilities, including bonds payable, and premiums are not due in the current period and therefore not reported in the funds.	(1,908,911)
Deferred outflows of resources related to amounts deferred on refundings of long term debt and are not reported in the funds.	81,795
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(27,475)
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 \$(48,358), a deferred resource inflow in the amount of (\$2,521), and a deferred resource outflow in the amount of \$43,925. This resulted in a decrease in net position.	(6,954)
Included in the noncurrent liabilities is the recognition of the EDC's portion of the net OPEB liability required by GASB 75 in the amount of \$(3,742), a deferred resource inflow in the amount of (\$2,070) and a deferred resource outflow in the amount of \$1,127. This resulted in a decrease in net position.	(4,685)
Net position of governmental type activities	\$ 6,845,963

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

<i>For the year ended September 30, 2023</i>	Economic Development Corporation General Fund	EDC Debt Service Reserve Fund	EDC Debt Service Fund	BNC Facility Maintenance	Total Component Unit
Revenues					
Sales taxes	\$ 1,408,690	\$ -	\$ -	\$ -	\$ 1,408,690
Interest revenue	13,505	-	-	-	13,505
Miscellaneous and program revenues	53,100	-	1,036	-	54,136
Total revenues	1,475,295	-	1,036	-	1,476,331
Expenditures					
Current					
Community service	649,793	-	-	-	649,793
Debt service					
Principal retirement	-	-	335,000	-	335,000
Interest expense	-	-	58,300	-	58,300
Capital outlay	-	-	-	11,180	11,180
Total expenditures	649,793	-	393,300	11,180	1,054,273
Excess (deficiency) of revenues over (under) expenditures	825,502	-	(392,264)	(11,180)	422,058
Other Financing Sources (Uses)					
Transfers out	(444,950)	-	-	-	(444,950)
Transfers in	-	-	394,950	50,000	444,950
Total other financing sources (uses)	(444,950)	-	394,950	50,000	-
Net change in fund balances	380,552	-	2,686	38,820	422,058
Fund balance, beginning of year	1,945,728	416,184	403,849	219,300	2,985,061
Fund balance, end of year	\$ 2,326,280	\$ 416,184	\$ 406,535	\$ 258,120	\$ 3,407,119

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, 2023

Net change in fund balances - total component unit funds	\$ 422,058
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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. The current year additions of \$11,180 and depreciation of \$(163,993) reduces the change in net position.

(152,813)

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 increase net position.

2,423

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

335,000

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

3,350

GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. Contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase in the amount of \$9,077. 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 (\$7,320). The City's reported TMRS net pension expense had to be recorded. The pension expense decreased the change in net position by \$(7,535). The result of these changes is to decrease net position.

(5,778)

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 12/31/22 caused the change in the ending net position to increase in the amount of \$218. 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 \$(120). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased net position by \$(653). The result of these changes is to decrease net position.

(555)

Change in net position of governmental activities	\$ 603,685
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City of South Padre Island, Texas 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.

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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.

	2014**	2015	2016	2017***
Governmental activities				
Net investment in capital assets	\$ 16,203,813	\$ 16,920,738	\$ 19,810,801	\$ 22,437,085
Restricted	11,858,921	13,800,147	14,397,545	15,101,328
Unrestricted	6,025,603	7,484,310	5,485,644	5,092,044
Total governmental activities net position	\$ 34,088,337	\$ 38,205,195	\$ 39,693,990	\$ 42,630,457

** 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.

City of South Padre Island, Texas
Schedule 1 – Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

2018	2019	2020	2021	2022	2023
\$ 25,616,028	\$ 28,045,389	\$ 27,214,217	\$ 29,334,470	\$ 29,909,022	\$ 30,014,420
17,386,999	19,918,111	23,949,542	34,978,234	48,428,046	58,646,054
4,958,764	5,798,172	6,121,659	7,856,051	6,917,320	7,912,705
<u>\$ 47,961,791</u>	<u>\$ 53,761,672</u>	<u>\$ 57,285,418</u>	<u>\$ 72,168,755</u>	<u>\$ 85,254,388</u>	<u>\$ 96,573,179</u>

