

City of Rockport, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014

Prepared by

Patty Howard, Finance Director

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2014

TABLE OF CONTENTS

	Page	Exhibit/Table
INTRODUCTORY SECTION		
Letter of Transmittal.....	i	
GFOA Certificate of Achievement.....	x	
Organizational Chart.....	xi	
List of Principal Officials.....	xii	
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	2	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	Exhibit A-1
Statement of Activities.....	14	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	16	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	18	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	19	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	21	Exhibit A-6
Statement of Revenues, Expenditures and Changes in Fund		
Balances - Budget (GAAP Basis) and Actual - General Fund.....	22	Exhibit A-7
Statement of Net Position - Proprietary Funds.....	23	Exhibit A-8
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	25	Exhibit A-9
Statement of Cash Flows - Proprietary Funds.....	27	Exhibit A-10
Notes to the Financial Statements	28	
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	49	Exhibit B-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	50	Exhibit B-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	51	Exhibit B-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	55	Exhibit B-4

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2014

TABLE OF CONTENTS

	Page	Exhibit/Table
Budgetary Comparison Schedules:		
Utility Bill Surcharge.....	59	Exhibit B-5
City/County Dispatch Service.....	60	Exhibit B-6
Hotel/Motel Occupancy Tax Fund.....	61	Exhibit B-7
Municipal Court Security & Technology Fund.....	62	Exhibit B-8
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	63	Exhibit B-9
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	64	Exhibit B-10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	66	Exhibit B-11
Enterprise Funds:		
Combining Statement of Net Position - Nonmajor Enterprise Funds.....	68	Exhibit B-12
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds.....	69	Exhibit B-13
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	70	Exhibit B-14

STATISTICAL SECTION

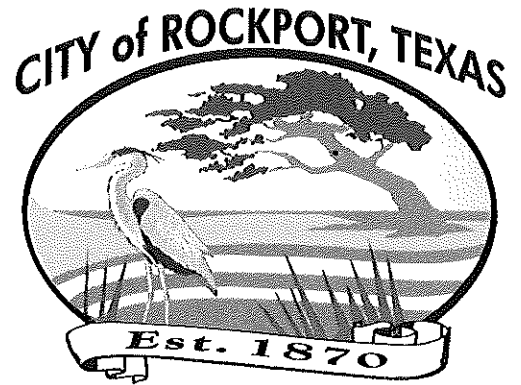
Net Position by Component.....	71	Table C-1
Expenses, Program Revenues, and Net (Expense)/Revenue.....	72	Table C-2
General Revenues and Total Change in Net Position.....	73	Table C-3
Fund Balances of Governmental Funds.....	74	Table C-4
Changes in Fund Balances of Governmental Funds.....	75	Table C-5
Tax Revenues by Source, Governmental Funds.....	76	Table C-6
Assessed Value and Estimated Actual Value of Taxable Property.....	77	Table C-7
Direct and Overlapping Property Tax Rates.....	78	Table C-8
Principal Property Tax Payers.....	79	Table C-9
Property Tax Levies and Collections.....	80	Table C-10
Ratios of Outstanding Debt by Type.....	81	Table C-11
Ratios of General Bonded Debt Outstanding.....	82	Table C-12
Direct and Overlapping Governmental Activities Debt.....	83	Table C-13
Legal Debt Margin Information.....	84	Table C-14
Pledged-Revenue Coverage.....	85	Table C-15
Demographic and Economic Statistics.....	86	Table C-16
Principal Employers.....	87	Table C-17
Full-Time-Equivalent Employees by Function/Program.....	88	Table C-18
Operating Indicators By Function/Program.....	89	Table C-19
Capital Asset Statistics by Function/Program.....	90	Table C-20

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
SINGLE AUDIT SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	93	
Schedule of Findings and Questioned Costs	95	
Summary Schedule of Prior Audit Findings.....	96	
Corrective Action Plan.....	97	
Schedule of Expenditures of Federal Awards	98	Exhibit D-1
Notes to the Schedule of Expenditures of Federal Awards.....	99	

Introductory Section



February 18, 2015

The Honorable Mayor, City Council and City Manager
City of Rockport, Texas

The Comprehensive Annual Financial Report of the City of Rockport, Texas for the year ended September 30, 2014, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

This Letter of Transmittal and the Management's Discussion and Analysis are management's opportunity to communicate aspects of the overall financial condition, details of which are frequently obscured or submerged in financial statements, schedules, and/or tables. The attached organizational chart provides a pictograph of the lines of authority and responsibility with the system.

INDEPENDENT AUDIT

The Charter of the City of Rockport requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds and group of accounts of the City on an annual basis. The firm of Michael Arnold P.L.L.C. was selected by the Council to perform this function. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

MANAGEMENT RESPONSIBILITY

The report is published to provide to the City Council, to our citizens, and to representatives of financial institutions and other interested persons, detailed information concerning the financial condition of the City government. To that end, the report has been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The City's accounting system has been designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss from unauthorized use or disposition, and
- The reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. All internal control evaluations occur within the above framework.

GOVERNING BODY

The City was incorporated on May 29, 1871 under the laws of the State of Texas and adopted the Council-Manager form of government on April 12, 1983. The City Council is composed of the Mayor and four council members. The City Council and Mayor are responsible for enacting ordinances, resolutions, and regulations governing the City, appointing members of various statutory and advisory boards and the City Manager, City Secretary, City Attorney, Municipal Judge and Alternate Municipal Judge. As chief administrative officer, the City Manager is responsible for enforcement of laws and ordinances and appoints and supervises the heads of departments of the City Organization.

FINANCIAL ADMINISTRATION

The Department of Finance operates under the direction of the Finance Director, who is appointed by the City Manager; with the consensus of the City Council. Activities of the Department of Finance are control of, custody and disbursement of City funds. Other activities of the department include risk management, payroll, purchasing, computer management and the preparation of the annual budget and interim and annual financial reports.

CITY OF ROCKPORT AND ITS SERVICES

Services provided by the City under the general governmental functions include police, street maintenance, public improvements, planning and zoning, engineering, traffic control, parks operation and maintenance, code enforcement, building permits, floodplain management, building, plumbing, electrical inspections and general and administrative services. A private firm provides solid waste collection and disposal services under a contract with the City. In addition, water, natural gas, and sewer, and the community aquatic park services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

The Community Aquatic Park is considered to be a blended component unit of the City. The City acts as the “managing partner” of the County wide governmental “joint venture” consisting of the City of Rockport, Aransas County, and the Town of Fulton. Policy is set by a Swimming Pool Operations committee which consists of a voting member from the city and county, plus a citizen member of the City Parks Board and the Director of Parks and Leisure Services.

The City of Rockport and Aransas County entered into an Interlocal Agreement creating the City/County Communications Center, combining dispatch services. The agreement created a Dispatching Services Board consisting of one representative from each entity and the Dispatch Administrator.

Additional Interlocal Agreements between the City of Rockport and Aransas County help to eliminate the duplication of services, and help reduce costs for both entities. These include Animal Control Services, Jail and Detention Services, Road Construction and Maintenance within the city limits of Rockport, Septic System Inspections, Sanitation Services and Tax Collection.

A countywide Geographic Information System (GIS) was created with the City of Rockport, Aransas County and Aransas County Appraisal District. Each entity will be responsible for the creation and maintenance of their own overlays.

The Aransas County and City of Rockport Public Safety Center completed a joint law enforcement office building housing the Rockport Police Department and the Aransas County Sheriff’s Office. This is another example of the City and County joining together to save taxpayers dollars. Created by an Interlocal Agreement, the venture is a 50/50 split between the City of Rockport and Aransas County for all maintenance and expenses related to the Public Safety Center.

On May 30, 2008 the City purchased Aransas Natural Gas Company, a privately owned natural gas company located in Rockport. The Natural Gas Division provides service to Rockport, the Town of Fulton and Aransas County as far north as Lamar. (See more in the Management, Discussion and Analysis section)

BUDGETING

In accordance with the City Charter, on or before the first regular scheduled meeting in August, the City Manager submits to the City Council a proposed budget and budget message for the fiscal year commencing the following October 1. The proposed budget shall contain the budget message prepared by the City Manager, detailing estimates of all revenue and expenditures, debt requirements, and a draft of the budget ordinance. The City Council shall review the proposed budget and make any appropriate changes prior to publishing the final budget.

The budget message explains the budget in fiscal terms and in terms of the work submitted with the budget. It outlines the proposed financial programs of the City for the ensuing fiscal year, the capital program, and capital projects for the budget year. The budget message will describe the important features of the budget and indicate any major changes from the current year in financial policies, expenditures and revenues including the reasons for such changes.

The budget shall provide a complete financial plan of all City funds and activities and shall be in such form as the City Manager deems desirable or the City Council may require. The detailed line item budget is presented for administrative control. It shall be arranged to depict proposed expenditures and the means of financing them for the upcoming year, along with comparative figures for actual and budget income and expenditure for the preceding fiscal year; budgeted and estimated income and expenditure for the current fiscal year; and actual income and expenditure of the current year projected to year estimates for the current years.

The budget is legally enacted through passage of an ordinance on or before September 27. Please refer to Note "A" in Notes to the Financial Statements for more detail on budgets and budgetary accounting.

GENERAL INFORMATION

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 15.0 square miles of land within the City's corporate boundary.

ECONOMIC TRENDS

Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. *Gulfscapes Magazine's* "2011 Readers Choice Best Gulf Coast Towns" listed Rockport number four in the top ten. In 2009 Rockport was hailed as a coastal dream town by *Coastal Living Magazine*. *Better Homes and Gardens* in its April 2007 issue listed Rockport-Fulton the number five destination as a "long weekend hotspot" for spring migration bird watching. *Texas Meetings and Events* list Rockport-Fulton as a great Gulf Coast getaway for a business meeting, board meeting, etc. The Today in America television show, hosted by Terry Bradshaw featured Rockport and Fulton as one of the "Best Places to Live and Visit." The segment can be found at http://www.youtube.com/watch?v=Pu6_cqu2QaY.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,468,534,983 in 2014. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes have increased from approximately 66 annually to 78 in 2014, largely due to the economic conditions of the country realizing a slight improvement. Rockport is made up largely of second homes, with the slight growth in the market these home starts have increased. The population of Rockport has grown by 27% in the last ten (10) years going from 7,385 in the U.S. Census Bureau 2000 Census to 9357 as of 2011.

Sales tax revenues have increased from \$1,117,080 in 2000 to \$2,183,768 in 2014. This is an 83% increase in sales tax revenues over a twelve (12) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

The City has taken several steps in recent years to enhance the quality of life for the citizens of Rockport. In the past few years the City has purchased 50 acres of land to keep as green space and several acres behind the Memorial Park for expansion of that park in the future. The Hike and Bike Trail that was partially funded by a TxDOT grant has been completed and very well utilized for the Tule Park. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. The project converted the four lane boulevard to a two lane street with diagonal parking, which provides greater pedestrian and handicapped street crossing safety.

MAJOR INITIATIVES

The City's staff, following specific directives of the City Council and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment of ensuring that its citizens are able to live and work in a highly desirable community and include the following:

- South Rockport Regional Drainage GLO 100% Grant– The City of Rockport received a \$1,000,000.00 grant from General Land Office (GLO) for purchasing and upgrading existing storm water sewer system including storm sewer pipe ranging in size from twenty-four inches to forty-two inches, concrete box culverts ranging in size from four feet to eight feet wide, road and driveway culverts, junction boxes, End Slope Treatments (EST), and concrete headwalls. In addition, the City of Rockport will perform repairs to city streets and state highways, adjust impacted waterlines, and perform site work associated with the construction. Construction will take place at the following locations: 1st street from Bronte street (SH35) to S. Ann street; Intersection of 2nd street and Bronte street (SH 35); Intersection of E. 5th street and S. Mathis street; Intersection of E. 5th street and S. Pearl street. Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- South Side Wastewater system Improvement – Construction of a sewer collection system off-site force main began in December, 2012 and has been completed. Cost of the project was \$1,284,530 and was paid from 2007 Construction bond funds. The city constructed the sewer collection system off-site force main which included the existing lift stations, other than the Islands of Rockport Lift Station which the Developer constructed upon approval by the city. The city also constructed all force mains from the Islands of Rockport Lift Station to the existing lift station on First Street and gravity collection lines. To recover some of the costs associated with the project, the City intends to collect pro rata fees from developers who request sewer service from the city and must connect to the sewer collection system off-site force main in order to obtain such service. This project greatly increases the ability to receive sewer service on the south part of Rockport.

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

The General Government Fund Revenues are budgeted based on historical information and the current economic climate of the City. For a detailed comparison of actual General Governmental Fund revenues with budget amounts, see “Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – All Governmental Fund Types and Governmental Expendable Trust Funds: in the financial section of this report (Exhibit A-2).

General Governmental Fund Expenditures – Budget as Compared to Actual

The proposed expenditures in the General Governmental Funds are budgeted based on historical demand for services and inflationary trends. For a detailed comparison of actual General Governmental fund Expenditures with budgeted amounts, see “Combined State or Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – All Government Fund Types and Governmental Expendable Trust Funds” in the financial section of this report (Exhibit A-3).

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2014.

PROPRIETARY FUNDS

The Proprietary Funds are those funds that are self-supporting. The Proprietary Funds of the City include the Utility Fund, Sanitation Fund, Natural Gas Fund, and Community Aquatic Park Fund. The Utility System Fund operates with revenues generated by the sale of water and wastewater services. The Natural Gas Fund operates with revenues generated by the sale of natural gas. The Sanitation Fund is used to record all revenues and expenditures for the Solid Waste contract. The Community Aquatic Park Fund accounts for all revenues and expenditures for the community aquatic park.

The operating expenditures are those incurred by the delivery of those services. A more complete discussion of the financial operations of this fund can be found in Notes A and L. As shown below, both the revenues and expenditures were increased from the prior year.

AD VALOREM TAXES

State statutes require the value of the property as of January 1 of each year be used as the basis for calculating ad valorem tax for the ensuing fiscal year. The estimated adjusted taxable value of property in the City at January 1, 2013 was \$1,434,887,615 and was taxed at \$.327728 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$4,702,528.

Collections

Current taxes of \$4,330,781 representing 98.03% of the adjusted tax roll were collected during fiscal year 2013-2014. The collection rate was comparable to the year end. Current tax collections have exceeded 97% in each of the last ten years.

