

**Because of the facing pages included in this report we recommend the 2-page display view.**



# City of Rockport, Texas

## Comprehensive Annual Financial Report

### For the Year Ended September 30, 2016



**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2016**

Prepared by

Patty Howard, Finance Director

**CITY of ROCKPORT, TEXAS**



CITY OF ROCKPORT, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2016

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**CITY of ROCKPORT, TEXAS**



# **INTRODUCTORY SECTION**

**CITY of ROCKPORT, TEXAS**





February 17, 2017

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, 2016, 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 Collier, Johnson & Woods, P.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 auditor's 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 2011 Rockport was highlighted 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 and more recently number 2 on their rankings of the Top 10 Artists Colonies. *Texas Meetings and Events* list Rockport-Fulton as a great Gulf Coast getaway for a business meeting, board meeting, etc. In 2013, Rockport was featured as one of the "Best Places to Live and Visit." According to the "*Today in America*" television show. More recently, in 2014 Rockport was ranked seventh and eighth, respectively, in *Budget Travel's* America's Coolest Small Towns listing and *Where to Retire's* Top 8 Places to Retire. In 2015 CNN listed Rockport number 11 on its list of America's Best Little Beach Towns while *USA Today* placed it number five on their 10 Best Coastal Small Towns and *Texas Highways* put Rockport number six on its recommendation of "Texas Top 40" travel destinations.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,523,757,249 in 2016. 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 decreased from approximately 72 annually to 58 in 2016, largely due to the economic conditions of the country realizing a slight slowdown. Rockport is made up largely of second homes, with the slight growth in the market these home starts have decreased. 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 \$2,462,071 in 2016. This is an 83% increase in sales tax revenues over a sixteen (16) 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. The City purchased approximately 8.856 acres of land located near the intersection of Business Highway 35 North and East Maple Street within the boundaries of the City, most of which is expected to be developed and used for Municipal Park Purposes with the remainder currently expected to be used for Open Space Purposes

## **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 Phase 2**– The City of Rockport received a \$987,102.00 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: 1<sup>st</sup>, 2<sup>nd</sup>, & 3<sup>rd</sup> streets from Bronte street (SH35) to Kossuth Street.. Fuqua and Bronte streets, from King street to 3<sup>rd</sup> street; King, Lamar, and Corpus Christi streets from Kossuth street to Bronte Street and Verne street from King street to 3<sup>rd</sup> street .Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- **Texas Parks & Wildlife Department Recreation Grant**  
\$72,000 grant with a \$21,600 match Paid from Parks & Leisure Services Budget  
The project is located within Memorial Park, the largest and most used city-owned park, with 100 acres comprised primarily of native coastal live oak forest habitat. Approximately 30 acres of the park remain undeveloped. The 9-foot wide, 6 mile long, heavily used asphalt hike & bike trail winds through 52 acres of the park, and consists of four connected loops constructed in three phases from 1988 to 2004. There are two trailheads. One begins at the park entrance where there is parking, ADA compliant restrooms with chilled water fountain, and picnic sites. The first two trail loops are located within the original 32 acres of the park. Further to the west, into the park's first 20-acre addition, two trail loops were added, along with a second trailhead parking area with ADA compliant restrooms, picnic sites, and a stand-alone drinking fountain. The first two trail loops are lighted, but the second two loops in the west section are not.

## **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, the current economic climate of the City and inflationary trends. For a detailed comparison of actual General Governmental Fund revenues with budget amounts, see “Statement of Revenues, Expenditures and Changes in Fund Balances” – Budget (Non-GAAP Basis) and Actual in the financial section of this report (Exhibit 5-A).

Budget as compared to actual for other funds are in the financial section of this report (Exhibit 11 – A through E).

### **FIDUCIARY FUNDS**

The City had no fiduciary funds at September 30, 2016.

### **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.

### **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, 2016 was \$1,190,639,302 and was taxed at \$.364858 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$5,109,528.