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government	\$ 3,403,281	\$ 3,549,479	\$ 3,693,337	\$ 4,194,171
Public safety	5,635,589	5,534,493	5,871,489	6,041,026
Public works/Shoreline	2,778,620	3,033,574	3,287,013	3,476,918
Transportation	1,547,923	1,639,747	1,698,124	1,813,049
Community service	135,357	47,101	1,519,768	136,945
Convention and visitors bureau	6,121,250	5,833,410	7,083,205	8,158,210
Interest on long-term debt	297,596	382,782	434,901	804,150
Total primary governmental activities expenses	19,919,616	20,020,586	23,587,837	24,624,469
Program Revenues				
Governmental activities:				
Charges for services:				
General government	277,881	453,066	472,715	747,718
Public safety	1,108,781	878,790	1,188,668	1,228,417
Public works/Shoreline	39,717	44,853	45,623	-
Transportation	-	-	-	-
Community service	-	-	-	-
Convention and visitors bureau	226,391	249,927	256,369	301,620
Operating grants and contributions	1,220,114	2,160,260	1,765,405	1,655,530
Capital grants and contributions	439,114	662,306	893,030	561,717
Total governmental activities program revenues	3,311,998	4,449,202	4,621,810	4,495,002
Net (Expense)/Revenue				
Total primary government net expense	(16,607,618)	(15,571,384)	(18,966,027)	(20,129,467)
General Revenues				
Property taxes	6,520,967	6,551,645	7,075,139	7,604,876
Sales & mixed beverage taxes	2,604,925	2,663,089	2,650,546	2,775,551
Franchise taxes	851,056	862,253	886,363	882,469
Hotel motel taxes	7,083,965	7,160,795	7,360,083	9,291,508
Hotel motel beach mtn. taxes	2,144,126	2,171,319	2,217,195	2,388,471
Unrestricted investment earnings	31,373	31,952	82,464	180,490
Gain/(loss) on disposal of capital assets	56,072	58	48,779	114,022
Insurance recoveries	-	-	-	-
Miscellaneous	293,168	247,131	128,478	113,282
Total general revenues	19,585,652	19,688,242	20,449,047	23,350,669
Changes in Net Position				
Total governmental activities	\$ 2,978,034	\$ 4,116,858	\$ 1,483,020	\$ 3,221,202

Source: Statement of Activities

City of South Padre Island, Texas
Schedule 2 – Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

2018	2019	2020	2021	2022	2023
\$ 4,073,602	\$ 4,034,629	\$ 4,264,772.00	\$ 3,820,322	\$ 4,416,084	\$ 4,969,391
6,363,761	6,965,278	6,463,558	6,479,131	6,863,803	8,262,976
4,215,756	4,405,207	4,432,491	4,961,458	5,896,940	5,789,297
1,794,636	1,866,276	1,874,534	2,053,720	2,160,980	2,306,392
197,944	183,225	232,617	254,806	230,803	257,219
9,379,337	10,041,264	7,355,929	6,486,339	8,715,267	8,896,692
581,354	566,295	571,314	623,733	430,554	458,574
26,606,390	28,062,174	25,195,215	24,679,509	28,714,431	30,940,541
660,501	728,337	697,980	764,398	512,218	1,083,608
1,778,641	1,436,732	1,028,708	1,029,886	1,419,581	1,212,744
-	-	-	-	-	-
-	-	-	-	-	-
22,092	7,902	3,550	4,625	5,475	6,400
312,444	277,784	175,473	148,016	333,073	419,615
3,003,264	1,589,941	1,868,133	1,937,021	3,444,973	1,968,745
802,184	3,519,537	271,409	1,530,421	1,591,435	749,531
6,579,126	7,560,233	4,045,253	5,414,367	7,306,755	5,440,643
(20,027,264)	(20,501,941)	(21,149,962)	(19,265,142)	(21,407,676)	(25,499,898)
7,904,409	8,040,930	8,301,537	8,270,550	8,288,587	9,060,930
2,896,023	3,091,023	2,890,117	4,420,081	4,521,155	4,769,853
885,011	886,318	856,673	871,066	922,027	958,246
10,340,024	10,650,064	9,330,334	15,895,542	15,988,214	15,534,794
2,619,316	2,741,917	2,725,754	4,247,074	4,333,632	4,168,093
536,833	802,814	461,092	93,774	184,970	1,680,748
42,253	(9,839)	5,690	97,517	-	-
-	-	-	252,874	-	-
134,729	98,595	102,511	-	254,727	646,025
25,358,598	26,301,822	24,673,708	34,148,478	34,493,312	36,818,689
\$ 5,331,334	\$ 5,799,881	\$ 3,523,746	\$ 14,883,336	\$ 13,085,636	\$ 11,318,791

	2014	2015	2016	2017
General Fund				
Pre GASB 54				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total pre GASB 54	\$ -	\$ -	\$ -	\$ -
Post GASB 54				
Nonspendable	\$ 57,868	\$ 56,321	\$ 58,086	\$ 57,138
Restricted	-	-	113,072	93,690
Committed	-	-	-	-
Unassigned	6,848,537	6,835,686	6,685,288	7,225,128
Total post GASB 54	\$ 6,906,405	\$ 6,892,007	\$ 6,856,446	\$ 7,375,956
Post GASB 54				
Nonspendable	\$ 42,639	\$ 1,504,355	\$ 37,490	\$ 45,835
Restricted:				
Debt service	346,602	386,436	413,573	1,162,706
Capital projects	700,897	3,603,413	6,362,226	12,596,025
Hotel/motel tax	6,596,864	5,986,315	6,630,832	7,374,465
Beach nourishment	2,435,967	1,416,745	1,872,911	2,292,912
Transportation	301,277	320,366	231,280	179,071
Beach maintenance	1,382,753	2,050,584	2,260,996	1,808,674
Municipal court	63,068	72,385	61,026	69,279
Parks and recreation	1,837	3,117	3,884	8,085
TIRZ	-	-	-	-
Criminal justice	3,644	3,644	3,644	3,644
Venue project	-	-	-	980,080
Coronavirus relief	-	-	-	-
Hurricane recovery	-	-	-	-
Assigned	-	-	-	-
Unassigned	22,303	21,923	-	-
Total post GASB 54	\$ 11,897,851	\$ 15,369,283	\$ 17,877,862	\$ 26,520,776