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and the Debt Service Fund according to the rates for allocation set when the budget ordinances are adopted. Allocation of property tax revenues by purpose for fiscal year 2012 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2008	2009	2010	2011	2012	2013
General Fund	.168320	.165133	.157307	.158338	.172497	.185090
G.O. Debt	<u>.130680</u>	<u>.133548</u>	<u>.152701</u>	<u>.150552</u>	<u>.153327</u>	<u>.142638</u>
Total	.299000	.298681	.310008	.308890	.325824	.327728

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2013. This is the eleventh year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized basic financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate

of Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget since October 1, 2002. The budget for October 1, 2014 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, The City Manager, the entire City staff, and the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Patty Howard
Director of Finance



Government Finance Officers Association

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

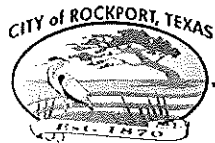
Presented to

**City of Rockport
Texas**

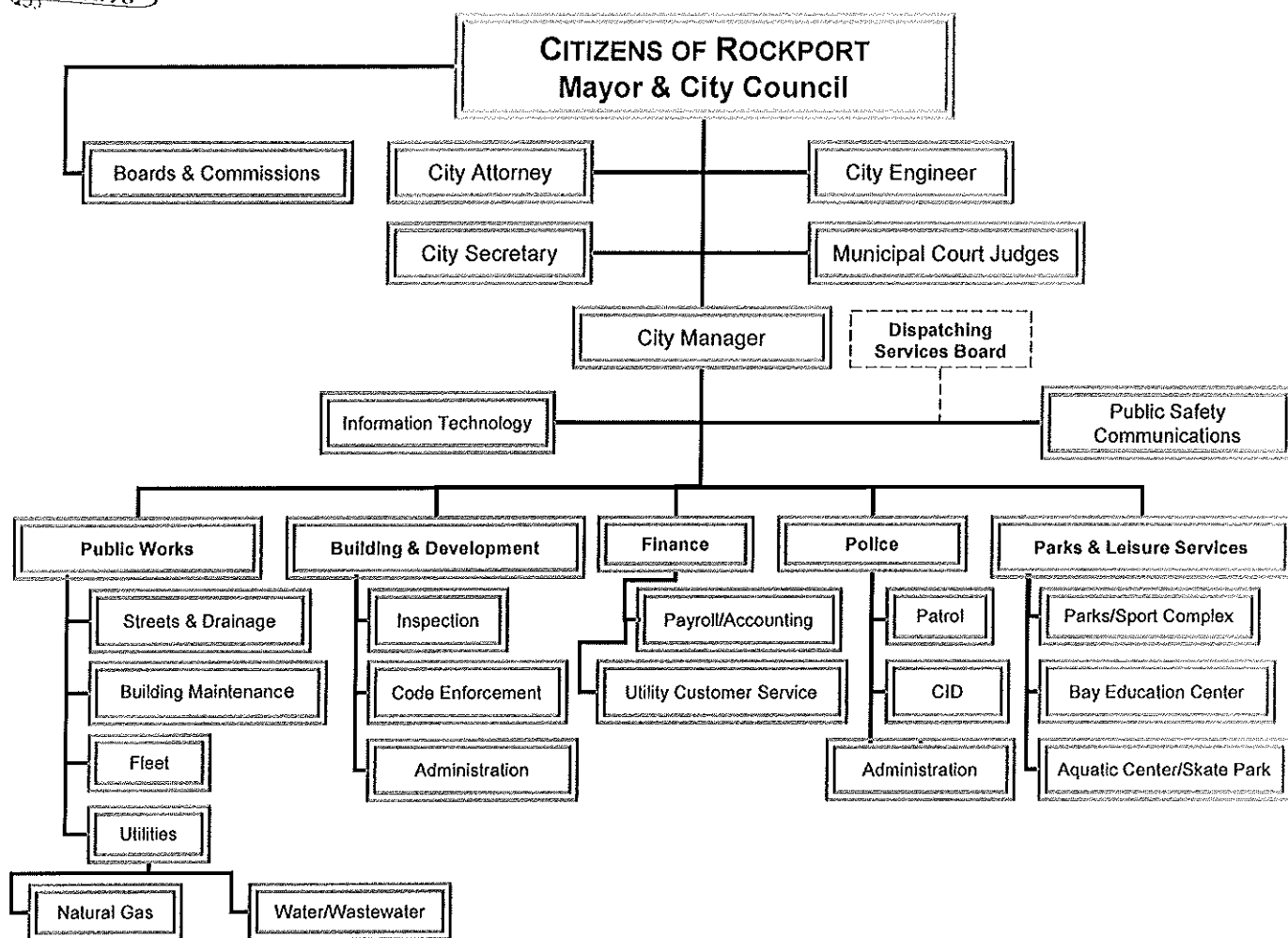
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



City of Rockport Organization Chart



CITY OF ROCKPORT, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2014

Elected Officials

Name	Office
Charles J. Wax	Mayor
Patrick R. (Pat) Rios	Mayor Pro-Tem
J.D. Villa	Council Member
James Russell (Rusty) Day, Jr.	Council Member
Barbara Gurtner	Council Member

Appointed Officials

Name	Position
Kevin Carruth	City Manager
Teresa Valdez	City Secretary
Patty Howard	Finance Director
Mike Donojo	Director of Utilities
Tim Jayroe	Chief of Police
Tom Staley	Parks and Leisure Services Director

Financial Section

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report

To the City Council
City of Rockport, Texas
622 E. Market
Rockport, Texas 78382

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015 on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rockport, Texas's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

Rockport, TX
February 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 13.

Financial Highlights

- The assets of the City of Rockport exceeded its liabilities at the close of 2014 by \$39,845,653 (net assets). Of this amount, \$3,050,055 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,010,220 in 2014.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,929,368, a decrease of 6% in comparison with the prior year. Approximately \$3,011,065 (23%) of this total amount is available for spending at the government's discretion.
- The General fund reported an unassigned fund balance of \$3,011,065 or, 49% of total general fund expenditures.
- The City's total long-term debt increased by \$2,384,448 (17%) during the current fiscal year.

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's basic financial statements comprise three components: 1) government-wide financial statements, 2) notes to financial statements, and 3) combining and individual funds. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 of Rockport 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 include general government, public safety, public works, tourism, culture and recreation and interest and fiscal charges. The business-type activities of the City include the Water, Wastewater and Natural Gas Utility System, Sanitation, and the Community Aquatic and Skate Park.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockport, 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 of Rockport can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Currently, the City does not have any fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for a General Fund, Debt Service Fund, and the Capital Improvements Funds, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Proprietary Funds. The City maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility System, Natural Gas System, Sanitation and the Community Aquatic Park.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility System, Natural Gas System, Sanitation and the Community Aquatic Park. Only the Utility System Fund is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 16 through 27 of this report.

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. The notes to the financial statements can be found on pages 28 through 47 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockport's operations. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockport, assets exceeded liabilities by \$39,845,653 at the close of the most recent fiscal year.

\$59.0 million or 70%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire these assets which 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.

Net Assets at September 30, 2014

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
Assets						
Current and Other Assets	\$ 5,172,754	\$ 5,880,655	\$ 7,029,865	\$ 4,897,447	\$ 12,202,619	\$ 10,778,102
Restricted Assets	8,134,648	7,046,943	1,624,446	7,587,807	9,759,094	14,634,750
Capital Assets, net of accumulated depreciation	23,300,485	24,859,884	33,701,551	34,117,818	57,002,036	58,977,702
Total Assets	36,607,887	37,787,482	42,355,862	46,603,072	78,963,749	84,390,554
Deferred Outflow of Resources	\$ 518,371	998,726	\$ 290,206	353,625	\$ 808,577	1,352,351
Total Assets and Deferred	\$37,126,258	\$ 38,786,208	\$42,646,068	46,956,697	\$79,772,326	\$ 85,742,905
Liabilities						
Current & Due Within One Year	2,279,449	2,646,622	3,208,829	3,648,176	5,488,278	6,294,798
Due in More Than One Year	21,103,471	20,464,994	16,248,675	19,063,930	37,352,146	39,528,924
Total Liabilities	23,382,920	23,111,616	19,457,504	22,712,106	42,840,427	45,823,722
Deferred Inflow Resources	-	-	96,467	84,408	96,467	84,408
Total Liabilities and Deferred	23,382,920	23,111,616	19,553,971	22,796,514	42,936,894	45,908,130
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	11,137,914	13,719,863	16,147,439	22,172,690	28,285,353	35,892,553
Restricted for:						
Debt Service	451,153	591,401	183,366	182,073	634,519	773,474
Capital Projects						
Unrestricted	1,154,271	1,363,328	6,761,292	1,1816,298	7,915,563	3,179,626
Total Net Assets	\$13,743,338	\$15,674,592	\$23,092,097	\$24,171,061	\$36,835,435	\$ 39,845,653

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (8%) may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by issuance of long term debt and cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice in the future.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. These positive balances are indicative of the conservative fiscal practices of the City with combine careful budgeting procedures and moderate operating activities at all staff levels.

Changes in Net Assets

Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
Program revenues						
Charges for services	\$ 622,316	\$ 986,491	\$ 10,798,384	\$ 11,791,143	\$11,420,700	\$ 12,777,634
Operating grants and contributions	366,214	234,191	42,000	51,250	408,214	285,441
Capital grants and contributions	<u>739,309</u>	<u>699,802</u>	<u>256,450</u>	<u>-</u>	<u>995,759</u>	<u>699,802</u>
Total program revenues	1,727,839	1,920,484	\$ 11,096,834	\$ 11,842,393	\$12,824,673	13,762,877
General revenues						
Property taxes	4,379,318	4,534,427	-	-	4,379,318	4,534,427
Sales taxes	2,051,342	2,231,798	-	-	2,051,342	2,231,798
Franchise and other taxes	860,734	803,439	-	-	860,734	803,439
Occupancy taxes	698,934	839,931	-	-	698,934	839,931
Interest	48,287	42,240	16,076	11,848	64,363	54,088
Miscellaneous	<u>54,618</u>	<u>173,247</u>	<u>-</u>	<u>-</u>	<u>54,618</u>	<u>173,247</u>
Total revenues	8,093,233	8,625,082	16,076	11,848	8,109,309	8,636,930
Expenses						
General government	1,534,488	1,464,770	-	-	1,534,488	1,464,770
Public safety	3,390,096	4,035,843	-	-	3,390,096	4,035,843
Public Works	1,563,687	1,576,188	-	-	1,563,687	1,576,188
Culture and recreation	914,460	961,048	-	-	914,460	961,048
Tourism	536,505	640,589	-	-	536,505	640,589

Environmental	-	-	-	-	-	-
Water and Sewer	-	-	7,840,317	7,668,005	7,840,317	7,668,005
Sanitation	-	-	-	-	-	-
Beach Park	-	-	-	-	-	-
Community Aquatic Center	-	-	333,267	397,675	333,267	397,675
Natural Gas	-	-	1,256,075	1,844,475	1,256,075	1,844,475
Interest and fiscal charges	<u>908,935</u>	<u>769,851</u>	<u>-</u>	<u>-</u>	<u>908,935</u>	<u>769,851</u>
Total expense	<u>8,848,171</u>	<u>9,448,289</u>	<u>9,429,659</u>	<u>9,910,155</u>	<u>18,277,830</u>	<u>19,358,444</u>

Change in net assets

Increase(Decrease) before transfers	972,901	1,097,277	1,683,251	1,944,086	2,656,152	3,041,363
Loss on disposition of assets	-	-	-	-	-	-
Transfers	849,138	833,977	(849,138)	(833,977)	-	-
Prior Period Adj	<u>(246,115)</u>	<u>-</u>	<u>(352,622)</u>	<u>-</u>	<u>(598,737)</u>	<u>-</u>
Net assets at beginning of year	\$12,167,414	\$13,743,338	22,718,054	23,092,095	34,778,020	36,835,433
Net assets at end of year	<u>\$13,743,338</u>	<u>\$15,674,592</u>	<u>\$23,092,097</u>	<u>\$24,171,061</u>	<u>\$36,835,435</u>	<u>39,845,653</u>

The table above illustrates the comparative detail of changes in net assets of the City of Rockport.

Governmental Activities. Governmental activities include the functions of general government, tourism, cultural and recreations, public safety and public works. Payment of interest on long-term debt is also considered a governmental activity and it is considered a class of activity but not a function of government. These are the basic services and cost centers any city provides to its citizens.

As shown in Table 2 and the Exhibit A-2 of the Basic Financial Statements, the expenses incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenditures, \$7,527,805, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$9,459,059. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,931,254.

Business-Type Activities. As shown in Table 2 and in the Statement of Activities, program revenues of the City's business-type activities were \$11,842,393 for the fiscal year ended September 30, 2014. Expenses for the City's business-type activities were \$9,910,155, resulting in net revenues of \$1,932,238. After the non-program expenses, \$865,120 and revenues, \$11,848 are added in, the total change in net assets for the business type activities was \$1,078,966.

In the Utility System Fund, the City has little control over the costs of the two products: water and natural gas delivered to the City's customers. Water is purchased from the San Patricio Municipal Water District, and natural gas is purchased from two sources, South Cross Energy and Gulf Coast Gas Gathering. Water rates were increased by 6.75% this year, other than pass through increase due to increases from the supplier. The additional revenue generated will be used to pay debt service for capital improvements. Wastewater rates were also increased this year by 6.75%. The additional funds generated by this increase will be used to make payments on the Cured in Place Pipe (CIPP) Project portion of the 2007 Bond Issue and other projects. The City purchased Aransas Natural Gas Company, a privately owned company, on May 30, 2008. Natural Gas rates were not increased this year. The fuel adjustment rate is calculated each month based on the rate natural gas is purchased for. The City contracts with McLain Decision Support Systems each year to do a rate study to ensure that the revenues generated by the Utility System Fund will support the associated expenditures. This study includes the natural gas revenue also.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Rockport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds fall into two categories: governmental funds and proprietary funds.

Governmental Funds. The focus of the City 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, unreserved 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's governmental funds reported combined ending balances of \$11,929,368, a decrease of \$692,667 compared to the prior year.

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 \$3,011,065. This fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. In order to illustrate the City's ability to withstand a major disaster such as a hurricane, it is worthwhile to measure the unreserved fund balance in terms of the number of days of operations it could sustain. For 2014, the daily cost of operation in the general fund was \$16,920 (total current expenditures of \$6,175,687 divided by 365 days in the year). The City of Rockport's unassigned general fund balance would be able to sustain 178 days in the event of disaster that interrupted normal revenue generation. The City of Rockport makes every effort to keep the unreserved fund balance at 180 days.

General Fund Budgetary Highlights.

During FY 2013-14, the General Fund budget was not amended.

Proprietary Funds. The proprietary funds ended 2014 with combined net assets totaling \$24,171,061. The proprietary funds include the Utility System Fund, Natural Gas Fund, Sanitation, and the Community Aquatic & Skate Park. The Water and Sewer Fund and the Natural Gas Fund are the only major funds in this group.

Proprietary Fund Budgetary Highlights.

During FY 2013-14, the proprietary finds were not amended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Rockport's investment in capital assets for its governmental and business type activities as of September 30, 2014 totals at \$58,977,715 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year was 3.5%.

Major capital asset events during 2014 include the following:

- South Rockport Regional Drainage GLO 100% Grant– The City of Rockport received a \$1,000,000.00 grant from General Land Office (GLO) for purchasing and upgrading existing storm water sewer system including storm sewer pipe ranging in size from twenty-four inches to forty-two inches, concrete box culverts ranging in size from four feet to eight feet wide, road and driveway culverts, junction boxes, End Slope Treatments (EST), and concrete headwalls. In addition, the City of Rockport will perform repairs to city streets and state highways, adjust impacted waterlines, and perform site work associated with the construction. Construction will take place at the following locations: 1st street from Bronte street (SH35) to S. Ann street; Intersection of 2nd street and Bronte street (SH 35); Intersection of E. 5th street and S. Mathis street; Intersection of E. 5th street and S. Pearl street. Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- South Side Wastewater system Improvement – Construction of a sewer collection system off-site force main began in December, 2012 and has been completed. Cost of the project was \$1,284,530 and was paid from 2007 Construction bond funds. The city constructed the sewer collection system off-site force main which included the existing lift stations, other than the Islands of Rockport Lift Station which the Developer constructed upon approval by the city. The city also constructed all force mains from the Islands of Rockport Lift Station to the existing lift station on First Street and gravity collection lines. To recover some of the costs associated with the project, the City intends to collect pro rata fees from developers who

request sewer service from the city and must connect to the sewer collection system off-site force main in order to obtain such service. This project greatly increases the ability to receive sewer service on the south part of Rockport.

For a complete analysis of the changes in capital assets, the reader is encouraged to review Note D of the Notes of the Basic Financial Statements.

Long-Term Debt. The City of Rockport issued \$3,610,000 in new Combination Tax and Revenue Certificates of Obligation, Series 2014 on June 24, 2014. The proceeds from the sale of the certificates will be used for the purpose of paying the City's combined waterworks and sewer system (including but not limited to rehabilitation of water tanks), the City's gas system (including but not limited to the construction and equipping of a condensed natural gas fueling facility and funding a distribution integrity management program line replacement), to pay all or a portion of the legal, fiscal and engineering fees in connection with the Projects, and to pay costs of issuance of the Certificates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2014-15 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The housing starts, development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,987 in 2006 to 6186 in 2010, equating to a 4% increase. The population for Rockport is 9,357 as of 2011 which is up from 8,766 in the 2010 U. S. Census.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Rockport as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Rockport, 622 E. Market Street, Rockport, Texas 78382.