### **Collections**

Current taxes of \$5,051,812 representing 98.66% of the adjusted tax roll were collected during fiscal year 2015-2016. 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 2015 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2010	2011	2012	2013	2014	2015
General Fund	.157307	.158338	.172497	.185090	.205279	.219047
G.O. Debt	<u>.152701</u>	<u>.150552</u>	<u>.1533272</u>	<u>.142638</u>	<u>.129900</u>	<u>.145811</u>
Total	.31008	.308890	.325824	.327728	.335179	.364858

### 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, 2015. This is the thirteenth 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, 2016 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,

A handwritten signature in cursive script that reads "Patty Howard". The signature is written in black ink and is positioned above the printed name and title.

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, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

# CITY OF ROCKPORT, TEXAS

List of Principal Officials

September 30, 2016

## Elected Officials

Name	Office
Charles J. Wax	Mayor
Patrick R. (Pat) Rios	Mayor Pro-Tem
J. D. Villa	Council Member
James Russel (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 Donoho	Public Works Director/ Building & Development Director
Tim Jayroe	Chief of Police
Rick Martinez	Parks and Leisure Services Director

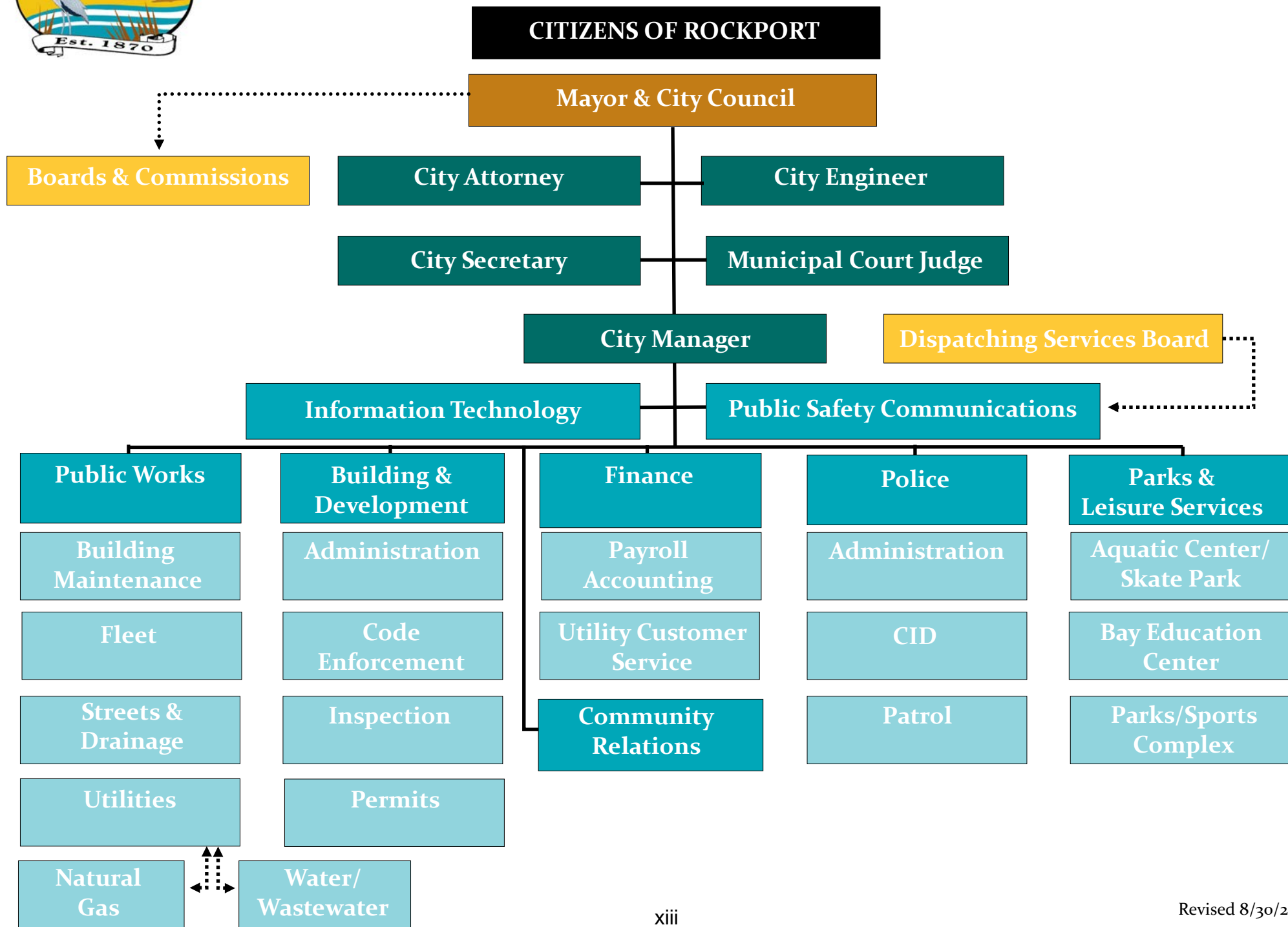


**CITY of ROCKPORT, TEXAS**





# City of Rockport Organization Chart



**CITY of ROCKPORT, TEXAS**



# **FINANCIAL SECTION**

**CITY of ROCKPORT, TEXAS**



### INDEPENDENT AUDITOR'S REPORT

February 17, 2017

The Honorable Mayor and  
Members of the City Council  