City of South Padre Island, Texas
Schedule 3 – Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

2018	2019	2020	2021	2022	2023
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 65,310	\$ 64,963	\$ 64,153	\$ 64,940	\$ 70,811	\$ 59,045
19,450	19,450	34,409	28,250	112,664	94,821
-	8,700	-	-	-	-
7,547,484	8,263,718	8,489,898	9,717,957	10,560,730	11,510,429
<u>\$ 7,632,244</u>	<u>\$ 8,356,831</u>	<u>\$ 8,588,460</u>	<u>\$ 9,811,147</u>	<u>\$ 10,744,205</u>	<u>\$ 11,664,295</u>
\$ 43,963	\$ 81,333	\$ 77,997	\$ 83,693	\$ 95,443	\$ 106,994
1,068,295	1,066,073	1,053,709	1,063,431	1,029,328	1,058,877
10,498,218	13,541,383	10,918,288	15,431,371	2,682,499	4,657,804
7,706,319	7,553,277	8,981,673	16,206,318	21,232,451	25,435,194
2,719,847	3,232,805	3,618,397	3,165,617	5,023,150	5,900,746
80,739	74,242	198,637	259,532	528,821	741,049
2,608,336	2,885,300	3,208,995	4,559,811	5,160,007	5,664,242
74,372	77,995	76,631	80,678	88,308	100,500
27,935	181,925	162,050	184,360	146,833	184,041
-	187,222	226,822	265,065	286,914	472,428
-	-	-	-	-	-
2,626,997	-	-	-	10,915,106	14,017,897
-	-	-	15,028	7,035	211,458
-	-	-	-	-	-
-	-	-	-	1,743,218.00	1,723,601.00
-	-	-	-	-	-
<u>\$ 27,455,021</u>	<u>\$ 28,881,555</u>	<u>\$ 28,523,199</u>	<u>\$ 41,314,904</u>	<u>\$ 48,939,113</u>	<u>\$ 60,274,831</u>

	2014	2015	2016	2017
REVENUES				
Property taxes	\$ 6,554,043	\$ 6,606,286	\$ 7,103,497	\$ 7,611,725
Nonproperty taxes	12,684,073	12,857,456	13,114,187	15,337,999
Fees and services	879,384	970,681	1,007,064	1,256,654
Fines and forfeitures	576,361	447,666	627,825	577,801
Licenses and permits	137,367	257,990	264,933	447,276
Intergovernmental	1,609,228	2,772,565	2,654,058	2,167,247
Interest				
Miscellaneous and program revenues	374,541	329,088	259,646	343,772
Total revenues	22,814,997	24,241,732	25,031,210	27,742,474
EXPENDITURES				
General	3,022,645	3,184,592	3,308,828	3,744,505
Public safety	5,079,755	5,042,426	5,173,137	5,301,832
Public works & shoreline	2,115,599	2,360,877	2,402,321	2,594,156
Transportation	1,336,549	1,491,095	1,513,709	1,667,605
Community service	131,262	50,810	1,456,385	77,028
Convention and visitors bureau	5,319,014	4,975,850	5,867,540	6,912,159
SPI Museum	-	-	-	-
Debt service				
Principal retirement	696,201	750,543	1,083,087	1,619,609
Interest	297,548	275,741	372,256	401,337
Bond issue costs	-	103,079	89,736	323,462
Administrative charges	4,308	4,245	4,337	4,748
Capital outlay	1,676,803	5,690,771	5,586,040	5,513,541
Total expenditures	19,679,684	23,930,029	26,857,376	28,159,982
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,135,313	311,703	(1,826,166)	(417,508)
Other financing sources (uses)				
Sale of capital assets	71,780	38,068	54,420	144,037
Lease Proceeds	-	-	144,335	-
Proceeds from issuance of bonds	-	2,905,000	3,890,000	9,085,000
Premium on issuance of bonds	-	202,263	210,429	350,895
Uses of debt refunding	-	-	-	-
Transfers out	(1,362,784)	(4,075,166)	(957,804)	(2,717,149)
Transfers in	1,362,784	4,075,166	957,804	2,717,149
Total other financing sources and (uses)	71,780	3,145,331	4,299,184	9,579,932
Net change in fund balances	\$ 3,207,093	\$ 3,457,034	\$ 2,473,018	\$ 9,162,424
Debt service as a percentage of noncapital expenditures	5.52%	5.63%	6.84%	8.92%