Basic Financial Statements

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,914,286	\$ 6,688,566	\$ 11,602,852
Receivables (net of allowances for uncollectibles):			
Property taxes	143,202	--	143,202
Other taxes	492,108	--	492,108
Accounts	93,458	1,331,202	1,424,660
Special assessments	7,208	4,137	11,345
Intergovernmental	115,086	--	115,086
Internal balances	356	(356)	--
Inventories	114,951	111,733	226,684
Restricted assets:			
Cash and investments	7,046,943	4,349,972	11,396,915
Capital assets:			
Land	4,902,767	214,953	5,117,720
Construction in progress	120,877	1,095,682	1,216,559
Buildings	4,842,944	4,237,938	9,080,882
Improvements other than buildings	1,884,604	1,944,240	3,828,844
Utility system	--	44,185,689	44,185,689
Machinery and equipment	3,903,620	2,205,397	6,109,017
Infrastructure	15,023,833	--	15,023,833
Accumulated depreciation	(5,818,761)	(19,766,081)	(25,584,842)
Total Assets	<u>37,787,482</u>	<u>46,603,072</u>	<u>84,390,554</u>
Deferred Outflows of Resources			
Deferred Loss on Bond Refunding	998,726	353,625	1,352,351
Total Deferred Outflows of Resources	<u>998,726</u>	<u>353,625</u>	<u>1,352,351</u>
LIABILITIES			
Accounts payable	615,963	1,129,321	1,745,284
Accrued liabilities	95,694	35,465	131,159
Accrued interest payable	65,527	81,412	146,939
Payable from restricted assets	--	22,696	22,696
Customer Deposits	--	1,094,105	1,094,105
Noncurrent liabilities:			
Due within one year	1,869,438	1,285,177	3,154,615
Due in more than one year	20,464,994	19,063,930	39,528,924
Total Liabilities	<u>23,111,616</u>	<u>22,712,106</u>	<u>45,823,722</u>
Deferred Inflow of Resources			
Deferred Gain on Bond Refunding	--	84,408	84,408
Total Deferred Inflow of Resources	<u>--</u>	<u>84,408</u>	<u>84,408</u>
NET POSITION:			
Net Investment in Capital Assets	13,719,863	22,172,690	35,892,553
Restricted For:			
Debt Service	591,401	182,073	773,474
Unrestricted	1,363,328	1,805,420	3,168,748
Total Net Position	<u>\$ 15,674,592</u>	<u>\$ 24,160,183</u>	<u>\$ 39,834,775</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,464,770	\$ 16,624	\$ --	\$ --
Public safety	4,035,843	727,069	214,664	102,508
Public works	1,576,188	242,798	--	--
Culture and recreation	961,048	--	19,527	597,294
Tourism	640,589	--	--	--
Interest and fiscal charges	769,851	--	--	--
Total governmental activities	<u>9,448,289</u>	<u>986,491</u>	<u>234,191</u>	<u>699,802</u>
Business-type Activities:				
Sanitation	--	16,994	--	--
Water & Sewer	7,699,148	9,219,874	10,500	--
Community Aquatic Center	397,675	165,231	40,750	--
Natural Gas	1,844,475	2,389,044	--	--
Total Business-type Activities	<u>9,941,298</u>	<u>11,791,143</u>	<u>51,250</u>	<u>--</u>
Total Primary Government	<u>\$ 19,389,587</u>	<u>\$ 12,777,634</u>	<u>\$ 285,441</u>	<u>\$ 699,802</u>

General Revenues:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Services
Sales Taxes
Franchise Taxes and Other Taxes
Occupancy Taxes
Unrestricted Investment Earnings
Other Revenues
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,448,146)		\$ (1,448,146)
(2,991,602)		(2,991,602)
(1,333,390)		(1,333,390)
(344,227)		(344,227)
(640,589)		(640,589)
(769,851)		(769,851)
<u>(7,527,805)</u>		<u>(7,527,805)</u>
--	\$ 16,994	16,994
--	1,531,226	1,531,226
--	(191,694)	(191,694)
--	544,569	544,569
<u>--</u>	<u>1,901,095</u>	<u>1,901,095</u>
<u>(7,527,805)</u>	<u>1,901,095</u>	<u>(5,626,710)</u>
2,570,420	--	2,570,420
1,964,007	--	1,964,007
2,231,798	--	2,231,798
803,439	--	803,439
839,931	--	839,931
42,240	11,848	54,088
173,247	--	173,247
833,977	(833,977)	--
<u>9,459,059</u>	<u>(822,129)</u>	<u>8,636,930</u>
1,931,254	1,078,966	3,010,220
13,743,338	23,092,095	36,835,433
<u>\$ 15,674,592</u>	<u>\$ 24,171,061</u>	<u>\$ 39,845,653</u>

CITY OF ROCKPORT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Debt Service
ASSETS		
Assets:		
Cash and investments	\$ 2,679,280	\$ 528,104
Receivables (net of allowances for uncollectibles):		
Property taxes	79,905	63,297
Other taxes	203,221	--
Accounts	1,654	--
Special assessments	--	--
Intergovernmental	--	--
Due from other funds	421,030	--
Inventories	58,047	--
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>3,443,137</u>	<u>591,401</u>
Liabilities:		
Accounts payable	\$ 211,969	\$ --
Accrued expenditures	82,151	--
Due to other funds	--	--
Total Liabilities	<u>294,120</u>	<u>--</u>
Deferred Outflows of Resources		
Unavailable property taxes	79,905	63,297
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Outflows of Resources	<u>79,905</u>	<u>63,297</u>
Total Liabilities and Deferred Outflows of Resources	<u>374,025</u>	<u>63,297</u>
Fund balances:		
Nonspendable	58,047	--
Restricted	--	528,104
Committed	--	--
Assigned	--	--
Unassigned	3,011,065	--
Total fund balances	<u>3,069,112</u>	<u>528,104</u>
Total Liabilities and Fund balances	<u>\$ 3,363,232</u>	<u>\$ 528,104</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,706,902	\$ 4,914,286
--	--	143,202
--	288,887	492,108
--	16,804	18,458
--	7,208	7,208
--	115,086	115,086
--	--	421,030
--	--	58,047
4,555,475	2,491,468	7,046,943
<u>4,555,475</u>	<u>4,626,355</u>	<u>13,216,368</u>
\$ 126,410	\$ 267,812	\$ 606,191
--	10,818	92,969
--	420,674	420,674
<u>126,410</u>	<u>699,304</u>	<u>1,119,834</u>
--	--	143,202
--	7,208	7,208
--	16,756	16,756
<u>--</u>	<u>23,964</u>	<u>167,166</u>
<u>126,410</u>	<u>723,268</u>	<u>1,287,000</u>
--	--	58,047
4,429,065	3,538,344	8,495,513
--	12,140	12,140
--	428,654	428,654
--	(76,051)	2,935,014
<u>4,429,065</u>	<u>3,903,087</u>	<u>11,929,368</u>
\$ <u>4,555,475</u>	\$ <u>4,602,391</u>	\$ <u>13,049,202</u>

CITY OF ROCKPORT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet	\$ 11,929,368
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,851,160
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	143,202
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	53,131
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,168,142)
Payables for capital leases which are not due in the current period are not reported in the funds.	(962,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(65,527)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(346,024)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	738,486
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	75,000
OBEP Obligation is not reported in the funds.	(1,598,026)
Utility bill taxes unavailable to pay for current period expenditures are deferred in the funds.	16,756
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,208
Net position of governmental activities - Statement of Net Position	\$ <u>15,674,592</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service
Revenue:		
Taxes	\$ 5,593,714	\$ 1,967,017
Licenses and permits	218,504	--
Intergovernmental	54,765	--
Charges for services	24,294	--
Fines	209,845	--
Interest	17,039	551
Miscellaneous	92,661	--
Total revenues	<u>6,210,822</u>	<u>1,967,568</u>
Expenditures:		
Current:		
General government	1,317,705	--
Public safety	2,715,303	--
Public works	1,176,409	--
Culture and recreation	763,477	--
Tourism	--	--
Capital outlay	202,793	--
Debt service:		
Principal	--	1,303,177
Interest and fiscal charges	--	664,781
Bond issuance cost	--	106,527
Total expenditures	<u>6,175,687</u>	<u>2,074,485</u>
Excess (deficiency) of revenues (under) expenditures	35,135	(106,917)
Other financing sources (uses):		
Transfers in	937,093	72,051
Transfers out	(751,430)	--
Issuance of certificates of obligation	--	4,503,642
Premium on bonds sold	--	563,678
Interest on bonds sold	--	6,949
Payment to refunding escrow agent	--	(4,962,452)
Total other financing sources (uses)	<u>185,663</u>	<u>183,868</u>
Net change in fund balance	220,798	76,951
Fund balance, beginning of year	2,848,314	451,153
Fund balance, end of year	<u>\$ 3,069,112</u>	<u>\$ 528,104</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,041,457	\$ 8,602,188
--	--	218,504
73,953	1,183,560	1,312,278
--	--	24,294
--	44,940	254,785
11,278	6,423	35,291
--	6,633	99,294
<u>85,231</u>	<u>2,283,013</u>	<u>10,546,634</u>
--	27,558	1,345,263
--	1,008,758	3,724,061
--	--	1,176,409
--	50,902	814,379
--	640,589	640,589
1,305,582	833,984	2,342,359
--	31,694	1,334,871
--	3,924	668,705
--	--	106,527
<u>1,305,582</u>	<u>2,597,409</u>	<u>12,153,163</u>
(1,220,351)	(314,396)	(1,606,529)
--	587,343	1,596,487
--	(43,012)	(794,442)
--	--	4,503,642
--	--	563,678
--	--	6,949
--	--	(4,962,452)
<u>--</u>	<u>544,331</u>	<u>913,862</u>
(1,220,351)	229,935	(692,667)
5,649,416	3,673,152	12,622,035
<u>\$ 4,429,065</u>	<u>\$ 3,903,087</u>	<u>\$ 11,929,368</u>

CITY OF ROCKPORT, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds \$ (692,667)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	2,342,359
The depreciation of capital assets used in governmental activities is not reported in the funds.	(778,782)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(9,013)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,297,323
The change in the OBEP liability is not reported in the funds.	(161,202)
(Increase) decrease in accrued interest from beginning of period to end of period.	34,078
The net revenue (expense) of internal service funds is reported with governmental activities.	(4,183)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(1,638)
Certain utility bill receivables are deferred in the funds. This is the change in these amounts this year.	996
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,503,642)
Bond premiums are reported in the funds but not in the SOA.	(563,678)
Amortization of bond premiums are reported in the SOA, but not the funds.	48,917
Amortization of deferred refunding losses (gains) are not reported in the funds.	(74,834)
Other reconciling items	(2,780)

Change in net position of governmental activities - Statement of Activities \$ 1,931,254

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

EXHIBIT A-7

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 5,365,632	\$ 5,365,632	\$ 5,593,714	\$ 228,082
Licenses and permits	174,500	174,500	218,504	44,004
Intergovernmental	80,000	62,500	54,765	(7,735)
Charges for services	23,000	23,000	24,294	1,294
Fines	251,500	251,500	209,845	(41,655)
Interest	14,000	14,000	17,039	3,039
Miscellaneous	32,000	31,000	92,661	61,661
Total revenues	<u>5,940,632</u>	<u>5,922,132</u>	<u>6,210,822</u>	<u>288,690</u>
Expenditures:				
Current:				
General government	1,325,951	1,325,951	1,317,705	8,246
Public safety	2,632,556	2,632,556	2,715,303	(82,747)
Public works	1,466,664	1,466,664	1,176,409	290,255
Culture and recreation	750,017	750,017	763,477	(13,460)
Capital outlay	216,793	216,793	202,793	14,000
Total expenditures	<u>6,391,981</u>	<u>6,391,981</u>	<u>6,175,687</u>	<u>216,294</u>
Excess (deficiency) of revenues (under) expenditures	(451,349)	(469,849)	35,135	504,984
Other financing sources (uses):				
Transfers in	1,083,072	1,083,072	937,093	(145,979)
Transfers out	(589,029)	(589,029)	(751,430)	(162,401)
Total other financing sources (uses)	<u>494,043</u>	<u>494,043</u>	<u>185,663</u>	<u>(308,380)</u>
Net change in fund balance	42,694	24,194	220,798	196,604
Fund balance, beginning of year	2,848,314	2,848,314	2,848,314	--
Fund balance, end of year	<u>\$ 2,891,008</u>	<u>\$ 2,872,508</u>	<u>\$ 3,069,112</u>	<u>\$ 196,604</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2014

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,480,195	\$ 958,161
Receivables (net of allowances for uncollectibles):		
Accounts	904,887	139,665
Special assessments	4,137	--
Inventories	69,328	42,405
Total current assets	<u>6,458,547</u>	<u>1,140,231</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	1,826,007	2,523,965
Accounts receivable - noncurrent	81,874	--
Capital assets:		
Land	110,653	--
Construction in progress	--	1,095,682
Buildings	4,237,938	--
Improvements other than buildings	--	--
Water system	23,740,054	--
Sewer system	18,556,425	--
Natural gas system	--	1,889,210
Machinery and equipment	2,185,708	--
Accumulated depreciation	(18,524,136)	(388,458)
Total noncurrent assets	<u>32,214,523</u>	<u>5,120,399</u>
Total Assets	<u>38,673,070</u>	<u>6,260,630</u>
Deferred Outflows of Resources		
Deferred Loss on Bond Refunding	353,625	--
Total Deferred Outflows of Resources	<u>\$ 353,625</u>	<u>\$ --</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 625,685	\$ 76,139
Accrued expenses	29,765	3,765
Due to other funds	--	--
Accrued interest payable	81,412	--
Customer deposits	1,093,407	--
Payable from restricted assets	--	22,696
Compensated absences	20,000	--
Bonds and certificates of obligation - current portion	1,160,969	104,208
Total current liabilities	<u>3,011,238</u>	<u>206,808</u>
Noncurrent liabilities:		
Bonds and certificates of obligation payable	15,682,489	3,278,003
Compensated absences	88,728	14,710
Total noncurrent liabilities	<u>15,771,217</u>	<u>3,292,713</u>
Total liabilities	<u>18,782,455</u>	<u>3,499,521</u>
Deferred Inflows of Resources		
Deferred Gain on Bond Refunding	84,408	--
Total Deferred Inflows of Resources	<u>84,408</u>	<u>--</u>
NET ASSETS:		
Investment in Capital Assets, Net of Related Debt	18,972,483	1,985,475
Restricted for debt service	182,073	--
Unrestricted Net Assets	1,005,276	775,634
Total Net Assets	<u>\$ 20,159,832</u>	<u>\$ 2,761,109</u>

EXHIBIT A-8

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund Fleet Fund
\$ 250,210	\$ 6,688,566	\$ --
204,776	1,249,328	--
--	4,137	--
--	111,733	56,904
<u>454,986</u>	<u>8,053,764</u>	<u>56,904</u>
--	4,349,972	--
--	81,874	--
104,300	214,953	--
--	1,095,682	--
--	4,237,938	--
1,944,240	1,944,240	--
--	23,740,054	--
--	18,556,425	--
--	1,889,210	--
19,689	2,205,397	17,448
(853,487)	(19,766,081)	(8,724)
<u>1,214,742</u>	<u>38,549,664</u>	<u>8,724</u>
<u>1,669,728</u>	<u>46,603,428</u>	<u>65,628</u>
--	353,625	--
\$ --	\$ 353,625	\$ --
\$ 427,497	\$ 1,129,321	\$ 9,772
1,935	35,465	2,725
356	356	--
--	81,412	--
698	1,094,105	--
--	22,696	--
--	20,000	--
--	1,265,177	--
<u>430,486</u>	<u>3,648,532</u>	<u>12,497</u>
--	18,960,492	--
--	103,438	--
--	19,063,930	--
<u>430,486</u>	<u>22,712,462</u>	<u>12,497</u>
--	84,408	--
--	84,408	--
1,214,732	22,172,690	--
--	182,073	--
24,510	1,805,420	53,131
<u>\$ 1,239,242</u>	<u>\$ 24,160,183</u>	<u>\$ 53,131</u>