City of Rockport, Texas

#### **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 the City of Rockport, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to 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 from material misstatement.

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockport, Texas as of September 30, 2016, 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 the other required supplementary information on pages 5 through 11 and 61 through 63 be presented to supplement the basic financial statements. Such information, although not a required 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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's basic financial statements. The introductory section, combining statements and budgetary comparison schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 97 and 98 is presented for purposes of additional analysis as required by U.S. Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. and is also not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules 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 financial statements and schedules, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 the City's internal control over financial reporting and compliance.

*Collier, Johnson & Woods*





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## MANAGEMENT’S DISCUSSION AND ANALYSIS

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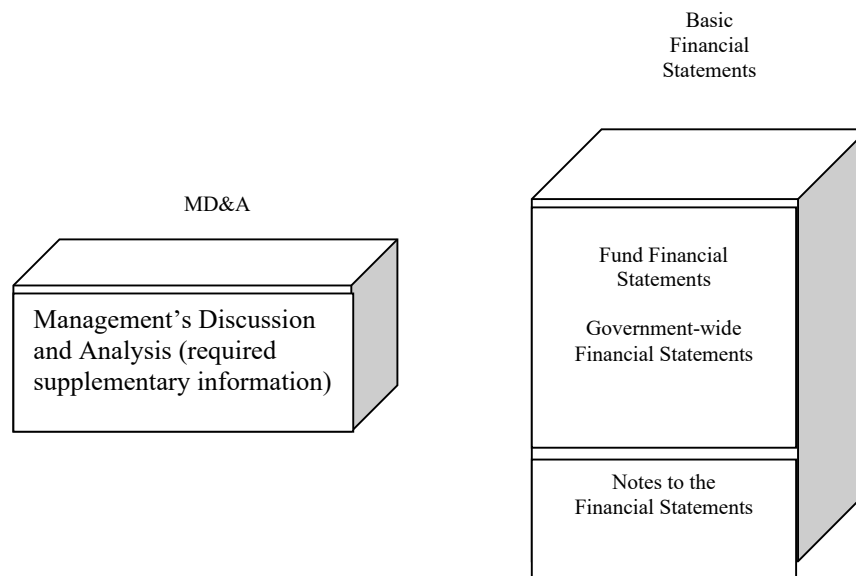
Our discussion and analysis of the City of Rockport’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the transmittal letter on page i to viii and the City’s financial statements, which begin on page 13.