City of South Padre Island, Texas
Schedule 4 – Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2018	2019	2020	2021	2022	2023
\$	7,878,646	\$ 8,042,818	\$ 8,304,547	\$ 8,347,932	\$ 8,294,794	\$ 9,077,022
	16,740,374	17,369,323	15,802,878	25,383,521	25,765,026	25,430,986
	1,774,567	1,872,971	1,242,535	1,354,175	1,536,975	1,654,281
	465,341	390,923	232,682	350,361	400,630	341,785
	214,353	233,392	216,544	332,694	512,218	683,285
	3,767,948	5,059,478	2,089,542	3,417,442	3,419,689	3,905,827
					184,972	1,680,748
	709,063	948,184	613,603	396,649	555,892	693,961
	31,550,292	33,917,089	28,502,331	39,582,774	40,670,196	43,467,895
	3,668,683	3,614,808	3,918,869	3,522,109	4,209,810	4,276,646
	6,007,725	6,277,545	5,987,220	6,356,671	6,764,074	7,377,699
	2,971,163	3,118,237	3,159,552	3,615,910	4,056,594	3,871,014
	1,620,754	1,504,305	1,572,096	1,794,194	1,824,700	1,843,547
	73,096	64,598	115,306	94,746	98,041	128,242
	8,186,446	8,779,956	6,128,030	5,341,205	32,066	8,249,800
	-	-	-	27,542	8,041,648	-
	1,766,610	1,620,000	1,793,060	1,781,495	1,742,847	1,745,437
	675,625	142,804	581,340	483,453	597,635	543,196
	-	624,982	-	188,821	-	-
	33,159	12,125	3,500	3,499	4,249	2,750
	5,401,123	6,053,344	5,479,644	7,687,883	4,815,112	7,351,319
	30,404,384	31,812,704	28,738,617	30,897,528	32,186,776	35,389,650
	1,145,908	2,104,385	(236,286)	8,685,246	8,483,420	8,078,245
	44,625	46,736	18,607	126,480	70,585	46,713
	-	-	90,952	-	-	20,832
	-	-	-	6,890,000	3,263	3,790,000
	-	-	-	768,535	-	320,019
	-	-	-	(2,455,869)	-	-
	(1,400,077)	(1,500,314)	1,791,872	1,136,944	2,666,240	3,961,536
	1,400,077	1,500,314	(1,791,872)	(1,136,944)	(2,666,240)	(3,961,536)
	44,625	46,736	109,559	5,329,146	73,848	4,177,564
\$	1,190,533	\$ 2,151,121	\$ (126,727)	\$ 14,014,392	\$ 8,557,268	\$ 12,255,809

9.77% 6.84% 10.21% 9.76% 8.55% 8.16%

**City of South Padre Island, Texas
Schedule 5 – 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			
2014	2,629,536,569	31,256,298	77,229,580	2,583,563,287	0.25438
2015	2,574,041,045	32,621,783	90,276,002	2,516,386,826	0.26275
2016	2,535,461,500	34,181,366	91,123,668	2,478,519,198	0.28564
2017	2,553,862,437	33,883,054	91,934,403	2,495,811,088	0.30564
2018	2,579,281,031	35,135,283	90,801,714	2,523,614,600	0.31564
2019	2,613,444,214	39,663,066	94,519,162	2,558,588,118	0.31564
2020	2,707,741,919	34,551,698	97,017,507	2,645,276,110	0.31564
2021	2,578,066,179	36,207,138	102,167,898	2,512,105,419	0.31564
2022	2,721,796,263	36,792,988	102,874,275	2,655,714,976	0.31374
2023	3,250,219,105	38,735,320	155,338,926	3,133,615,499	0.31374

Source: Cameron County Appraisal District.

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

City of South Padre Island, Texas
Schedule 6 – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years

Fiscal Period	City of South Padre Island Direct Rates			Laguna Madre Water District	Point Isabel ISD	Cameron County	Texas Southmost College District	South Texas ISD
	Maintenance & Operations Rate	Debt Service	Total Direct					
2014	0.227828	0.026556	0.254384	0.080820	1.081634	0.384291	0.162935	0.049200
2015	0.235468	0.027286	0.262754	0.039260	1.081634	0.399291	0.164094	0.049200
2016	0.239110	0.046530	0.285640	0.044643	1.081634	0.399291	0.164094	0.049200
2017	0.239110	0.066530	0.305640	0.045020	1.081634	0.407743	0.158224	0.049200
2018	0.249640	0.066000	0.315640	0.043860	1.081634	0.410803	0.162407	0.049200
2019	0.250245	0.065395	0.315640	0.040101	1.080657	0.416893	0.162407	0.049200
2020	0.252024	0.063616	0.315640	0.038821	1.021900	0.436893	0.162407	0.049200
2021	0.251760	0.061980	0.313740	0.039918	1.009000	0.436893	0.162407	0.049200
2022	0.252182	0.061558	0.313740	0.038201	1.009000	0.436893	0.154635	0.049200
2023	0.185021	0.047138	0.232159	0.056389	0.825000	0.431893	0.119767	0.049200

Source: Cameron County Appraisal District.