CITY OF ROCKPORT, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
OPERATING REVENUES:		
Charges for services	\$ 9,219,874	\$ 2,389,044
Total Operating Revenues	<u>9,219,874</u>	<u>2,389,044</u>
OPERATING EXPENSES:		
Personal services	1,612,383	374,519
Contractual services	450,932	105,710
Maintenance	414,902	148,808
Supplies	3,628,589	1,135,011
Other	37,313	17,453
Depreciation	897,034	62,974
Total Operating Expenses	<u>7,041,153</u>	<u>1,844,475</u>
Operating Income (Loss)	<u>2,178,721</u>	<u>544,569</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	11,163	685
Intergovernmental revenue	--	--
Interest expense	(657,995)	--
Total Non-operating Revenues (Expenses)	<u>(646,832)</u>	<u>685</u>
Net Income (Loss) before Operating Transfers	<u>1,531,889</u>	<u>545,254</u>
Capital Contributions	10,500	--
TRANSFERS:		
Interfund transfers in	266,261	--
Interfund transfers out	(1,067,709)	(164,684)
Change in Net Assets	<u>740,941</u>	<u>380,570</u>
Net Assets, beginning of year	19,429,769	2,380,539
Net Assets, end of year	<u>\$ 20,170,710</u>	<u>\$ 2,761,109</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
Fleet Fund		
\$ 182,225	\$ 11,791,143	\$ 504,134
<u>182,225</u>	<u>11,791,143</u>	<u>504,134</u>
173,743	2,160,645	160,486
26,471	583,113	18,783
27,418	591,128	19,017
102,593	4,866,193	339,917
1,384	56,150	301
66,066	1,026,074	1,745
<u>397,675</u>	<u>9,283,303</u>	<u>540,249</u>
<u>(215,450)</u>	<u>2,507,840</u>	<u>(36,115)</u>
--	11,848	--
40,750	40,750	--
--	(657,995)	--
<u>40,750</u>	<u>(605,397)</u>	--
<u>(174,700)</u>	<u>1,902,443</u>	<u>(36,115)</u>
--	10,500	--
132,155	398,416	34,432
--	(1,232,393)	(2,500)
<u>(42,545)</u>	<u>1,078,966</u>	<u>(4,183)</u>
1,281,787	23,092,095	57,314
<u>\$ 1,239,242</u>	<u>\$ 24,171,061</u>	<u>\$ 53,131</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds				Service Funds
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 9,156,262	\$ 2,362,713	182,225	\$ 11,701,200	\$ 504,135
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	--	--	--
Cash Payments to Employees for Services	(1,588,009)	(365,286)	(173,643)	(2,126,938)	(160,486)
Cash Payments to Other Suppliers for Goods and Services	(4,349,370)	(1,346,826)	(171,514)	(5,867,710)	(379,708)
Net Cash Provided (Used) by Operating Activities	3,218,883	650,601	(162,932)	3,706,552	(36,059)
Cash Flows from Non-capital Financing Activities:					
Operating Grants Received	--	--	40,750	40,750	--
Transfers From Other Funds	266,261	--	132,155	398,416	34,432
Transfers To Other Funds	(1,067,709)	(164,684)	--	(1,232,393)	(2,500)
Net Cash Provided (Used) by Non-capital Financing Activities	(801,448)	(164,684)	172,905	(793,227)	31,932
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Long-term Debt	1,381,815	3,382,211	--	4,764,026	--
Principal and Interest Paid	(1,637,775)	--	--	(1,637,775)	--
Acquisition or Construction of Capital Assets	(340,136)	(1,095,682)	(6,597)	(1,442,415)	--
Proceeds from sale of capital assets	--	--	--	--	--
Amounts paid for bond issuance	--	--	--	--	--
Contributed Capital	10,500	--	--	10,500	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(585,596)	2,286,529	(6,597)	1,694,336	--
Cash Flows from Investing Activities:					
Maturing of Investments	100,000	--	--	100,000	--
Interest and Dividends on Investments	11,163	685	--	11,848	--
Net Cash Provided (Used) for Investing Activities	111,163	685	--	111,848	--
Net Increase (Decrease) in Cash and Cash Equivalents	1,943,002	2,773,131	3,376	4,719,509	(4,127)
Cash and Cash Equivalents at Beginning of Year	5,363,200	708,995	246,834	6,319,029	4,127
Cash and Cash Equivalents at End of Year	\$ 7,306,202	\$ 3,482,126	250,210	\$ 11,038,538	\$ --
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 2,167,843	\$ 544,569	(215,350)	\$ 2,497,062	\$ (36,115)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	897,034	62,974	66,066	1,026,074	1,745
Provision for Uncollectible Accounts	--	--	--	--	--
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	(161,719)	(26,331)	(21,546)	(209,596)	--
Decrease (Increase) in Inventories	20,788	19,453	--	40,241	(10,944)
Decrease (Increase) in Prepaid Expenses	--	--	--	--	--
Increase (Decrease) in Accounts Payable	187,748	40,703	7,979	236,430	9,773
Increase (Decrease) in Payroll Deductions	--	--	--	--	--
Increase (Decrease) in Accrued Wages Payable	24,874	9,233	--	34,107	--
Increase (Decrease) in Interfund Payables	--	--	--	--	--
Increase (Decrease) in Customer Deposits	98,107	--	356	98,463	--
Increase (Decrease) in Accrued Expenses	(15,792)	--	(437)	(16,229)	(518)
Increase (Decrease) in Unearned Revenue	--	--	--	--	--
Total Adjustments	1,051,040	106,032	52,418	1,209,490	(1,689)
Net Cash Provided (Used) by Operating Activities	\$ 3,218,883	\$ 650,601	(162,932)	\$ 3,706,552	\$ (36,059)
Summary of cash and cash equivalents:					
Cash and cash equivalents - operating	\$ 5,480,195	\$ 958,161	\$ 250,210	\$ 6,688,566	\$ --
Cash and cash equivalents - restricted	1,826,007	2,523,965	--	4,349,972	--
	\$ 7,306,202	\$ 3,482,126	\$ 250,210	\$ 11,038,538	\$ --

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

The combined financial statements of City of Rockport, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to account for resources accumulated to make principal and interest payments on outstanding bonds.

2007 Certificate of Obligation Fund. This fund is used to account for the proceeds and related expenditures of the 2007 Certificate of Obligation issue.

The City reports the following major enterprise funds:

Water & Sewer Fund. This fund is used to account for the activities of providing water and sewer services to the citizens of the City.

Natural Gas Fund. This fund is used to account for the activities of providing natural gas to the citizens of the City.

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	20-40
Improvements other than Buildings	20
Machinery and Equipment	5-10

e. **Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. **Deferred Outflows and Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. **Compensated Absences**

On retirement or death of certain employees, the City pays any accrued sick leave and vacation leave in a lump case payment to such employee or his/her estate.

h. **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

i. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. Only the most binding constraint should be considered a commitment for fund balance classification purposes.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the governing body delegates its authority. The City Council has not delegated such authority to any official or other body.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City Manager presents to the City Council a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. The City Council may make adjustments to the budget.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. The budget is adopted at the level of total revenues and expenditures by fund. All budget appropriations lapse at year end. Line item amendments must be made by the City Council.

The following funds have legally adopted budgets: General Fund, Utility Surcharge Fund, Hotel/Motel Occupancy Tax Fund, Municipal Court Security & Technology Fund, City/County Dispatch Fund and Debt Service Fund.

The City prepares all budgets on a "GAAP" basis.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City County Dispatch	\$ 11,268	Temporary shortage.
Bay Education Center	773	Temporary shortage.
Stonegarden Grant	64,010	Temporary shortage.

All deficits will be replenished by General Fund.

3. Budgets

The City over expended budgeted amounts in the following funds:

Utility Bill Surcharge	\$ 5,565
City County Dispatch	57,403
Hotel Motel Occupancy Tax	47,444
Municipal Court Security and Tech	7,454
Debt Service Fund	96,265

The overages in the Utility Bill Surcharge, Hotel Motel Occupancy and Municipal Court Security and Tech Funds were caused by unanticipated revenues which tied to expenditures in each fund.

These over expenditures in the Debt Service Fund were bond issuance costs and were as a result of a bond refinancing that were not anticipated during the budgetary process.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in temporary investments was \$22,957,630 and the bank balance was \$22,957,630. The total deposits were covered by Federal Depository Insurance (FDIC) or by collateral held in the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investment at September 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Fair Value</u>
TexPool	N/A	\$ 7,544	\$ 7,544
Texas Term Daily	N/A	34,585	34,585
Certificates of Deposit	2 years	1,965,000	1,965,000
Total Investments		<u>\$ 2,007,129</u>	<u>\$ 2,007,129</u>

The Certificates of Deposit are included in cash deposits listed above.

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2014, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard and Poor's
Texas Term	AAAf	Standard and Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

D. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,902,767	\$ --	\$ --	\$ 4,902,767
Construction in progress	120,877	--	--	120,877
Total capital assets not being depreciated	5,023,644	--	--	5,023,644
Capital assets being depreciated:				
Infrastructure	12,972,056	2,051,777	--	15,023,833
Buildings and improvements	4,842,944	--	--	4,842,944
Improvements other than buildings	1,884,604	--	--	1,884,604
Machinery and Equipment	3,664,282	290,582	51,244	3,903,620
Total capital assets being depreciated	23,363,886	2,342,359	51,244	25,655,001
Less accumulated depreciation for:				
Infrastructure	(1,237,083)	(273,629)	--	(1,510,712)
Buildings and improvements	(1,197,684)	(125,332)	--	(1,323,016)
Improvements other than buildings	(440,710)	(85,645)	--	(526,355)
Machinery and Equipment	(2,214,001)	(295,921)	(51,244)	(2,458,678)
Total accumulated depreciation	(5,089,478)	(780,527)	(51,244)	(5,818,761)
Total capital assets being depreciated, net	18,274,408	1,561,832	--	19,836,240
Governmental activities capital assets, net	\$ 23,298,052	\$ 1,561,832	\$ --	\$ 24,859,884
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	--	1,095,682	--	1,095,682
Total capital assets not being depreciated	214,954	1,095,682	--	1,310,636
Capital assets being depreciated:				
Buildings and improvements	4,192,187	45,751	--	4,237,938
Improvements other than buildings	1,944,240	--	--	1,944,240
Utility System	43,990,074	195,622	--	44,185,696
Machinery and Equipment	2,100,098	105,300	--	2,205,398
Total capital assets being depreciated	52,226,599	346,673	--	52,573,272
Less accumulated depreciation for:				
Buildings and improvements	(360,467)	(107,281)	--	(467,748)
Improvements other than buildings	(776,112)	(64,308)	--	(840,420)
Utility System	(15,747,802)	(788,489)	--	(16,536,291)
Machinery and Equipment	(1,855,622)	(65,996)	--	(1,921,618)
Total accumulated depreciation	(18,740,003)	(1,026,074)	--	(19,766,077)
Total capital assets being depreciated, net	33,486,596	(679,401)	--	32,807,195
Business-type activities capital assets, net	\$ 33,701,550	\$ 416,281	\$ --	\$ 34,117,831

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$	37,268
Public Safety		231,181
Public Works		363,664
Culture and Recreation		146,669
	\$	<u>778,782</u>

Business-type activities:

Water and Sewer System	\$	897,034
Natural Gas System		62,974
Community Aquatic Center		66,066
	\$	<u>1,026,074</u>

Capital Leases

Included in the governmental activities capital assets listed above are the following capitalized leased assets:

Buildings	\$	1,607,000
Less accumulated amortization		(401,750)
Capitalized leases, net	\$	<u>1,205,250</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 420,674	Short-term loans
General Fund	Other Enterprise Fund	356	Short-term loans
	Total	<u>\$ 421,030</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014, consisted of the following:

Transfers Out	Total	Transfers In			
		General Fund	Nonmajor Governmental	Nonmajor Proprietary	Water & Sewer
Natural Gas Fund	\$ 164,694	\$	\$ --	\$	\$ 164,694
Water and Sewer Fund	966,132	937,093			
General Fund	751,430		584,743	132,255	
Debt Service Fund	--				
Nonmajor Governmental	43,012				
Internal Service Fund	2,500		2,500		
	<u>\$ 1,927,768</u>	<u>\$ 937,093</u>	<u>\$ 587,243</u>	<u>\$ 132,255</u>	<u>\$ 164,694</u>

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The General Fund received funds from the Water & Sewer and Natural Gas Funds to cover allocated amounts of administrative charges.

Other transfers were made to supplement other funds operations.

F. Short-Term Debt Activity

The City had no short-term debt activity for the year ended September 30, 2014.

G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2014:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 7,046,943	\$ 4,167,899
Debt Service	--	182,073
	<u>\$ 7,046,943</u>	<u>\$ 4,349,972</u>

H. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

Long-term debt consisted of the following at September 30, 2014:

	Interest Rate	General Long- Term Debt	Enterprise Fund Debt
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	271,472	198,528
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	7,696,832	1,583,062
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	858,186	611,814
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	8,725,000
General Refunding Bonds, Series 2010	2.00-4.00%	1,054,184	1,050,816
General Refunding Bonds, Series 2012	1.00-3.00%	3,893,024	2,846,976
General Obligation Refunding Bonds, Series 2014	2.00-4.25%	4,408,793	906,739
Combination Tax and Revenue Certificates of Obligation, Series 2014	2.00-3.00%	--	3,610,000
Total Bonded Debt		18,182,491	19,532,935
Unamortized bond premium		985,650	692,734
Capital leases payable		962,000	--

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

OPEB obligation payable	1,598,027	--
Pension obligation payable	260,240	--
Compensated absences	346,024	123,438
Total Long-Term Debt	\$ 22,334,432	\$ 20,349,107

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 13,063,805	\$ --	\$ 5,095,501	\$ 7,968,304	769,119
General obligation bonds	6,233,414	4,503,642	522,869	10,214,187	444,704
Bond premium	519,654	563,678	97,682	985,650	48,900
Capital leases	1,037,000	--	75,000	962,000	78,000
Pension obligation	260,240	--	--	260,240	--
OPEB obligation	1,436,824	377,393	216,190	1,598,027	388,715
Compensated absences *	344,386	155,520	153,882	346,024	140,000
Total governmental activities	\$ 22,895,323	\$ 5,600,233	\$ 6,161,124	\$ 22,334,432	\$ 1,869,438
Business-type activities:					
Certificates of obligation	\$ 12,531,195	\$ 3,610,000	\$ 1,184,605	\$ 14,956,590	420,881
General obligation bonds	4,436,586	906,739	766,980	4,576,345	795,296
Bond premium	348,109	393,128	48,503	692,734	49,000
Compensated absences *	87,878	127,680	92,120	123,438	20,000
Total business-type activities	\$ 17,403,768	\$ 5,037,547	\$ 2,092,208	\$ 20,349,107	\$ 1,285,177

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Claims and judgments	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund
Claims and judgments	Business-type	Water and Sewer Fund
Pension Obligation	Governmental	General Fund
OPEB	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,213,823	\$ 524,223	\$ 1,738,046
2016	1,412,611	477,324	1,889,935
2017	1,386,931	427,624	1,814,555
2018	1,389,579	376,345	1,765,924
2019	1,388,064	323,283	1,711,347
2020-2024	6,997,651	752,720	7,750,371

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2024-2027	4,393,832	63,232	4,457,064
Totals	<u>\$ 18,182,491</u>	<u>\$ 2,944,751</u>	<u>\$ 21,127,242</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 1,216,177	\$ 769,727	\$ 1,985,904
2016	1,267,389	724,619	1,992,008
2017	1,258,069	684,856	1,942,925
2018	1,265,421	641,779	1,907,200
2019	1,266,936	598,006	1,864,942
2020-2024	6,287,739	2,285,918	8,573,657
2025-2029	5,791,204	871,666	6,662,870
2029	1,180,000	129,203	1,309,203
Totals	<u>\$ 19,532,935</u>	<u>\$ 6,705,774</u>	<u>\$ 26,238,709</u>

3. Advance Refunding of Debt

In July 2014, the City issued \$5,430,000 of General Obligation Refunding Bonds to defease \$5,225,000 of Combination Tax and Revenue C.O.'s Series 2007. \$4,358,497 of the refunded debt was serviced by the Debt Service Fund and \$896,503 was debt of the Water and Sewer Enterprise Fund.

The proceeds from the refunding bonds have been deposited in irrevocable trusts which, together with interest earnings on those deposits, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. The trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2014, \$5,255,000 of bonds outstanding were considered defeased.

The present value of the debt savings was \$496,720, \$411,979 was attributable to Governmental Activities and \$84,740 to the Water and Sewer Enterprise Fund.