### Financial Highlights

- The assets and deferred outflows of the City of Rockport exceeded its liabilities and deferred inflows at the close of 2016 by \$42,822,702 (net position). Of this amount, \$8,282,039 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government’s total net position increased by \$2,566,657 in 2016.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$12,191,361, a decrease of 2% in comparison with the prior year. Approximately \$3,318,398 (27%) of this total amount is available for spending at the government’s discretion.
- The General fund reported an unassigned fund balance of \$3,414,549 or, 47% of total general Fund expenditures.
- The City’s total long-term debt increased by \$402,900 (1%) during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic is provided to facilitate the reader’s understanding of the format of the Basic Financial Statements and their individual components:



This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management’s discussion and analysis and multi-year funding

progress on the City's pension plan and retiree health plan. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

**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 a private-sector business. The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration, public safety, public works, cultural and recreation and tourism. The business-type activities of the City include Water and Sewer, natural gas, sanitation and the Community Aquatic Center operations. The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements** - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 can be divided into two categories governmental funds and proprietary 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as governmental land, buildings and equipment, and long-term liabilities such as bonds payable or long term liabilities that will not be paid with current assets are excluded. 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 funds balance sheet and the governmental funds 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 23 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and the 2007, 2015 and 2016 Capital Project Funds. Data from the other 18 funds are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on pages 16-23.

**Proprietary Funds** - The City maintains one type 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 Water & Sewer Fund and Natural Gas Fund, since they are considered to be major funds of the City. Data from the other 2 funds are combined into a single, aggregated presentation. The basic proprietary fund financial statements can be found on pages 24-31 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 33-60.

**Other Information** – In addition to the basic financial statements and accompanying notes, the basic financial statements contain required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligations to provide pension and retiree health benefits to its employees. The required supplementary information can be found on page 61-63.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$42,822,702 as of September 30, 2016.

The largest portion of the City's net position \$33,347,718 (77.9%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. 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.

An additional portion of the City's net positions 1,192,945 (2.8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$8,282,039 (19.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Table 1 illustrates the comparative detail of changes in net assets of the City.

**SUMMARY OF NET POSITIONS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and Other Assets	12,643,702	13,355,290	12,508,128	11,273,036	25,151,830	24,628,326
Capital Assets, Net	30,615,626	26,587,911	34,513,936	35,306,105	65,129,562	61,894,016
Total Assets	43,259,328	39,943,201	47,022,064	46,579,141	90,281,392	86,522,342
Deferred Outflows	2,576,333	2,011,646	1,036,040	689,743	3,612,373	2,701,389
Long-Term Liabilities	25,430,306	24,742,950	19,126,221	21,018,654	44,556,527	45,761,604
Other Liabilities	2,730,723	909,423	3,497,223	2,185,530	6,227,946	3,094,953
Total Liabilities	28,161,029	25,652,373	22,623,444	23,204,184	50,784,473	48,856,557
Deferred Inflows	159,727	16,068	126,863	78,718	286,590	94,786
Net Position						
Net Invested in Capital						
Assets	16,359,297	14,175,524	16,988,421	19,072,080	33,347,718	33,247,604
Restricted	1,192,945	485,659	--	40,964	1,192,945	526,623
Unrestricted	(37,337)	1,625,223	8,319,376	4,872,938	8,282,039	6,498,161
Total Net Position	17,514,905	16,286,406	25,307,797	23,985,982	42,822,702	40,272,388

**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. In the Water & Sewer, 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 Gathering.

Table 2 provides a summary of the City's operations for year ended September 30, 2016 with comparative totals for the year ended September 30, 2015.