City of South Padre Island, Texas
Schedule 7 – Principal Property Taxpayers
Last Ten Fiscal Years

Taxpayer	2023			2014		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Hosp Soutx Marg LLC	\$ 29,808,184	1	0.95%			
Modern Resort Lodging LLC	26,819,903	2	0.86%			
S P I Management Co.	22,892,677	3	0.73%	\$ 6,683,290	10	0.26%
Affiliated Hospitality LLC	22,000,000	4	0.70%			
SPI Oleander Ltd.	16,666,849	5	0.53%			
SPI La Copa Ltd.	15,746,575	6	0.50%			
Innjoy Hospitality LLC	14,600,000	7	0.47%			
Peninsula Island Resort & Spa LLC	12,912,876	8	0.41%			
ICS Management Company	12,482,773	9	0.40%	8,239,765	6	0.32%
AGORA USA LP	11,299,078	10	0.36%	10,738,595	4	0.42%
Bahia Mar Tower LLC				14,680,795	1	0.57%
Sapphire VP LP (ID601157)				12,429,983	2	0.48%
SPI Beach Water Resort Waterpark LLC				10,882,174	3	0.42%
Sapphire VP LP (ID 526932)				9,000,000	5	0.35%
ICS Management Company				8,173,204	7	0.32%
First National Bank				7,047,206	9	0.27%
Shores Development Inc.				7,416,107	8	0.29%
Total	\$ 185,228,915		5.91%	\$ 95,291,119		3.70%

Source: Cameron County Appraisal District

City of South Padre Island, Texas
Schedule 8 – 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
2014	2013	6,512,667	6,374,024	97.87%	136,527	6,510,551	99.97%
2015	2014	6,569,334	6,450,296	98.19%	116,715	6,567,011	99.96%
2016	2015	7,113,610	6,984,635	98.19%	125,947	7,110,582	99.96%
2017	2016	7,632,203	7,509,760	98.40%	120,648	7,630,408	99.98%
2018	2017	7,899,157	7,771,172	98.38%	125,801	7,896,973	99.97%
2019	2018	8,013,234	7,875,949	98.29%	133,603	8,009,552	99.95%
2020	2019	8,268,785	8,126,021	98.27%	136,890	8,262,911	99.93%
2021	2020	8,279,080	8,181,503	98.82%	88,890	8,270,393	99.90%
2022	2021	8,378,307	8,291,238	98.96%	72,934	8,364,172	99.83%
2023	2022	9,059,985	8,973,404	99.04%	-	8,973,404	99.04%

Source: Cameron County Appraisal District.

City of South Padre Island, Texas
Schedule 9 – 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
2014	6,554,043	2,604,925	851,056	9,228,091	19,238,115
2015	6,606,289	2,663,089	862,253	9,332,114	19,463,745
2016	7,092,759	2,650,546	886,363	9,577,278	20,206,946
2017	7,611,724	2,775,551	882,470	11,679,982	22,949,727
2018	7,838,984	2,896,023	885,011	12,959,339	24,579,357
2019	7,988,046	3,091,023	886,318	13,391,982	25,357,369
2020	8,263,742	2,890,117	856,672	12,056,086	24,066,617
2021	8,308,887	4,420,081	871,065	20,142,617	33,742,650
2022	8,245,621	4,521,154	922,027	20,321,847	34,010,649
2023	8,967,272	4,769,854	672,351	16,313,690	30,723,167

City of South Padre Island, Texas
Schedule 10 – 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				
2014	7,020,000	-	7,020,000	-	278,254	1,275,029	15,593,283	5.98%	2,643	
2015	6,600,000	-	2,905,000	-	453,172	957,451	10,915,623	4.20%	1,850	
2016	6,165,000	-	6,445,000	-	597,147	797,924	14,005,071	13.01%	4,849	
2017	5,715,000	-	5,530,000	9,085,000	905,487	543,315	21,778,802	12.72%	7,541	
2018	5,255,000	-	4,595,000	8,900,000	823,354	355,698	19,929,052	16.16%	6,901	
2019	4,775,000	-	3,640,000	8,715,000	741,221	212,894	18,084,115	12.91%	6,332	
2020	4,275,000	-	2,660,000	8,525,000	659,088	180,786	16,299,874	9.93%	5,784	
2021	3,625,000	-	6,270,000	8,330,000	1,259,390	114,291	19,598,681	11.94%	6,955	
2022	3,300,000	-	5,175,000	8,130,000	1,086,872	332,255	18,024,127	16.13%	8,430	
2023	2,755,000	-	8,045,000	7,925,000	1,265,233	227,648	20,217,881	16.07%	8,474	

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.