4 Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2014, as follows:

<u>Year Ending September 30,</u>	
2015	\$ 120,182
2016	120,911
2017	120,414
2018	120,661
2019	120,680
2020-2024	603,629
Total Minimum Rentals	<u>1,206,477</u>
Less amount representing interest	<u>(244,477)</u>
Present value of minimum lease payments	<u>\$ 962,000</u>
Rental Expenditures in 2014	<u>\$ 120,222</u>

The effective interest rate on capital leases is 4.39%.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I. Fund Balances

Fund balances consisted of the following at September 30, 2014:

Nonspendable:

General Fund - inventories	\$ 58,047
----------------------------	-----------

Restricted:

Debt Service Fund - retirement of debt	528,104
2007 Certificate of obligation fund - construction	4,429,065
Utility bill surcharge fund - fire protection	68,821
Contribution fund - specified by donor	2,080
Public Access TV - public access tv	119,092
Hotel/Motel Occupancy - tourism	714,839
Key Allegro PID - debt	232
Forfeiture fund - law enforcement	29,494
Municipal Court fund - security and technology	91,761
Bay Education Center Construction - construction	20,557
2005 Certificate of Obligation fund - construction	2,491,468
Total Restricted	<u>8,495,513</u>

Committed:

Border Star Grant - law enforcement	10,388
Flamingo/Luau Assessment - construction	1,752
Total Committed	<u>12,140</u>

Assigned:

General Capital improvement fund - capital outlay	178,100
Vehicle and Equipment Replacement - capital outlay	250,554
Total Assigned	<u>428,654</u>

Unassigned:

General fund	3,011,065
Stonegarden grant	(64,010)
Bay Education center	(773)
City/county dispatch	(11,268)
Total Unassigned	<u>2,935,014</u>

Total Fund Balances	<u>\$ 11,929,368</u>
---------------------	----------------------

J. Commitments Under Noncapitalized Leases

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2014.

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

L. Pension Plan

1. Plan Description

The City's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. TMRS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the City adopts the plan provisions within the options and constraints established by the legislature. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, TX 78714-9153 or calling (800) 924-8677. Additional nonauthoritative information is available at the TMRS web site, <http://www.tmr.org>.

The plan provisions are adopted by the governing body of the City, within the options available in the state governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.00%	7.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

2 Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation(asset) are as follows:

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Annual Pension Cost:	
Annual required contribution (ARC)	\$ 758,836
Interest on Net Pension Obligation	22,765
Adjustment to ARC	<u>(22,765)</u>
Annual Pension Cost	758,836
Contributions Made	<u>(758,836)</u>
Increase in net pension	--
NPO at beginning of year	<u>260,240</u>
NPO at End of Year	<u>\$ 260,240</u>

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	26.4 years: closed period	25.4 years: closed period	26 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

3 Funding Status and Funding Progress:

The funding status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/13</u>
Actuarial Value of Assets	\$ 20,004,129

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Actuarial Accrued Liability	\$ 23,420,794
Percentage Funded	85.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,416,665
Annual Covered Payroll	\$ 4,369,466
UAAL as a Percentage of Covered Payroll	78.2%

Trend Information for the Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/11	\$ 719,061	95.50%	\$ 254,411
09/30/12	679,157	99.43%	260,240
09/30/13	758,836	100.00%	260,240

Schedule of Funding Progress:

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	16,183,038	\$ 19,865,789	\$ 3,682,751	81.46%	\$ 4,476,201	82.3%
12/31/12	17,585,134	21,103,497	3,518,363	83.33%	4,654,360	75.6%
12/31/13	20,004,129	23,420,794	3,416,665	85.41%	4,369,466	78.2%

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

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

M. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$413 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2013, and terms of coverage and premium costs are included in the contractual provisions.

N. Post Employment Benefits Other Than Pensions

Health Care Benefit Eligibility Conditions:

Before 4/24/2001 - Retirement from City, employee eligible for health insurance, City pays 100% of premium.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

After 4/24/2001 - Retirement with ten years of service with the City of Rockport a retiree is eligible for 50% of the premium. The percentage of premium paid increases annually and at twenty years of service eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days of retirement.

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy

Health Care Benefit Provided by the Plan

Member:	Medical
Spouse:	N/A
Dependen	N/A

Early Retirement Benefits

Health Care Benefit Eligibility Conditions

Before 4/24/2001: Retirement from City, employee eligible for health insurance, City pays 100% of premium.

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The percentage of premium paid increases annually and at twenty years of service eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days of their retirement. At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan

Member:	Medical
Spouse:	N/A
Dependen	N/A

Deferred Retirement Benefits

None.

Duty and Non-Duty Death in Service Retirement Benefits

None.

Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

Before 4/24/2001: Retirement from City employee eligible for health insurance, City pays 100% of premium.

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The percentage of premium paid increases annually and at twenty years of service eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days of their retirement. At age 65, the retiree must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan

Member:	Medical
---------	---------

Non-Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

Before 4/24/2001: Retirement from City employee eligible for health insurance, City pays 100% of premium.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The percentage of premium paid increases annually and at twenty years of service retirees are eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days. At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan
 Member: Medical

Benefits for Spouses of Retired Employees

Benefits are paid by the retiree

Non-Medicare and Medicare-Eligible Provisions

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Vision Coverage

Benefits are paid by retiree

Dental Coverage

Benefits are paid by retiree

Life Insurance Coverage

The City of Rockport provides \$2,000 basic life insurance for retirees.

No dependent life is covered by the City of Rockport.

Retiree Opt-Out

N/A

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB and is required to have additional valuations every three years. The annual OPEB cost for the fiscal year ending September 30, 2013 was determined as follows:

Annual required contribution	\$ 377,393
Interest on OPEB obligation	11,322
Adjustment to ARC	(11,322)
Annual OPEB cost (expense end of year)	377,393
Net employer contributions (pay as you go)	(216,190)
Increase in net OPEB	161,203
Net OPEB obligation - as 09/30/13	1,436,824
Net OPEB obligation (asset)- as of 09/30/14	\$ 1,598,027

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The end of year net OPEB obligation is shown as a non-current liability on the Government-wide Statement of Net Assets in the Governmental Governmental Activities.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for the current and two preceeding years were as follows:

Year Ended September 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 355,729	39.18%	\$ 1,239,418
2013	366,401	46.12%	1,436,824
2014	377,393	57.29%	1,598,027

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2011, it's most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 3,722,633
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 3,722,633
Funded ratio	--
Covered Payroll	\$ 4,654,360
UAAL as % of covered payroll	79.98%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,722,633 at December 31, 2011.

Actuarial methods and assumptions

The Projected Unit credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payment are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Measurement date	December 31, 2011
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	30 years, open
Inflation rate	3.0% per annum
Medical Inflation	8.5% initial rate, 4.5% ultimate rate,
Payroll Growth rate	3% annually

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

O. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2014.

P. Subsequent Events

No events occurred subsequent to September 30, 2014 that require disclosure in the financial statements.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and investments	\$ 994,546	\$ 712,356	\$ 1,706,902
Receivables (net of allowances for uncollectibles):			
Other taxes	288,887	--	288,887
Accounts	16,756	48	16,804
Special assessments	735	6,473	7,208
Intergovernmental	115,086	--	115,086
Restricted assets:			
Cash and investments	--	2,491,468	2,491,468
Total Assets	<u>1,416,010</u>	<u>3,210,345</u>	<u>4,626,355</u>
Liabilities:			
Accounts payable	\$ 267,812	\$ --	\$ 267,812
Accrued expenditures	10,818	--	10,818
Due to other funds	159,233	261,441	420,674
Total Liabilities	<u>437,863</u>	<u>261,441</u>	<u>699,304</u>
Deferred Outflows of Resources			
Unavailable special assessments	735	6,473	7,208
Unavailable taxes - Utility Surcharge	16,756	--	16,756
Total Deferred Outflows of Resources	<u>17,491</u>	<u>6,473</u>	<u>23,964</u>
Total Liabilities and Deferred Outflows of Resources	<u>455,354</u>	<u>267,914</u>	<u>723,268</u>
Fund balances:			
Restricted	1,026,319	2,512,025	3,538,344
Committed	10,388	1,752	12,140
Assigned	--	428,654	428,654
Unassigned	(76,051)	--	(76,051)
Total fund balances	<u>960,656</u>	<u>2,942,431</u>	<u>3,903,087</u>
Total Liabilities and Fund balances	<u>\$ 1,398,519</u>	<u>\$ 3,203,872</u>	<u>\$ 4,602,391</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 1,041,457	\$ --	\$ 1,041,457
Intergovernmental	586,266	597,294	1,183,560
Fines	44,940	--	44,940
Interest	--	6,423	6,423
Miscellaneous	6,633	--	6,633
Total revenues	<u>1,679,296</u>	<u>603,717</u>	<u>2,283,013</u>
Expenditures:			
Current:			
General government	27,537	21	27,558
Public safety	1,008,758	--	1,008,758
Culture and recreation	50,902	--	50,902
Tourism	640,589	--	640,589
Capital outlay	102,508	731,476	833,984
Debt service:			
Principal	31,694	--	31,694
Interest and fiscal charges	3,924	--	3,924
Total expenditures	<u>1,865,912</u>	<u>731,497</u>	<u>2,597,409</u>
Excess (deficiency) of revenues (under) expenditures	(186,616)	(127,780)	(314,396)
Other financing sources (uses):			
Transfers in	397,643	189,700	587,343
Transfers out	(43,012)	--	(43,012)
Total other financing sources (uses)	<u>354,631</u>	<u>189,700</u>	<u>544,331</u>
Net change in fund balance	168,015	61,920	229,935
Fund balance, beginning of year	792,641	2,880,511	3,673,152
Fund balance, end of year	<u>\$ 960,656</u>	<u>\$ 2,942,431</u>	<u>\$ 3,903,087</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
ASSETS				
Assets:				
Cash and investments	\$ 197,813	\$ --	\$ --	\$ --
Receivables (net of allowances for uncollectibles):				
Other taxes	--	--	--	--
Accounts	16,756	--	--	--
Special assessments	--	--	--	--
Intergovernmental	--	100,500	--	--
Total Assets	<u>214,569</u>	<u>100,500</u>	<u>--</u>	<u>--</u>
Liabilities:				
Accounts payable	\$ 128,992	\$ 5,277	\$ 773	\$ --
Accrued expenditures	--	--	--	--
Due to other funds	--	159,233	--	--
Total Liabilities	<u>128,992</u>	<u>164,510</u>	<u>773</u>	<u>--</u>
Deferred Outflows of Resources				
Unavailable special assessments	--	--	--	--
Unavailable taxes - Utility Surcharge	16,756	--	--	--
Total Deferred Outflows of Resources	<u>16,756</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Liabilities and Deferred Outflows of Resources	<u>145,748</u>	<u>164,510</u>	<u>773</u>	<u>--</u>
Fund balances:				
Restricted	68,821	--	--	--
Committed	--	--	--	--
Unassigned	--	(64,010)	(773)	--
Total fund balances	<u>68,821</u>	<u>(64,010)</u>	<u>(773)</u>	<u>--</u>
Total Liabilities and Fund balances	<u>\$ 197,813</u>	<u>\$ 100,500</u>	<u>\$ --</u>	<u>\$ --</u>

<u>Contribution Fund</u>	<u>City/County Dispatch Service</u>	<u>Public Access TV</u>	<u>Hotel/Motel Occupancy</u>	<u>Key Allegro Property Impr. District</u>
\$ 2,080	\$ --	\$ 119,092	\$ 525,152	\$ 232
--	--	--	288,887	--
--	--	--	--	--
--	--	--	--	735
--	14,586	--	--	--
<u>2,080</u>	<u>14,586</u>	<u>119,092</u>	<u>814,039</u>	<u>967</u>
\$ --	\$ 15,036	\$ --	\$ 99,200	\$ --
--	10,818	--	--	--
--	--	--	--	--
<u>--</u>	<u>25,854</u>	<u>--</u>	<u>99,200</u>	<u>--</u>
--	--	--	--	735
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>735</u>
--	25,854	--	99,200	735
2,080	--	119,092	714,839	232
--	(11,268)	--	--	--
<u>2,080</u>	<u>(11,268)</u>	<u>119,092</u>	<u>714,839</u>	<u>232</u>
<u>\$ 2,080</u>	<u>\$ 14,586</u>	<u>\$ 119,092</u>	<u>\$ 814,039</u>	<u>\$ 232</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

	Border Star Grant	Child Safety
ASSETS		
Assets:		
Cash and investments	\$ 10,388	\$ 2,142
Receivables (net of allowances for uncollectibles):		
Other taxes	--	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Total Assets	<u>10,388</u>	<u>2,142</u>
Liabilities:		
Accounts payable	\$ --	\$ 2,142
Accrued expenditures	--	--
Due to other funds	--	--
Total Liabilities	<u>--</u>	<u>2,142</u>
Deferred Outflows of Resources		
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>
Total Liabilities and Deferred Outflows of Resources	<u>--</u>	<u>2,142</u>
Fund balances:		
Restricted	--	--
Committed	10,388	
Unassigned		--
Total fund balances	<u>10,388</u>	<u>--</u>
Total Liabilities and Fund balances	<u>\$ 10,388</u>	<u>\$ 2,142</u>

<u>Forfeiture</u>	<u>Municipal Court Security & Tech. Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit B-1)</u>
\$ 45,886	\$ 91,761	\$ 994,546
--	--	288,887
--	--	16,756
--	--	735
--	--	115,086
<u>45,886</u>	<u>91,761</u>	<u>1,416,010</u>
\$ 16,392	\$ --	\$ 267,812
--	--	10,818
--	--	159,233
<u>16,392</u>	<u>--</u>	<u>437,863</u>
--	--	735
--	--	16,756
<u>--</u>	<u>--</u>	<u>17,491</u>
<u>16,392</u>	<u>--</u>	<u>455,354</u>
29,494	91,761	1,026,319
--	--	10,388
<u>29,494</u>	<u>91,761</u>	<u>(76,051)</u>
<u>45,886</u>	<u>91,761</u>	<u>960,656</u>
\$ <u>45,886</u>	\$ <u>91,761</u>	\$ <u>1,398,519</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Revenue:				
Taxes	\$ 183,580	\$ --	\$ --	\$ --
Intergovernmental	--	306,934	--	--
Fines	--	--	--	7,315
Miscellaneous	--	--	35	--
Total revenues	<u>183,580</u>	<u>306,934</u>	<u>35</u>	<u>7,315</u>
Expenditures:				
Current:				
General government	--	--	--	18,883
Public safety	128,992	277,136	--	--
Culture and recreation	--	--	50,023	--
Tourism	--	--	--	--
Capital outlay	--	102,508	--	--
Debt service:				
Principal	31,694	--	--	--
Interest and fiscal charges	3,924	--	--	--
Total expenditures	<u>164,610</u>	<u>379,644</u>	<u>50,023</u>	<u>18,883</u>
Excess (deficiency) of revenues (under) expenditures	18,970	(72,710)	(49,988)	(11,568)
Other financing sources (uses):				
Transfers in	--	--	50,085	11,568
Transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>50,085</u>	<u>11,568</u>
Net change in fund balance	18,970	(72,710)	97	--
Fund balance, beginning of year	49,851	8,700	(870)	--
Fund balance, end of year	<u>\$ 68,821</u>	<u>\$ (64,010)</u>	<u>\$ (773)</u>	<u>\$ --</u>

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ --	\$ --	\$ 17,946	\$ 839,931	\$ --
--	279,332	--	--	--
--	--	--	--	--
2,679	3,469	--	450	--
<u>2,679</u>	<u>282,801</u>	<u>17,946</u>	<u>840,381</u>	<u>--</u>
--	--	--	--	--
--	590,259	--	--	--
879	--	--	--	--
--	--	--	640,589	--
--	--	--	--	--
--	--	--	--	--
<u>879</u>	<u>590,259</u>	<u>--</u>	<u>640,589</u>	<u>--</u>
1,800	(307,458)	17,946	199,792	--
--	335,990	--	--	--
--	--	--	(43,012)	--
<u>--</u>	<u>335,990</u>	<u>--</u>	<u>(43,012)</u>	<u>--</u>
1,800	28,532	17,946	156,780	--
280	(39,800)	101,146	558,059	232
<u>\$ 2,080</u>	<u>\$ (11,268)</u>	<u>\$ 119,092</u>	<u>\$ 714,839</u>	<u>\$ 232</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Border Star Grant	Child Safety
Revenue:		
Taxes	\$ --	\$ --
Intergovernmental	--	--
Fines	--	3,063
Miscellaneous	--	--
Total revenues	<u>--</u>	<u>3,063</u>
Expenditures:		
Current:		
General government	--	--
Public safety	--	3,088
Culture and recreation	--	--
Tourism	--	--
Capital outlay	--	--
Debt service:		
Principal	--	--
Interest and fiscal charges	--	--
Total expenditures	<u>--</u>	<u>3,088</u>
Excess (deficiency) of revenues (under) expenditures	--	(25)
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	--	(25)
Fund balance, beginning of year	10,388	25
Fund balance, end of year	<u>\$ 10,388</u>	<u>\$ --</u>

Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
\$ --	\$ --	\$ 1,041,457
--	--	586,266
25,253	9,309	44,940
--	--	6,633
<u>25,253</u>	<u>9,309</u>	<u>1,679,296</u>
--	8,654	27,537
9,283	--	1,008,758
--	--	50,902
--	--	640,589
--	--	102,508
--	--	31,694
--	--	3,924
<u>9,283</u>	<u>8,654</u>	<u>1,865,912</u>
15,970	655	(186,616)
--	--	397,643
--	--	(43,012)
<u>--</u>	<u>--</u>	<u>354,631</u>
15,970	655	168,015
13,524	91,106	792,641
<u>\$ 29,494</u>	<u>\$ 91,761</u>	<u>\$ 960,656</u>

CITY OF ROCKPORT, TEXAS
UTILITY BILL SURCHARGE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-5

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 167,490	\$ 167,490	\$ 183,580	\$ 16,090
Total revenues	<u>167,490</u>	<u>167,490</u>	<u>183,580</u>	<u>16,090</u>
Expenditures:				
Current:				
Public safety	123,525	123,525	128,992	(5,467)
Debt service:				
Principal	30,661	30,661	31,694	(1,033)
Interest and fiscal charges	4,859	4,859	3,924	935
Total expenditures	<u>159,045</u>	<u>159,045</u>	<u>164,610</u>	<u>(5,565)</u>
Excess (deficiency) of revenues (under) expenditures	8,445	8,445	18,970	10,525
Other financing sources (uses):				
Transfers out	(8,375)	(8,375)	--	8,375
Total other financing sources (uses)	<u>(8,375)</u>	<u>(8,375)</u>	<u>--</u>	<u>8,375</u>
Net change in fund balance	70	70	18,970	18,900
Fund balance, beginning of year	49,851	49,851	49,851	--
Fund balance, end of year	<u>\$ 49,921</u>	<u>\$ 49,921</u>	<u>\$ 68,821</u>	<u>\$ 18,900</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
CITY/COUNTY DISPATCH SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-6

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ 253,455	\$ 253,455	\$ 279,332	\$ 25,877
Miscellaneous	--	--	3,469	3,469
Total revenues	<u>253,455</u>	<u>253,455</u>	<u>282,801</u>	<u>29,346</u>
Expenditures:				
Current:				
Public safety	532,856	532,856	590,259	(57,403)
Total expenditures	<u>532,856</u>	<u>532,856</u>	<u>590,259</u>	<u>(57,403)</u>
Excess (deficiency) of revenues (under) expenditures	(279,401)	(279,401)	(307,458)	(28,057)
Other financing sources (uses):				
Transfers in	279,401	279,401	335,990	56,589
Total other financing sources (uses)	<u>279,401</u>	<u>279,401</u>	<u>335,990</u>	<u>56,589</u>
Net change in fund balance	--	--	28,532	28,532
Fund balance, beginning of year	(39,800)	(39,800)	(39,800)	--
Fund balance, end of year	<u>\$ (39,800)</u>	<u>\$ (39,800)</u>	<u>\$ (11,268)</u>	<u>\$ 28,532</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-7

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 665,000	\$ 665,000	\$ 839,931	\$ 174,931
Miscellaneous	--	--	450	450
Total revenues	<u>665,000</u>	<u>665,000</u>	<u>840,381</u>	<u>175,381</u>
Expenditures:				
Current:				
Tourism	<u>593,145</u>	<u>593,145</u>	<u>640,589</u>	<u>(47,444)</u>
Total expenditures	<u>593,145</u>	<u>593,145</u>	<u>640,589</u>	<u>(47,444)</u>
Excess (deficiency) of revenues (under) expenditures	71,855	71,855	199,792	127,937
Other financing sources (uses):				
Transfers out	<u>(43,012)</u>	<u>(43,012)</u>	<u>(43,012)</u>	<u>--</u>
Total other financing sources (uses)	<u>(43,012)</u>	<u>(43,012)</u>	<u>(43,012)</u>	<u>--</u>
Net change in fund balance	28,843	28,843	156,780	127,937
Fund balance, beginning of year	431,721	431,721	558,059	126,338
Fund balance, end of year	<u>\$ 460,564</u>	<u>\$ 460,564</u>	<u>\$ 714,839</u>	<u>\$ 254,275</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
MUNICIPAL COURT SECURITY & TECHNOLOGY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-8

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 16,000	\$ 16,000	\$ 9,309	\$ (6,691)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>9,309</u>	<u>(6,691)</u>
Expenditures:				
Current:				
General government	1,200	1,200	8,654	(7,454)
Total expenditures	<u>1,200</u>	<u>1,200</u>	<u>8,654</u>	<u>(7,454)</u>
Excess (deficiency) of revenues (under) expenditures	14,800	14,800	655	(14,145)
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	14,800	14,800	655	(14,145)
Fund balance, beginning of year	91,106	91,106	91,106	--
Fund balance, end of year	<u>\$ 105,906</u>	<u>\$ 105,906</u>	<u>\$ 91,761</u>	<u>\$ (14,145)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-9

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 1,949,033	\$ 1,949,033	\$ 1,967,017	\$ 17,984
Interest	1,000	1,000	551	(449)
Total revenues	<u>1,950,033</u>	<u>1,950,033</u>	<u>1,967,568</u>	<u>17,535</u>
Expenditures:				
Current:				
Debt service:				
Principal	1,178,656	1,178,656	1,303,177	(124,521)
Interest and fiscal charges	797,564	797,564	664,781	132,783
Bond issuance cost	2,000	2,000	106,527	(104,527)
Total expenditures	<u>1,978,220</u>	<u>1,978,220</u>	<u>2,074,485</u>	<u>(96,265)</u>
Excess (deficiency) of revenues (under) expenditures	(28,187)	(28,187)	(106,917)	(78,730)
Other financing sources (uses):				
Transfers in	42,893	42,893	72,051	29,158
Issuance of certificates of obligation	--	--	4,503,642	4,503,642
Premium on bonds sold	--	--	563,678	563,678
Interest on bonds sold	--	--	6,949	6,949
Payment to refunding escrow agent	--	--	(4,962,452)	(4,962,452)
Total other financing sources (uses)	<u>42,893</u>	<u>42,893</u>	<u>183,868</u>	<u>140,975</u>
Net change in fund balance	14,706	14,706	76,951	62,245
Fund balance, beginning of year	451,153	451,153	451,153	--
Fund balance, end of year	<u>\$ 451,153</u>	<u>\$ 465,859</u>	<u>\$ 528,104</u>	<u>\$ 62,245</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2014

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
ASSETS		
Assets:		
Cash and investments	\$ 1,704	\$ 439,541
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	3,911	2,562
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>5,663</u>	<u>442,103</u>
Liabilities:		
Due to other funds	\$ --	\$ 261,441
Total Liabilities	<u>--</u>	<u>261,441</u>
Deferred Outflows of Resources		
Unavailable special assessments	<u>3,911</u>	<u>2,562</u>
Total Deferred Outflows of Resources	<u>3,911</u>	<u>2,562</u>
Total Liabilities and Deferred Outflows of Resources	<u>3,911</u>	<u>264,003</u>
Fund balances:		
Restricted	--	--
Committed	1,752	--
Assigned	--	178,100
Total fund balances	<u>1,752</u>	<u>178,100</u>
Total Liabilities and Fund balances	<u>\$ 1,752</u>	<u>\$ 439,541</u>

EXHIBIT B-10

<u>Bay Education Center Construction</u>	<u>Vehicle and Equipment Replacement</u>	<u>2005 Certificate of Obligation</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-1)</u>
\$ 20,557	\$ 250,554	\$ --	\$ 712,356
--	--	--	48
--	--	--	6,473
--	--	2,491,468	2,491,468
<u>20,557</u>	<u>250,554</u>	<u>2,491,468</u>	<u>3,210,345</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 261,441</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>261,441</u>
--	--	--	6,473
<u>--</u>	<u>--</u>	<u>--</u>	<u>6,473</u>
--	--	--	267,914
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
20,557	--	2,491,468	2,512,025
--	--	--	1,752
--	250,554	--	428,654
<u>20,557</u>	<u>250,554</u>	<u>2,491,468</u>	<u>2,942,431</u>
<u>\$ 20,557</u>	<u>\$ 250,554</u>	<u>\$ 2,491,468</u>	<u>\$ 3,203,872</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Intergovernmental	\$ --	\$ 597,294
Interest	--	--
Total revenues	<u>--</u>	<u>597,294</u>
Expenditures:		
Current:		
General government	21	--
Capital outlay	--	583,461
Total expenditures	<u>21</u>	<u>583,461</u>
Excess (deficiency) of revenues (under) expenditures	(21)	13,833
Other financing sources (uses):		
Transfers in	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	(21)	13,833
Fund balance, beginning of year	1,773	164,267
Fund balance, end of year	<u>\$ 1,752</u>	<u>\$ 178,100</u>

EXHIBIT B-11

Bay Education Center Construction	Vehicle and Equipment Replacement	2005 Certificate of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
\$ --	\$ --	\$ --	\$ 597,294
--	187	6,236	6,423
--	187	6,236	603,717
--	--	--	21
--	148,015	--	731,476
--	148,015	--	731,497
--	(147,828)	6,236	(127,780)
--	189,700	--	189,700
--	189,700	--	189,700
--	41,872	6,236	61,920
20,557	208,682	2,485,232	2,880,511
\$ 20,557	\$ 250,554	\$ 2,491,468	\$ 2,942,431

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2014

	Enterprise Fund Sanitation Fund	Enterprise Fund Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-8)
ASSETS			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 248,236	\$ 1,974	\$ 250,210
Receivables (net of allowances for uncollectibles):			
Accounts	204,562	214	204,776
Total current assets	<u>452,798</u>	<u>2,188</u>	<u>454,986</u>
Noncurrent assets:			
Capital assets:			
Land	--	104,300	104,300
Improvements other than buildings	--	1,944,240	1,944,240
Machinery and equipment	--	19,689	19,689
Accumulated depreciation	--	(853,487)	(853,487)
Total noncurrent assets	<u>--</u>	<u>1,214,742</u>	<u>1,214,742</u>
Total Assets	<u>452,798</u>	<u>1,216,930</u>	<u>1,669,728</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 422,311	\$ 5,186	\$ 427,497
Accrued expenses	--	1,935	1,935
Due to other funds	--	356	356
Customer deposits	--	698	698
Total current liabilities	<u>422,311</u>	<u>8,175</u>	<u>430,486</u>
Noncurrent liabilities:			
Total liabilities	<u>422,311</u>	<u>8,175</u>	<u>430,486</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	--	--	--
Unrestricted Net Assets	30,487	(131,296)	(100,809)
Total Net Assets	<u>\$ 30,487</u>	<u>\$ 1,208,755</u>	<u>\$ 1,239,242</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund Sanitation Fund	Enterprise Fund Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
OPERATING REVENUES:			
Charges for services	\$ 16,994	\$ 165,231	\$ 182,225
Total Operating Revenues	<u>16,994</u>	<u>165,231</u>	<u>182,225</u>
OPERATING EXPENSES:			
Personal services	--	173,743	173,743
Contractual services	--	26,471	26,471
Maintenance	--	27,418	27,418
Supplies	--	102,593	102,593
Other	--	1,384	1,384
Depreciation	--	66,066	66,066
Total Operating Expenses	<u>--</u>	<u>397,675</u>	<u>397,675</u>
Operating Income (Loss)	<u>16,994</u>	<u>(232,444)</u>	<u>(215,450)</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	--	40,750	40,750
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>40,750</u>	<u>40,750</u>
Net Income (Loss) before Operating Transfers	<u>16,994</u>	<u>(191,694)</u>	<u>(174,700)</u>
TRANSFERS:			
Interfund transfers in	--	132,155	132,155
Interfund transfers out	--	--	--
Change in Net Assets	<u>16,994</u>	<u>(59,539)</u>	<u>(42,545)</u>
Net Assets, beginning of year	13,493	1,268,294	1,281,787
Net Assets, end of year	<u>\$ 30,487</u>	<u>\$ 1,208,755</u>	<u>\$ 1,239,242</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Sanitation Fund	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-10)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 16,994	\$ 165,231	\$ 182,225
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	--
Cash Payments to Employees	--	(173,643)	(173,643)
Cash Payments to Suppliers for Goods and Services	(15,342)	(156,172)	(171,514)
Net Cash Provided (Used) by Operating Activities	<u>1,652</u>	<u>(164,584)</u>	<u>(162,932)</u>
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	--	40,750	40,750
Transfers From Other Funds	--	132,155	132,155
Transfers To Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>172,905</u>	<u>172,905</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of assets	--	--	--
Purchase of equipment	--	(6,597)	(6,597)
Net Cash Provided by Capital & Related Financing Activities	<u>--</u>	<u>(6,597)</u>	<u>(6,597)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,652	1,724	3,376
Cash and Cash Equivalents at Beginning of Year	246,584	250	246,834
Cash and Cash Equivalents at End of Year	<u>\$ 248,236</u>	<u>\$ 1,974</u>	<u>\$ 250,210</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 16,994	\$ (232,344)	\$ (215,350)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	--	66,066	66,066
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(21,546)	--	(21,546)
Increase (Decrease) in Accounts Payable	6,204	1,775	7,979
Increase (Decrease) in Interfund Payables	--	356	356
Increase (Decrease) in Customer Deposits	--	--	--
Increase (Decrease) in Accrued Expenses	--	(437)	(437)
Total Adjustments	<u>(15,342)</u>	<u>67,760</u>	<u>52,418</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,652</u>	<u>\$ (164,584)</u>	<u>\$ (162,932)</u>

STATISTICAL SECTION

This part of the City of Rockport, Texas'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 City's overall financial health.