**TABLE 2**  
**STATEMENT OF ACTIVITIES**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues						
Program Revenues						
Fees, Fines and Charges for Services	447,890	457,054	12,458,426	11,823,583	12,906,316	12,280,637
Operating Grants and Contributions	--	773,593	37,000	51,417	37,000	825,010
Capital Grants and Contributions	1,372,789	--	78,615	210,577	1,451,404	210,577
General Revenue						
Property Taxes	5,228,422	4,685,492	--	--	5,228,422	4,685,492
Sales Taxes	2,481,777	2,390,992	--	--	2,481,777	2,390,992
Franchise and Other Taxes	1,045,731	1,015,439	--	--	1,045,731	1,015,439
Hotel Occupancy Taxes	860,124	886,569	--	--	860,124	886,569
Investment Earnings	43,635	33,367	4,285	14,432	47,920	47,799
Other Revenues	79,695	64,639	--	--	79,695	64,639
Total Revenues	11,560,063	10,307,145	12,578,326	12,100,009	24,058,694	22,342,515
Expenses						
General Government	2,619,202	2,427,385	--	--	2,619,202	2,427,385
Public Safety	4,245,536	4,147,949	--	--	4,245,536	4,147,949
Public Works	1,468,510	1,399,731	--	--	1,468,510	1,399,731
Culture and Recreation	1,224,221	1,184,129	--	--	1,224,221	1,184,129
Tourism	897,016	569,139	--	--	897,016	569,139
Interest and Fees on Debt	754,966	445,314	--	--	754,966	445,314
Water and Sewer	--	--	8,330,913	7,131,852	8,330,913	7,131,852
Natural Gas	--	--	1,525,253	1,833,603	1,525,253	1,833,603
Sanitation	--	--	294	--	294	--
Community Aquatic Center	--	--	501,870	399,748	501,870	399,748
Total Expenses	11,209,451	10,173,647	10,358,330	9,365,203	21,567,781	19,538,850
Change in Net Position before Transfers	350,612	133,498	2,219,996	2,734,806	2,570,608	2,868,304
Transfers	898,181	902,612	(898,181)	(902,612)	--	--
Change in Net Position	1,248,793	1,036,110	1,321,815	1,832,194	2,570,608	2,868,304
Beginning Net Position	16,270,063	15,233,953	23,985,982	22,153,788	40,256,045	37,387,741
	17,518,856	16,270,063	25,307,797	23,985,982	42,826,653	40,256,045

As shown in Exhibit 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, \$9,388,772, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$10,637,565. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,248,793.

**Business-Type Activities.** As shown in Table 2 and in the Statement of Activities, program revenues of the City's business-type activities were \$12,578,326 for the fiscal year ended September 30, 2016. Expenses for the City's business-type activities were \$10,358,330, resulting in a change in net position before transfers of \$2,219,996. After transfer out of \$898,181 the net change in net position was \$1,321,815.

In the Water & Sewer, 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 5.39% this year, with no pass-through increase 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 11.70%. 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. The City contracted with NewGen Strategies & Solutions this year to do a rate study to ensure that the revenues generated by the Utility System Fund will support the associated expenditures. This study also includes the natural gas revenue.

## **FINANCIAL ANALYSIS OF THE 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 fund balance of \$12,191,361, a decrease of \$247,870 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 \$3,414,549. 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 2016, the daily cost of operation in the general fund was \$20,046 (total current expenditures of \$7,316,758 divided by 365 days in the year). The City of Rockport's unassigned general fund balance would be able to sustain 170 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.

## **CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$65,129,562 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery, equipment, vehicles, infrastructure and construction in progress. Governmental activity capital assets increased by \$4,027,175 as a result of \$4,928,230 of additions offset by \$1,358,062 of depreciation. Business-type activity capital assets decrease by \$792,169 as a result of \$377,578 additions less \$1,169,747 of depreciation.

Major capital asset events during 2016 include the following:

- South Rockport Regional Drainage Phase 2 GLO 100% Grant– The City of Rockport received a \$987,102 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: 1<sup>st</sup> street from Bronte street (SH35) to S. Ann street; Intersection of 2<sup>nd</sup> street and Bronte street (SH 35); Intersection of E. 5<sup>th</sup> street and S. Mathis street; Intersection of E. 5<sup>th</sup> street and S. Pearl street. Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- Texas Parks & Wildlife Department Recreation Grant – The project is located within memorial Park, the largest and most used city-owned park, with 100 acres comprised primarily of native coastal live oak forest habitat. Approximately 30 acres of the park remain undeveloped. The 9-foot wide, 6-mile-long, heavily used asphalt hike & bike trail winds through 52 acres of the park, and consists of four connected loops constructed in three phases from 1988 to 2004. There are two trailheads. One begins at the park entrance where there is parking, ADA compliant restrooms with chilled water fountain, and picnic sites. The first two trail loops are located within the original 32 acres of the park. Further to the west, into the park's first 20-acre addition, two trail loops were added, along with a second trailhead parking area with ADA compliant restrooms, picnic sites, and a stand-alone drinking fountain. The first two trail loops are lighted, but the second two loops in the west section are not. The work consisted of applying heavy coat of cold tar sealer to the asphalt surface of the entire 1.6-mile hike & bike trail system, leveling the surface of holes and other minor damages and adding a layer of protection to extend the life of the existing surface. The total area of coverage is approximately 76,032 feet.
- Issuance of Combination Tax and Revenue Certificates of Obligation, Series 2016 in the amount of \$3,400,000 to purchase Bent Oaks Property in Rockport. The purchase of approximately 8.856 acres of land located near the intersection of Business Highway 35 North and East Maple Street within the boundaries of the City, most of which is expected to be developed and used for Municipal Park Purposes. The remainder currently expected to be used for Open Space Purposes and to acquire and construct various improvements on or for the park land including but not limited to roads, driveways, parking areas, buildings, fences, utilities, lighting, sidewalks, walking paths, playground and other recreational equipment, signage, and landscaping. Additionally, a portion of the bonds will be used to demolish or renovation (including furniture and equipment) of existing buildings.

Additional information on the City's capital assets can be found in Note 3 of the financial statements.



**TABLE 3**  
**CAPITAL ASSETS AT YEAR-END, NET OF ACCUMULATED DEPRECIATION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	9,413,782	6,417,352	214,953	214,953	9,628,735	6,632,305
Building and Improvements	3,423,725	3,434,506	4,569,343	4,713,018	7,993,068	8,147,524
Improvements Other than Buildings	1,173,369	1,272,604	--	--	1,173,369	1,272,604
Machinery and Equipment	1,720,026	1,340,590	286,945	310,256	2,006,971	1,650,846
Infrastructure	14,884,724	13,796,082	--	--	14,884,724	13,796,082
Water System	--	--	12,951,016	13,094,888	12,951,016	13,094,888
Sewer System	--	--	12,827,248	13,165,414	12,827,248	13,165,414
Natural Gas System	--	--	3,664,431	3,807,576	3,664,431	3,807,576
Construction in Progress	--	326,777	--	--	--	326,777
	<b>30,615,626</b>	<b>26,587,911</b>	<b>34,513,936</b>	<b>35,306,105</b>	<b>65,129,562</b>	<b>61,894,016</b>

### DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$37,825,000. Of this amount, \$20,520,000 are general obligation bond and \$17,305,000 are certificates of obligation backed by the full faith and credit of the government and \$778,123 in capital leases. Additional information on the City's long-term debt can be found in Note 4 of the financial statements.

The City of Rockport issued \$3,275,000 in new Combination Tax and Revenue Certificates of Obligation, Series 2016 on January 12, 2016. The proceeds from the sale of the certificates will be used to purchase approximately 8.856 acres of land located near the intersection of Business Highway 35 North and East Maple Street, most of which is expected to be developed and used for municipal park purposes with the remainder (approximately two acres) currently expected to be used for open space purposes. Additionally, the proceeds were used to pay all or a portion of the legal, fiscal and engineering fees in connection with such projects and to pay costs of issuance.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2016-17 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.

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.