City of South Padre Island, Texas
Schedule 11 – 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
2014	7,020,000	278,254	372,614	6,925,640	0.27%	1,190
2015	6,600,000	453,172	343,578	6,709,594	0.27%	1,119
2016	6,165,000	597,147	361,774	6,400,373	0.26%	2,135
2017	5,715,000	905,487	1,192,158	5,428,329	0.22%	1,979
2018	5,255,000	823,354	1,104,146	4,974,208	0.20%	1,820
2019	4,775,000	741,221	1,102,379	4,413,842	0.17%	1,672
2020	4,275,000	659,088	955,068	3,979,020	0.15%	1,517
2021	3,625,000	1,259,390	923,255	3,961,135	0.16%	1,286
2022	3,300,000	1,086,872	1,029,328	3,357,544	0.13%	1,543
2023	2,755,000	1,265,233	1,058,877	2,961,356	0.09%	1,155

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

¹ See Schedule 5 for property value data.

² See Schedule 14 for population data.

City of South Padre Island, Texas
Schedule 12 – 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	\$ 200,945,000	11.75%	\$ 23,611,038
Point Isabel Independent School District	41,975,000	61.32%	25,739,070
Laguna Madre Water District	56,255,000	72.89%	41,004,270
Texas Southmost College District	22,425,000	17.53%	3,931,103
Subtotal, overlapping debt			94,285,481
*City direct debt	19,002,648	100.00%	19,002,648
Total direct and overlapping debt			<u>\$ 113,288,129</u>

Methodology for Deriving Overlapping Percentages:

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

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

Source: The Municipal Advisory Council of Texas

City of South Padre Island, Texas
Schedule 13 – Pledged Revenue Coverage
Governmental Activities Debt

Fiscal Year	Gross Revenue (1)	Operating Expenditures (2)	Net Revenue Available For Debt Service
2014	3,208,757	1,939,326	1,269,431
2015	2,919,053	1,106,674	1,812,379
2016	1,979,972	1,253,283	726,689
2017	2,027,589	1,649,159	378,430
2018	2,104,637	1,223,284	881,353
2019	1,764,521	1,336,602	427,919
2020	1,288,892	1,221,266	67,626
2021	2,291,952	1,125,227	1,166,725
2022	2,689,359	1,484,935	1,204,424
2023	3,171,545	1,597,002	1,574,543

(1) Convention Center Fund revenues, including interest.

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

City of South Padre Island, Texas
Schedule 14 – 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
2014	5,900	260,809,500	44,205	59.2	2,480	8.0%
2015	5,900	260,048,400	44,076	60	2,518	6.6%
2016	2,888	107,650,200	37,275	58.7	2,463	7.5%
2017	2,888	171,215,080	59,285	60.5	2,396	5.5%
2018	2,888	123,303,160	42,695	60	2,314	5.7%
2019	2,856	140,098,224	49,054	59	2,132	5.2%
2020	2,818	164,106,230	58,235	58.1	2,011	10.9%
2021	2,818	164,106,230	58,235	58.1	1,928	7.3%
2022	2,138	111,763,950	52,275	58.5	1,891	5.8%
2023	2,386	125,849,570	52,745	58.5	1,857	5.1%

¹ Sources: George Wm. Berry, Ph. D. Analysis 2008 was used for population data for 2013-2015. The U.S. Census Bureau was used to obtain population data for 2016 and 2019-2022. ESRI Demographic Reports were used to obtain population data for 2017-2018.

² Sources: The US. Census Bureau was used to obtain the per capita personal income data for 2013-2016 and 2019-2022. ESRI Demographic Reports were used to obtain 2017-2018 per capita personal income data.

³ Point Isabel Independent School District provided school enrollment data.

⁴ Source: Texas Workforce Commission was used to obtain unemployment rates. Note: 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.

City of South Padre Island, Texas
Schedule 15 – Full-Time Equivalent City Government
Employees by Functions/Department
Last Ten Fiscal Years

Fund/Department	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
City Administration	4.4	4.25	4.25	5	5	5	5	4.8	4.8	4.8
Finance	5	4.9	4.9	5	6	6	6	5.8	5.8	5.8
Planning *	2	2	2	3	2	2	2	1.1	1.1	1.1
Technology	3	2.95	2.8	3	3	3	3	3	3	3
Human Resources	3	3	3	3	3	3	3	3.4	3.4	3.4
Municipal Court	2	2	3	3	3	3	4	4	4	4
Police	38	37.95	37.75	36.75	37.75	37.75	36.75	36.75	37.75	37.75
Fire	27	26.75	26	26.75	26.75	26.75	27.75	27.75	27.75	27.75
Environmental Health Serv.	6	5.85	5.85	5.85	5.85	5.85	5.85	5.77	5.77	5.77
Fleet Management	2	2	2	2	2	2	2	2	2	2
Building Maintenance	3	3	3	3	2	2	2	2	2	2
Inspections	3	3	3	3	3	3	3	4	4	4
Public Works	19	18.85	17.85	19.85	19.85	19.85	19.85	19.75	20.75	20.75
Hotel Motel Fund										
Visitor's Bureau	3	3	3	3	3	3	3	2	2	2
Sales & Administration	9.5	9.5	9.5	10	10	11	11	11	11	11
Special Events	1	1	0.5	-	1	1	1	1	1	1
Convention Centre										
Convention Centre	10	11.2	10.35	11	10	10	10	10	10	10
Parks and Recreation										
Parks and Recreation	-	-	-	-	1	1	1	1	1	1
Transportation										
Island Metro	16.1	16.2	14.2	14	14	14	19	21	22	22
Metro Connect	4	3	4	7	7	7	0	0	0	0
Shoreline**										
Police/Beach Patrol	-	0.05	0.05	-	0.25	0.25	0.25	0.25	0.25	0.25
Fire/Beach Patrol	-	0.25	-	-	1.25	1.25	1.25	1.25	1.25	1.25
Environmental Health Serv.	-	0.15	-	-	0.15	0.15	0.15	0.23	0.23	0.23
Public Works	-	0.15	-	-	0.15	0.15	0.15	0.15	0.15	0.15
Beach Maintenance	4	6	7	7.6	7	8	9	8	9	9
Bay Access	-	-	-	1.2	1	1	0	0	0	0
Total Operating Budget FTE's	165	167	164	173	175	177	176	176	180	180