Contents	Page
Financial Trends	71
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	75
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	81
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	88
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	96
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

CITY OF ROCKPORT, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE C-1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873	\$ 6,821,463	\$ 7,539,574	\$ 9,313,304	\$ 12,137,914	\$ 13,719,863
Restricted	507,082	403,643	565,763	397,985	414,299	247,272	407,389	408,684	451,153	591,401
Unrestricted	1,225,803	3,811,482	3,960,640	4,483,176	4,486,555	4,202,634	3,373,599	2,444,508	1,154,271	1,363,328
Total Governmental										
Activities Net Assets	\$ 4,273,614	\$ 5,208,659	\$ 6,863,444	\$ 8,405,596	\$ 9,814,727	\$ 11,271,369	\$ 11,320,662	\$ 12,166,496	\$ 13,743,338	\$ 15,674,592
Business-type Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 13,301,770	\$ 13,861,718	\$ 14,728,064	\$ 14,887,246	\$ 15,244,499	\$ 16,563,623	\$ 17,287,725	\$ 17,967,353	\$ 18,147,439	\$ 22,172,890
Restricted	692,600	187,425	195,144	197,798	186,750	185,349	184,655	183,991	183,366	182,073
Unrestricted	4,078,290	5,103,927	5,397,009	6,135,437	5,598,373	4,708,276	5,245,674	4,377,731	6,761,292	1,816,298
Total Business-type										
Activities Net Assets	\$ 18,072,660	\$ 19,153,070	\$ 20,320,217	\$ 21,220,481	\$ 21,029,622	\$ 21,457,248	\$ 22,718,054	\$ 22,529,075	\$ 23,092,037	\$ 24,171,261
Primary Government										
Invested in Capital Assets,										
Net of Related Debt	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105	\$ 18,411,681	\$ 20,158,372	\$ 23,385,086	\$ 24,827,399	\$ 27,280,657	\$ 28,285,353	\$ 35,912,848
Restricted	1,199,682	591,068	760,907	595,783	601,049	532,621	592,044	592,675	634,519	773,474
Unrestricted	5,303,893	8,915,409	9,357,649	10,618,613	10,084,928	8,910,910	8,619,273	6,922,239	7,915,563	3,179,626
Total Primary										
Government Net Assets	\$ 22,346,274	\$ 24,361,729	\$ 27,183,661	\$ 29,626,077	\$ 30,844,349	\$ 32,828,617	\$ 34,038,716	\$ 34,695,571	\$ 36,835,435	\$ 39,865,948

CITY OF ROCKPORT, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST TEN FISCAL YEARS

(ACCURAL BASIS OF ACCOUNTING)

UNAUDITED

TABLE C-2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 963,466	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,536,874	\$ 1,646,376	\$ 1,615,599	\$ 1,534,488	\$ 1,484,770
Public Safety	2,290,626	2,388,337	2,419,601	2,722,740	2,987,967	3,107,677	3,439,538	3,531,425	3,390,096	4,035,843
Public Works	1,206,618	1,568,715	1,462,111	1,612,377	1,698,485	1,802,657	1,528,189	1,563,014	1,563,687	1,576,188
Culture and Recreation	305,057	383,127	373,979	456,841	542,142	734,248	788,105	914,460	914,460	961,048
Tourism	303,639	510,202	483,780	505,658	522,996	480,483	476,810	464,438	536,505	640,589
Environmental	--	--	--	--	--	--	--	55,129	--	--
Interest and Fiscal Charges	327,688	542,165	582,858	1,157,502	1,126,044	1,060,140	999,535	996,263	908,935	769,851
Total Governmental	\$ 5,397,294	\$ 6,325,471	\$ 6,294,168	\$ 7,510,640	\$ 8,109,706	\$ 8,529,973	\$ 8,824,696	\$ 9,013,974	\$ 8,848,171	\$ 9,448,289
Activities Expenses										
Business-type Activities										
Sanitation	--	--	--	--	--	--	--	--	--	--
Water & Sewer	5,155,035	5,657,236	5,446,484	6,677,635	8,498,469	6,572,267	7,636,247	7,589,175	7,840,317	7,699,148
Beach Park	460,107	487,793	547,752	635,462	689,681	650,846	662,288	315,789	--	--
Community Aquatic Center	270,039	295,594	294,325	239,539	373,948	307,583	306,478	314,698	333,267	397,675
Natural Gas System*	--	--	--	--	--	1,620,119	1,415,532	1,163,782	1,256,075	1,844,475
Total Business-type Activities Expenses	\$ 5,885,181	\$ 6,440,563	\$ 6,288,561	\$ 7,612,636	\$ 9,542,098	\$ 9,150,615	\$ 10,020,545	\$ 9,383,444	\$ 9,429,659	\$ 9,941,298
Total Primary Government Expenses	\$ 11,282,475	\$ 12,766,034	\$ 12,582,729	\$ 15,123,276	\$ 17,651,804	\$ 17,680,588	\$ 18,845,241	\$ 18,397,418	\$ 18,277,830	\$ 19,389,587
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 74,568	\$ 12,592	\$ 47,079	\$ 15,883	\$ 23,970	\$ 17,051	\$ 17,953	\$ 18,267	\$ 13,289	\$ 16,624
Public Safety	393,625	436,159	496,827	487,146	500,843	536,995	507,255	494,629	393,762	727,069
Public Works	356,756	236,243	231,245	257,889	138,806	157,742	177,694	182,984	215,265	242,798
Culture and Recreation	--	3,293	1,191	38,376	--	28,916	948	19,687	--	--
Tourism	--	--	--	--	--	--	--	--	--	--
Interest and Fiscal Charges	--	--	--	--	--	--	--	--	--	--
Operating Grants and Contributions	500,796	330,102	309,457	312,468	304,545	521,942	575,942	455,997	386,214	234,191
Capital Grants and Contributions	--	--	20,000	--	384,894	1,111,885	79,300	634,417	739,309	699,802
Total Governmental	\$ 1,325,745	\$ 1,018,329	\$ 1,105,799	\$ 1,111,362	\$ 1,353,058	\$ 2,374,431	\$ 1,359,092	\$ 1,805,981	\$ 1,727,839	\$ 1,920,484
Activities Program Revenues										
Business-type Activities:										
Charges for Services:										
Sanitation	12,016	10,942	12,133	13,967	14,183	17,267	17,039	14,873	16,686	16,994
Water & Sewer	6,524,568	6,803,901	6,552,677	7,824,558	9,561,756	7,354,531	8,377,063	8,455,811	8,907,527	9,219,874
Beach Park	250,333	316,482	317,321	355,287	404,937	381,096	425,924	128,376	--	--
Community Aquatic Center	99,239	117,835	99,906	89,073	97,404	109,049	114,642	138,830	133,706	185,231
Natural Gas System*	--	--	--	--	--	1,965,945	1,725,602	1,449,133	1,740,465	2,389,044
Operating Grants and Contributions	99,362	122,568	105,583	129,750	108,750	118,583	183,750	62,000	42,000	51,250
Capital Grants and Contributions	138,457	--	287,350	322,574	6,081	22,000	267,941	3,500	256,450	--
Total Business-type	\$ 7,123,975	\$ 7,371,728	\$ 7,374,970	\$ 8,735,209	\$ 10,193,111	\$ 9,968,471	\$ 11,111,961	\$ 10,252,523	\$ 11,096,834	\$ 11,842,393
Total Primary Government	\$ 8,449,720	\$ 8,350,057	\$ 8,480,769	\$ 9,846,571	\$ 11,546,169	\$ 12,342,902	\$ 12,471,053	\$ 12,058,504	\$ 12,824,673	\$ 13,782,877
Net (Expense)/Revenue										
Governmental Activities	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)	\$ (7,465,604)	\$ (7,207,993)	\$ (7,120,332)	\$ (7,527,805)
Business-type Activities	1,238,794	931,165	1,086,409	1,122,573	651,013	817,956	1,091,416	869,079	1,667,175	1,901,095
Total Primary Government Net Expense	\$ (2,832,755)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,635)	\$ (5,337,586)	\$ (6,374,188)	\$ (6,338,914)	\$ (5,453,157)	\$ (5,626,710)

* The City acquired a natural gas system in 2009. For 2009, operations were accounted for in the Water and Sewer Utility Fund. In 2010, the Natural Gas system was accounted for in a separate fund.

CITY OF ROCKPORT, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE C-3

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental Activities	\$ (4,071,546)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)	\$ (7,465,604)	\$ (7,207,993)	\$ (7,120,332)	\$ (7,527,805)
Business-type Activities	1,232,794	931,165	1,086,409	1,123,573	651,013	817,856	1,091,416	869,079	1,667,175	1,901,095
Total Primary Government Net Expense	\$ (2,838,752)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,275,705)	\$ (6,105,635)	\$ (5,337,686)	\$ (6,374,188)	\$ (6,338,914)	\$ (5,453,157)	\$ (5,626,710)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 2,194,213	\$ 2,455,597	\$ 2,793,748	\$ 3,471,324	\$ 3,876,478	\$ 3,996,835	\$ 4,024,879	\$ 4,159,989	\$ 4,379,318	\$ 4,534,427
Franchise Taxes and other taxes	585,662	692,098	746,414	776,959	836,640	789,168	807,931	795,072	860,734	803,439
Sales Taxes	1,624,226	1,718,155	1,714,042	1,842,730	1,726,846	1,737,376	1,799,286	1,929,948	2,051,342	2,231,798
Occupancy Taxes	503,819	514,322	533,215	540,624	467,038	477,688	647,278	662,330	698,934	839,931
Unrestricted Grants and Contributions	--	--	--	--	--	--	--	--	--	--
Investment Earnings	136,628	472,166	649,602	702,769	297,450	122,596	50,110	31,763	48,287	42,240
Miscellaneous	71,348	97,718	61,002	46,437	53,059	53,633	59,003	78,699	54,618	173,247
Transfers	385,757	292,131	345,131	560,537	908,268	534,888	26,410	616,350	849,138	833,977
Total Governmental Activities	\$ 5,501,653	\$ 6,242,187	\$ 6,843,154	\$ 7,941,430	\$ 8,165,779	\$ 7,712,184	\$ 7,414,897	\$ 8,274,151	\$ 8,942,371	\$ 9,459,059
Business-type Activities:										
Investment Earnings	141,580	441,376	425,869	337,278	66,396	72,781	46,943	21,108	16,076	11,848
Miscellaneous	--	--	--	--	--	71,877	--	--	--	--
Gain/(Loss) on asset disposition	--	--	--	--	--	--	--	--	--	--
Transfers	(385,757)	(292,131)	(345,131)	(560,587)	(908,268)	(534,888)	(26,410)	(616,350)	(849,138)	(833,977)
Total Business-type Activities	(244,177)	149,245	80,738	(223,309)	(841,872)	(390,230)	20,533	(1,058,058)	(833,062)	(822,129)
Total Primary Government	\$ 5,257,476	\$ 6,391,432	\$ 6,923,892	\$ 7,718,121	\$ 7,323,907	\$ 7,321,954	\$ 7,435,430	\$ 7,216,093	\$ 8,109,309	\$ 8,636,930
Change in Net Assets										
Governmental Activities	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131	\$ 1,556,642	\$ (50,707)	\$ 1,066,158	\$ 1,822,039	\$ 1,931,254
Business-type Activities	988,617	1,080,410	1,167,147	900,284	(190,859)	427,626	1,111,949	(188,979)	834,113	1,078,966
Total Primary Government	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272	\$ 1,984,268	\$ 1,061,242	\$ 877,179	\$ 2,656,152	\$ 3,010,220

CITY OF ROCKPORT, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE C-4

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ 117,786 \$	78,368 \$	79,030 \$	92,008 \$	56,886 \$	43,857 \$	56,427 \$	31,221 \$	27,250 \$	58,047
Unassigned	3,309,348	3,319,856	3,646,678	4,072,410	4,391,591	4,383,516	3,534,604	3,099,834	2,821,064	3,011,065
Total General Fund	\$ 3,427,134 \$	3,398,224 \$	3,725,708 \$	4,164,418 \$	4,448,477 \$	4,427,373 \$	3,591,031 \$	3,131,055 \$	2,848,314 \$	3,069,112
All Other Governmental Funds										
Nonspendable	\$ -- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	--
Restricted	1,567,703	7,117,806	20,585,720	17,895,405	11,230,229	9,916,340	9,523,625	9,234,662	9,429,485	8,495,513
Committed	(27,738)	(36,713)	(56,515)	(797,786)	(98,853)	(67,922)	(134,170)	(253,917)	(28,713)	12,140
Assigned	--	--	(56,515)	--	142,974	235,527	333,670	217,194	372,949	428,654
Unassigned										(76,051)
Total All Other Governmental Funds	\$ 1,539,965 \$	7,081,093 \$	20,529,205 \$	17,097,619 \$	11,274,350 \$	10,083,945 \$	9,723,125 \$	9,197,939 \$	9,773,721 \$	8,860,256

CITY OF ROCKPORT, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

TABLE C-5

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146	\$ 7,014,990	\$ 7,160,823	\$ 7,440,695	\$ 7,718,487	\$ 8,174,665	\$ 8,602,188
Licenses, Fees and Permits	162,694	169,497	179,770	179,454	127,810	157,742	177,694	182,984	201,950	218,504
Intergovernmental	500,796	330,102	307,960	312,468	689,439	1,633,727	655,242	1,090,414	1,113,479	1,312,278
Charges for Services	62,530	21,976	33,342	116,431	19,265	28,916	948	19,687	13,315	24,294
Fines	270,303	302,134	359,838	349,821	361,139	393,378	329,567	333,335	215,253	254,785
Investment Earnings	136,628	492,582	553,544	702,769	297,450	79,650	42,175	31,763	35,878	35,291
Special Assessments	12,777	4,455	4,602	3,489	711	--	--	--	--	--
Other Revenues	264,486	145,207	133,476	46,437	53,059	53,633	59,003	78,699	54,618	99,294
Total Revenues	<u>6,447,575</u>	<u>6,935,847</u>	<u>7,500,112</u>	<u>8,470,015</u>	<u>8,563,963</u>	<u>9,507,859</u>	<u>8,705,324</u>	<u>9,455,369</u>	<u>9,809,158</u>	<u>10,546,634</u>
Expenditures										
General Government	881,978	908,290	934,602	1,045,219	1,137,890	1,158,179	1,274,439	1,345,717	1,289,805	1,345,263
Public Safety	2,146,537	2,229,055	2,256,783	2,534,311	2,684,287	2,914,167	3,234,665	3,287,236	3,144,331	3,724,061
Public Works	1,126,343	1,473,824	1,327,317	1,454,671	1,410,462	1,600,542	1,321,318	1,257,527	1,196,966	1,176,409
Culture and Recreation	277,234	341,482	329,821	408,354	398,058	453,479	631,897	659,021	763,424	814,379
Tourism	303,839	510,202	483,780	505,658	522,996	480,483	476,810	464,438	536,505	640,589
Environmental	--	--	--	--	--	--	--	55,129	--	--
Capital Outlay	1,175,909	1,042,111	2,004,996	3,340,589	8,084,491	2,765,131	1,019,504	1,905,975	1,406,620	2,342,359
Debt Service	--	--	--	--	--	--	--	--	--	--
Interest and bond costs	341,219	476,053	438,512	495,322	666,283	864,399	1,018,895	1,095,667	916,926	775,232
Principal	352,911	516,672	495,085	1,159,854	1,135,664	1,127,741	1,007,674	987,971	1,212,065	1,334,871
Total Expenditures	<u>6,605,970</u>	<u>7,497,689</u>	<u>8,270,896</u>	<u>10,943,976</u>	<u>16,040,131</u>	<u>11,364,121</u>	<u>9,985,202</u>	<u>11,058,681</u>	<u>10,466,642</u>	<u>12,153,163</u>
Excess of Revenues										
Over (Under) Expenditures	(158,395)	(561,842)	(770,784)	(2,473,963)	(7,476,268)	(1,856,252)	(1,279,878)	(1,603,312)	(657,484)	(1,606,529)
Other Financing Sources (Uses)										
Bonds Issued	--	5,902,724	14,420,203	--	--	2,258,397	1,524,701	--	4,295,369	5,074,289
Capital Leases	--	--	--	--	--	--	--	--	--	--
Payments to Escrow Agent	--	--	--	--	--	(2,155,327)	(1,475,220)	--	(4,195,782)	--
Bond issue costs	--	(120,795)	(218,954)	(10,000)	--	--	--	--	--	--
Transfers In	762,945	962,140	923,114	1,089,136	1,796,614	1,609,671	1,566,570	1,596,511	1,687,402	1,596,487
Transfers Out	(377,188)	(425,421)	(577,983)	(528,549)	(896,296)	(1,067,958)	(1,533,335)	(978,361)	(836,464)	(794,442)
Total Other Financing Sources (Uses)	<u>385,757</u>	<u>6,318,648</u>	<u>14,546,380</u>	<u>550,587</u>	<u>900,318</u>	<u>644,783</u>	<u>82,716</u>	<u>618,150</u>	<u>950,525</u>	<u>913,862</u>
Net Change in Fund Balances	<u>\$ 227,362</u>	<u>\$ 5,756,806</u>	<u>\$ 13,775,596</u>	<u>\$ (1,923,376)</u>	<u>\$ (6,575,950)</u>	<u>\$ (1,211,469)</u>	<u>\$ (1,197,162)</u>	<u>\$ (985,162)</u>	<u>\$ 293,041</u>	<u>\$ (692,667)</u>
Debt Service As A Percentage Of Noncapital Expenditures	12.8%	15.4%	14.9%	21.8%	22.6%	23.2%	22.6%	22.8%	23.5%	21.5%

TABLE C-6

CITY OF ROCKPORT, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
2005	\$ 2,190,191	\$ 1,624,228	\$ 560,227	\$ 503,819	\$ 158,898	\$ 5,037,363
2006	2,451,332	1,718,155	657,696	472,166	170,545	5,469,894
2007	2,793,123	1,714,042	712,156	533,215	175,044	5,927,580
2008	3,455,073	1,842,730	753,400	540,624	164,319	6,756,146
2009	3,837,024	1,726,846	803,466	467,038	180,616	7,014,990
2010	3,996,528	1,737,375	731,583	477,688	217,649	7,160,823
2011	4,011,625	1,799,286	801,629	647,278	180,877	7,440,695
2012	4,152,465	1,929,948	795,072	662,330	178,672	7,718,487
2013	4,380,000	2,051,342	844,466	698,934	199,923	8,174,665
2014	4,453,504	2,231,798	803,439	839,931	** 199,923	8,602,188
Percent Change 2005-2014	103.3%	37.4%	43.4%	66.7%	25.8%	70.8%