Source: City of South Padre Island Annual Budget

Note: Full-time budgeted positions are shown.

*Formerly Development Services

**Formerly Beach Maintenance

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Function	2014	2015	2016	2017
Police				
Physical arrests	1,246	1,246	1,403	1,367
Parking violations	1,435	793	647	420
Traffic violations	658	245	242	434
Number of commissioned police officers	28	28	27	27
Number of employees - police officers & civilians	38	38	37	37
Fire				
Number of calls answered	2,243	2,105	2,410	2,348
EMS calls	1,486	1,543	1,542	1,102
Inspections	150	166	76	162
Number of firefighters	26	25	25	26
Number of employees - firefighters & civilians	27	26	26	27
Streets				
Street resurfacing (square yards)	-	8,891	32,314	2,559
Sidewalk construction (square yards)	368	1,540	3,523	8,942

Source: City Departments

City of South Padre Island, Texas
Schedule 16 – Operating Indicators by Function
Last Ten Fiscal Years

2018	2019	2020	2021	2022	2023
1,430	1,109	1095	1,255	1,112	1,108
217	2,544	216	164	291	418
562	588	651	1,232	963	1,842
30	29	46	37	38	33
40	39	56	47	50	44
2,536	2,490	2667	3015	2801	2960
1,876	1,814	1598	1744	1587	1742
194	96	46	82	44	36
27	28	26	28	28	28
28	29	27	29	29	29
12,807	19,724	-	-	-	18,399
3,880	6,144	-	-	-	531

City of South Padre Island, Texas
Schedule 17 – Capital Asset Statistics by
Function/Program
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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
Planning*										
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)	1,901	1,905	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371
Parks and Recreation										
Playground	2	2	2	3	3	3	3	3	3	3
Parks	3	3	3	5	5	5	5	5	5	5
Municipal Beach (miles)	5	5	5	5	5	5	5	5	5	5
Beach Accesses (developed)	14	15	15	18	21	22	22	22	22	23
Beach Accesses (undeveloped)	10	9	9	8	6	6	6	6	6	5
Transportation										
Transit - Minibuses	10	11	10	11	8	8	7	12	8	8

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

Source: City Departments

*Formerly Development Services

City of South Padre Island, Texas
Schedule 18 – Miscellaneous Statistical Data

Date of incorporation: 1973

Fiscal year begins: October 1st

Number of budgeted City employees: 180

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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REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS



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**INDEPENDENT AUDITOR’S 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, 2023, and the related notes to the financial statements, which collectively comprise City of South Padre Island, Texas’ basic financial statements, and have issued our report thereon dated March 27, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

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Report on 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 financial statements. 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 27, 2024

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS OF THE STATE OF TEXAS

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal and State Program

We have audited City of South Padre Island, Texas’ compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of City of South Padre Island, Texas’ major federal and state programs for the year ended September 30, 2023. City of South Padre Island, Texas’ major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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 and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

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) and the Texas Grant Management Standards. Our responsibilities under those standards, the Uniform Guidance and the Texas Grant Management Standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of South Padre Island, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of City of South Padre Island, Texas’ compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of South Padre Island, Texas' federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of South Padre Island, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the Texas Grant Management Standards will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of South Padre Island, Texas' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the Texas Grant Management Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of South Padre Island, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of South Padre Island, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Texas Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of City of South Padre Island, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on 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 and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and the Texas Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

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

Harlingen, Texas
March 27, 2024

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weaknesses identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal and State Awards

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

Internal control over major programs:

* Material weaknesses identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) (Uniform Guidance) or the Texas Grant Management Standards of the State of Texas? _____ yes X no

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal/State Program or Cluster</i>
20.509 TXDOT	Formula Grants for Rural Areas State Grants for Rural Areas Transit Program

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

Auditee qualified as low-risk auditee for federal grants? _X_ yes _____ no

Auditee qualified as low-risk auditee for state grants? _X_ yes _____ no

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

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

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal and State Award Findings and Questioned Costs

None reported.