CITY OF ROCKPORT, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-7

Fiscal Year	Roll Year	Real Property			Personal Property			Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential Property	Commercial and Industrial Property	Rural-Underdev. Property	Business	Other						
2005	2004	\$ *	\$	\$	\$	\$		\$	\$ 850,188,337	0.2557	\$ 850,188,337	100.000%
2006	2005	*							955,490,048	0.2549	955,490,048	100.000%
2007	2006	*							1,144,148,087	0.2443	1,144,148,087	100.000%
2008	2007	1,136,460,421	152,848,104	12,948,250	45,556,584	5,743,745	(65,552,301)		1,288,004,803	0.2790	1,288,004,803	100.000%
2009	2008	1,184,302,272	163,509,633	13,764,610	44,527,321	6,071,625	(50,471,909)		1,361,703,552	0.2990	1,361,703,552	100.000%
2010	2009	1,208,687,146	169,416,739	12,804,120	44,808,234	5,722,815	(41,194,373)		1,400,244,681	0.2987	1,400,244,681	100.000%
2011	2010	1,397,619,312	163,711,921	12,819,730	43,894,297	5,006,615	(35,648,632)		1,587,403,243	0.3100	1,587,403,243	100.000%
2012	2011	1,207,519,961	176,446,050	13,221,090	38,887,032	7,882,595	(35,090,371)		1,408,866,357	0.3089	1,408,866,357	100.000%
2013	2012	1,209,214,142	175,017,442	13,164,960	40,033,361	8,259,105	(34,395,054)		1,411,293,956	0.3258	1,411,293,956	100.000%
2014	2013	1,227,156,427	177,726,064	13,413,250	44,619,583	8,310,645	(36,338,354)		1,434,887,615	0.3277	1,434,887,615	100.000%

Source: Arkansas County Appraisal District
 * Information is not available

CITY OF ROCKPORT, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-8

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Aransas County	Aransas County Navigation District	Aransas County ISD
2005	\$ 0.1949	\$ 0.0608	\$ 0.2557	\$ 0.3387	\$ 0.0499	\$ 1.5173
2006	0.1808	0.0741	0.2549	0.3241	0.0499	1.5184
2007	0.1629	0.0814	0.2443	0.2784	0.0398	1.3963
2008	0.1605	0.1185	0.2790	0.2632	0.0545	1.0849
2009	0.1683	0.1307	0.2990	0.3049	0.0524	1.0849
2010	0.1651	0.1335	0.2987	0.3397	0.0547	1.0949
2011	0.1573	0.1527	0.3100	0.3598	0.0547	1.0917
2012	0.1583	0.1506	0.3089	0.3703	0.0558	1.1324
2013	0.1725	0.1533	0.3258	0.3811	0.0558	1.1594
2014	0.1851	0.1426	0.3277	0.3753	0.0551	1.1605

Source: Aransas County Tax Assessor

CITY OF ROCKPORT, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

TABLE C-9

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Oaks at Bentwater, LP	\$ 7,663,740	1	0.5338%	\$ --	--	--
Wal-Mart Real Estate Bus Tr	7,132,010	2	0.4967%	--	--	--
Rockport Harborfront, LP	6,954,274	3	0.4844%	4,974,642	2	0.5852%
H E Butt Grocery	6,457,480	4	0.4498%	9,301,259	1	1.0942%
C H Marina and Drystack LP	5,725,958	5	0.3988%	--	--	--
Lokseva, Inc	5,513,770	6	0.3840%	--	--	--
Wal-Mart Stores East #440	5,378,973	7	0.3746%	2,538,004	7	0.2986%
Heritage Hotels Rockport LP	4,665,180	8	0.3249%	3,329,770	4	0.3917%
AEP Texas Central Comp	4,498,050	9	0.3133%	3,501,660	3	0.4119%
J&S Lagoons RV LLC	3,585,575	10	0.2497%	--	--	--
Southwestern Bell Telephone	--	--	--	2,975,860	5	0.3501%
Bracht Lumber Co., Inc.	--	--	--	2,649,261	6	0.3117%
Rockbay Properties LTD	--	--	--	2,509,850	8	0.2953%
Sea Mist, LTD	--	--	--	2,402,440	9	0.2826%
White Marlin of Rockport LP	--	--	--	2,301,300	10	0.2707%
Total	<u>\$ 57,575,010</u>		<u>4.0101%</u>	<u>\$ 36,484,046</u>		<u>4.2920%</u>

Source: Aransas County Appraisal District

CITY OF ROCKPORT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-10

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 2,173,619	\$ 2,136,929	98.31%	\$ 30,745	\$ 2,167,674	99.73%
2006	2,432,166	2,392,879	98.38%	32,291	2,425,170	99.71%
2007	2,771,764	2,729,705	98.48%	33,885	2,763,590	99.71%
2008	3,444,641	3,392,957	98.50%	42,846	3,435,803	99.74%
2009	3,842,178	3,771,806	98.17%	56,105	3,827,911	99.63%
2010	3,947,447	3,866,254	97.94%	61,711	3,927,965	99.51%
2011	3,999,750	3,928,989	98.23%	49,530	3,978,519	99.47%
2012	4,113,275	4,047,717	98.41%	40,709	4,088,426	99.40%
2013	4,334,917	4,274,298	98.60%	28,351	4,302,649	99.26%
2014	4,446,634	4,385,623	98.63%			

Sources: Aransas County Appraisal District and Aransas County Tax Collector.

CITY OF ROCKPORT, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED)

TABLE C-11

Fiscal Year	Governmental Activities		Business-types Activities		Total Primary Government	Percent of Personal Income	Per Capita
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt			
2005	\$ 4,806,458	\$ 1,552,000	\$ 1,725,000	\$ 3,448,543	\$ 11,532,001	\$ --	\$ 1,362
2006	10,163,405	1,495,000	1,600,000	7,281,596	20,540,001	9.11%	2,272
2007	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	14.33%	4,039
2008	23,449,572	1,375,000	1,335,000	9,245,429	35,405,001	13.66%	3,756
2009	22,846,289	1,312,000	1,190,000	8,933,712	34,282,001	10.40%	3,495
2010	22,061,354	1,247,000	--	19,978,647	43,287,001	13.13%	4,413
2011	21,311,775	1,180,000	--	18,853,275	41,345,050	12.54%	4,419
2012	20,286,108	1,110,000	--	17,893,954	39,290,062	11.92%	4,199
2013	19,297,219	1,037,000	--	17,893,954	36,265,000	11.00%	3,876
2014	18,166,302	962,000	--	19,532,935	38,661,237	11.73%	4,132

CITY OF ROCKPORT, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-12

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(1)	Per Capita(2)
	General Bonded Debt	Debt Service Funds	Net Bonded Debt		
2004	\$ 11,532,001	\$ 277,024	\$ 11,254,977	1.32%	\$ 1,442
2006	20,540,001	259,152	20,280,849	2.13%	2,243
2007	36,521,001	542,935	35,978,066	3.17%	3,884
2008	35,405,001	365,215	35,039,786	2.88%	3,718
2009	34,282,001	363,963	33,918,038	2.64%	3,457
2010	43,287,001	293,651	43,580,652	3.30%	4,442
2011	41,345,050	344,532	41,689,582	3.05%	4,455
2012	39,290,062	525,338	39,815,400	2.91%	4,255
2013	36,265,000	451,153	36,716,153	2.68%	3,924
2014	38,661,237	528,104	38,133,133	2.66%	4,075

(1) See the Schedule of Assessed and Estimated Actual Value.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF ROCKPORT, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED

TABLE C-13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 34,889,925	65.030%	\$ 22,688,918
Aransas County	17,880,651	49.990%	8,938,537
Aransas County Navigation District	4,720,000	49.990%	<u>2,359,528</u>
Subtotal, Overlapping Debt			33,986,984
City Direct Debt			<u>38,677,426</u>
Total Direct and Overlapping Debt			<u>\$ 72,664,410</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.
The percentage of overlapping debt applicable is estimated by the percent of area of each government that is within the boundaries of the City.

Information obtained from entities audited financial statements and Aransas County Appraisal District.

CITY OF ROCKPORT, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Maximum available tax revenues for all purposes										
including debt service	\$ 21,254,708 \$	23,887,251 \$	28,364,349 \$	30,402,840 \$	32,136,535 \$	33,040,660 \$	34,193,454 \$	32,699,909 \$	35,273,627 \$	37,699,237
Actual amount expended for general obligation debt	694,130	922,725	933,597	1,655,176	1,679,650	1,930,704	1,949,434	2,083,638	2,040,581	2,061,064
Excess	20,560,578	22,964,526	27,430,752	28,747,664	30,456,885	31,109,956	32,244,020	30,616,271	33,233,046	35,638,173

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 1,434,887,615
Maximum tax rate per \$100 assessed valuation	2.50
Maximum available tax revenues for all purposes including debt service	35,872,190
Actual amount expended for general obligation debt service	\$ 2,081,064

As a Home Rule Charter City, the amount of debt which can be issued by the City of Rockport, Texas is not limited by law.

Under Article XI, Section 5 of the State of Texas Constitution applicable to cities of 5,000 population, the maximum tax rate for all purposes is \$2.50 per \$100 assessed valuation.

CITY OF ROCKPORT, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-15

Fiscal Year	Water and Sewer Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Debt		
				Services Requirements(2)		
2005	\$ 6,524,568	\$ 4,238,296	\$ 2,286,272	\$ 204,345	11.19	
2006	6,803,901	4,566,109	2,237,792	204,408	10.95	
2007	6,552,677	4,377,782	2,174,895	199,243	10.92	
2008	7,824,558	5,482,597	2,341,961	198,742	11.78	
2009	9,561,756	7,257,707	2,304,049	201,372	11.44	
2010	9,320,476	6,555,998	2,764,478	--	N/A	
2011	10,102,665	7,421,348	2,681,317	--	N/A	
2012	9,904,944	7,094,829	2,810,115	--	N/A	
2013	8,907,527	6,210,472	2,697,055	--	N/A	
2014	9,219,874	6,112,976	3,106,898	--	N/A	

(1) Exclusive of depreciation and interest

(2) Includes principal and interest of revenue bonds only.

CITY OF ROCKPORT, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
UNAUDITED

TABLE C-16

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population(1)	8,469	9,041	9,264	9,425	9,810	9,810	9,357	9,357	9,357	9,357
Personal Income(3)	\$ 27,504	\$ 27,504	\$ 27,504	\$ 27,504	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950
Per Capita Personal Income (in thousands)	\$ 232,931	\$ 248,664	\$ 254,797	\$ 259,225	\$ 244,760	\$ 244,760	\$ 233,457	\$ 233,457	\$ 233,457	\$ 233,457
Median Age(3)	--	42.7	42.7	42.7	42.7	46.0	46.0	49.0	49.0	49.0
Education Level in Years of Schooling	--	--	--	--	--	--	--	--	--	--
School Enrollment	3,126	3,079	3,014	3,241	3,331	2,916	2,848	3,331	3,331	3,331
Unemployment(2)	5.5%	4.8%	4.2%	4.8%	6.9%	7.4%	7.4%	7.4%	7.4%	6.2%

Data Sources:

- (1) City of Rockport
 - (2) Texas Workforce Commission
 - (3) Rockport-Fulton Chamber of Commerce
- Omitted information is not available.

CITY OF ROCKPORT, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

TABLE C-17

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aransas County ISD	496	1	--	--	--	--
Wal-Mart	232	2	--	--	--	--
Wood Group Production Ser	225	3				
H.E.B.	180	4				
Aransas County	178	5				
City of Rockport	139	6	--	--	--	--
State of Texas	107	7	--	--	--	--
Rockport Coastal Care Center	80	8				
Gulf Poine Plaza	73	9	--	--	--	--
Oak Crest Nursing Center	70	10				
Total	1,780		--	--		--

Source: Rockport Fulton Chamber of Commerce

Omitted information is not available.

CITY OF ROCKPORT, TEXAS
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-18

Function/Program	Full-Time-Equivalent Employees as of Year End									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Municipal Court	5	5	5	5	5	5	5	5	3	3
City Secretary	3	3	3	3	3	3	3	3	3	3
City Manager	1	1	1	1	1	1	1	1	1	1
Information/Technology	1	1	1	1	1	1	1	1	1	1
Finance	2	2	2	2	2	2	2	2	2	2
Police										
Officers	22	22	22	22	22	21	25	27	27	27
Civilians	13	14	14	14	14	14	14	13	13	12
Public Works										
Building and Development	5	5	5	5	5	5	5	5	5	5
Street and Drainage	6	8	8	8	8	9	10	11	7	7
Building Maintenance	1	1	1	1	1	1	1	1	1	1
Fleet	2	2	2	2	2	3	3	2	2	2
Parks and Recreation	22	25	27	27	27	27	27	28	13	13
Utilities:										
Water	14	15	15	15	15	15	15	16	17	17
Wastewater	4	6	6	6	6	7	7	6	6	6
Environmental	--	--	--	--	--	1	1	1	1	1
Natural Gas	--	--	--	7	7	6	6	6	6	6
Customer Service	4	5	5	4	4	4	6	6	6	6
Total	105	115	117	123	123	125	132	134	114	113

Source: City Budget

CITY OF ROCKPORT, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-19

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Building Permits Issued	463	475	475	490	162	209	209	342	460	460
Building Inspections Conducted	735	644	644	520	233	177	177	278	278	278
Police										
Physical Arrests	892	829	829	833	833	833	833	833	598	598
Traffic Violations	2,625	3,460	3,460	3,337	3,337	3,677	4,025	4,025	1,286	1,286
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Street Resurfacing (miles)	9.03	20.63	20.63	9.15	9.15	9.15	9.15	9.15	9.15	9.15
Potholes Repaired	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Library	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
New Connections	238	297	297	203	143	267	48	73	150	150
Water Main Breaks	25	19	19	10	10	10	10	10	10	10
Average Daily Consumption	2,240,000	2,837,000	2,837,000	2,948,000	2,948,000	2,630,137	2,818,759	2,765,108	2,776,959	2,776,959
Peak Daily Consumption	4,580,000	4,979,000	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000
Storage Capacity	(1)	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	8,100,000	8,100,000	8,100,000
Wastewater										
Average Daily Sewage Treatment (millions of gallons)	1.25	1.36	1.36	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

^(1) Information is not available.

CITY OF ROCKPORT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

TABLE C-20

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	83	83	77	77	77	77	77	77	87	87
Parks and Recreation										
Acreage	200	200	200	200	200	200	200	200	150	150
Parks	10	10	10	10	10	10	10	10	10	10
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	--	--
Water										
Water Mains (miles)	96	96	96	160	163	163	163	163	163	163
Storage Capacity (thousands of gallons)	5,100	7,100	7,100	7,100	7,100	7,100	7,100	8,100	8,100	8,100
Wastewater										
Sanitary Sewers (miles)	62	62	64	64	67	67	67	67	67	67
Storm Sewers (miles)	31	31	31	31	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

Single Audit Section

Michael A. Arnold, PLLC

501 E. MARKET
P.O. BOX 1266
ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545
FAX (361) 790-9692

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

City Council
City of Rockport, Texas
622 E. Market
Rockport, Texas 78382

Members of the City Council:

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 business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas's basic financial statements and have issued our report dated February 18, 2015

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Rockport, Texas's Response to Findings

City of Rockport, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Rockport, Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,



Michael A. Arnold, PLLC

Rockport, TX
February 18, 2015

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

City Council
City of Rockport, Texas
622 E. Market
Rockport, Texas 78382

Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited City of Rockport, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Rockport, Texas's major federal programs. City of Rockport, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Rockport, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Rockport, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Rockport, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

Rockport, TX
February 18, 2015

CITY OF ROCKPORT, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14	Community Development Block Grant

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF ROCKPORT, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

CITY OF ROCKPORT, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014

N/A

CITY OF ROCKPORT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-1

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Aransas County, Texas:			
Operation Stonegarden(OPSG)	97.067	--	\$ 306,905
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>306,905</u>
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas General Land Office:			
Community Development Block Grant *	14.228	--	378,056
Passed Through Texas Department of Housing and Community Affairs:			
Home Investment Partnership Program	14.239	--	267,998
Total U. S. Department of Housing & Urban Development			<u>646,054</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 952,959</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF ROCKPORT, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Rockport, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.