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

PROGRAM DESCRIPTION

Not applicable

DESCRIPTION

There were no findings reported in the prior year.

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

For the year ended September 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
U.S. Department of Commerce				
Passed through Economic Development Administration Economic Adjustment Assistance	11.307	08-79-05624	\$ 130,889	\$ -
Total passed through Economic Development Administration			130,889	-
Passed through Texas General Land Office				
Coastal Zone Management Administration Awards	11.419	NO. 22-045-018-D115	79,060	-
Coastal Zone Management Administration Awards	11.419	NO. 21-060-016-C676	139,518	-
Coastal Zone Management Administration Awards	11.419	NO. 23-020-011-D605	32,900	-
Total passed through Texas General Land Office			251,478	-
Passed through National Fish and Wildlife Foundation				
Office for Coastal Management	11.473	0318.23.076102	22,475	-
Total passed through National Fish and Wildlife Foundation			22,475	-
Total U.S. Department of Commerce			404,842	-
U.S Department of Interior				
Passed through Texas Parks and Wildlife				
Sport Fish Restoration	15.605	FD-TXF317-B-1	41,641	-
Total passed through Texas Parks and Wildlife			41,641	-
Total U.S Department of Interior			41,641	-
U.S Department of Transportation				
Passed through Texas Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 2103 (29) 045_20	385,617	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 2203 (29) 063_21	5,386	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 2303 (29) 051_22	724,013	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPT 2402 (21) 108_23	18,428	-
Total Formula Grants for Rural Areas and Tribal Transit Program			1,133,444	-
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	BBF 2302 (21) 050_22	36,840	-
Total Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs			36,840	-
Total Passed through Texas Department of Transportation			1,170,284	-
Total U.S Department of Transportation			1,170,284	-
U.S. Department of the Treasury				
Equitable Sharing	21.016	20-DEA-662444	12,547	-
Total U.S. Department of the Treasury			12,547	-
U.S. Department of Health and Human Services				
Food and Drug Administration Research	93.103	G-SP-2010-08940	8,498	-
Food and Drug Administration Research	93.103	PAR-19-306	922	-
Total U.S. Department of Health and Human Services			9,420	-
U.S. Department of Homeland Security				
Passed through Texas Office of Governor - Homeland Security Grants Division				
Homeland Security Grant Program	97.067	EMW-2021-SS-00062	103,363	-
Homeland Security Grant Program	97.067	EMW-2022-SS-00021	23,058	-
Total passed through Texas Office of Governor - Homeland Security Grants Division			126,421	-
Total U.S Department of Homeland Security			126,421	-
Total Expenditures of Federal Awards			\$ 1,765,155	\$ -

The accompanying notes are an integral part of this schedule.

City of South Padre Island, Texas
Notes on Accounting Policies for Federal and State Awards
For the Year Ended September 30, 2022

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards presents the activity of all federal and state award programs of City of South Padre Island, Texas, for the year ended September 30, 2023. 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 or state 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, 2023, the City had no sub-recipients for either Federal or State grants.

City of South Padre Island, Texas
Notes on Accounting Policies for Federal and State Awards
For the Year Ended September 30, 2022

NOTE 4 – FEDERAL LOANS AND LOAN GUARANTEES

During the year ended September 30, 2023, the City had no outstanding federal loans payable or loan guarantees.

NOTE 5 – FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2023, the City had no federally funded insurance.

NOTE 6 – NONCASH AWARDS

During the year ended September 30, 2023, 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
Schedule of Expenditures of State Awards

For the year ended September 30, 2023

Name of Agency or Department Program Title	Program ID	Grant I.D. No.	Total Awards Expended
Texas Department of Transportation			
Rural State Program	51218012123	RUR 2301 (21)	716,134
Rural State Program	51218022124	RUR 2402 (21)	26,358
Total Texas Department of Transportation			742,492
Texas General Land Office			
Beach Maintenance Reimbursement		21-034-006	65,243
Total General Land Office			65,243
Texas Office of the Governor - CJD			
Bullet Resistant Shield Grant Program (BRS GP)	9300	2023-SH-ST-0000	83,755
Total Texas Office of the Governor - CJD			83,755
Texas Office of the Governor - HSGD			
Local Border Security Program (LBSP)	3305406	2023-BL-ST-0016	60,000
Total Texas Office of the Governor - HSGD			60,000
Texas A&M Forest Service			
TIFMAS (Texas Intrastate Fire Mutual Aid System) Grant Assistance Program	TX Senate Bill 1011	Training Reimbursements	1,950
Lower Rio Grande Valley Regional Advisory Council on Service Area V			
		TRAC-V	5,466
Total			7,416
Total Expenditures of State Awards			\$ 958,906

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:

Randy Smith, City Manager
Rodrigo Gimenez, Chief Financial Officer

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