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 2)	2,850,621	7,561,846	10,412,467
Investments (Note 2)	2,160,000	980,000	3,140,000
Receivables, Net of Allowance for Uncollectible	556,663	1,238,387	1,795,050
Internal Balances	(243,177)	243,177	--
Inventories	97,739	216,957	314,696
Restricted Cash and Investments			
Cash and Cash Equivalents (Note 2)	6,976,856	2,022,761	8,999,617
Investments	245,000	245,000	490,000
Land and Construction in Progress (Note 3)	9,413,782	214,953	9,628,735
Other Capital Assets, Net of Accumulated Depreciation (Note 3)	21,201,844	34,298,983	55,500,827
Total Assets	<u>43,259,328</u>	<u>47,022,064</u>	<u>90,281,392</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Bond Refundings	1,179,518	379,152	1,558,670
Deferred Outflows Related to Pensions (Note 9)	1,396,815	656,888	2,053,703
Total Deferred Outflows of Resources	<u>2,576,333</u>	<u>1,036,040</u>	<u>3,612,373</u>
<b>LIABILITIES</b>			
Accounts Payable	437,199	861,375	1,298,574
Accrued Expenses	143,540	70,586	214,126
Accrued Interest	88,659	80,416	169,075
Deposits	--	1,256,633	1,256,633
Unearned Revenue	(11,010)	--	(11,010)
Unclaimed Property	28,152	--	28,152
Current Portion of Long-Term Liabilities (Note 4)			
Long-Term Debt	1,893,768	1,165,646	3,059,414
Compensated Absences	150,415	62,567	212,982
Long-Term Liabilities, Excluding Current Portion (Note 4)			
Long-Term Debt (Note 5 and 6)	20,763,935	16,690,142	37,454,077
Compensated Absences	279,340	116,196	395,536
OPEB Obligation (Note 10)	1,158,344	937,861	2,096,205
Net Pension Liability (Note 9)	3,228,687	1,382,022	4,610,709
Total Liabilities	<u>28,161,029</u>	<u>22,623,444</u>	<u>50,784,473</u>
<b>DEFERRED INFLOWS</b>			
Deferred Gain on Bond Refunding	--	48,879	48,879
Deferred Inflows Related to Pensions (Note 9)	159,727	77,984	237,711
	<u>159,727</u>	<u>126,863</u>	<u>286,590</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	16,359,297	16,988,421	33,347,718
Restricted	1,192,945	--	1,192,945
Unrestricted	(37,337)	8,319,376	8,282,039
TOTAL NET POSITION	<u><u>17,514,905</u></u>	<u><u>25,307,797</u></u>	<u><u>42,822,702</u></u>

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

**CITY OF ROCKPORT, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2016**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		
		FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities				
General Government	2,619,202	186,238	--	--
Public Safety	4,245,536	246,250	666,249	645,940
Public Works	1,468,510	--	--	--
Culture and Recreation	1,228,172	15,402	60,600	--
Tourism	897,016	--	--	--
Interest and Fees on Long-Term Debt	754,966	--	--	--
Total Governmental Activities	11,213,402	447,890	726,849	645,940
Business-Type Activities				
Water and Sewer	8,330,913	10,443,336	--	78,615
Natural Gas	1,525,253	1,780,909	--	--
Sanitation	294	17,867	--	--
Community Aquatic Center	501,870	216,314	37,000	--
Total Government	21,571,732	12,906,316	763,849	724,555

General Revenues

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
Sales Taxes  
Franchise and Other Taxes  
Hotel Occupancy Taxes  
Unrestricted Investment Earnings  
Other Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year as Restated (Note 14)

NET POSITION AT END OF YEAR

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

Exhibit 2

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
(2,432,964)	--	(2,432,964)
(2,687,097)	--	(2,687,097)
(1,468,510)	--	(1,468,510)
(1,152,170)	--	(1,152,170)
(897,016)	--	(897,016)
(754,966)	--	(754,966)
(9,392,723)	--	(9,392,723)
--	2,191,038	2,191,038
--	255,656	255,656
--	17,573	17,573
--	(248,556)	(248,556)
(9,392,723)	2,215,711	(7,177,012)
3,139,402	--	3,139,402
2,089,020	--	2,089,020
2,481,777	--	2,481,777
1,045,731	--	1,045,731
860,124	--	860,124
43,635	4,285	47,920
79,695	--	79,695
898,181	(898,181)	--
10,637,565	(893,896)	9,743,669
1,244,842	1,321,815	2,566,657
16,270,063	23,985,982	40,256,045
17,514,905	25,307,797	42,822,702

**CITY OF ROCKPORT, TEXAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2016**

	<b>GENERAL</b>	<b>DEBT SERVICE</b>	<b>2007 CAPITAL PROJECT</b>	<b>2015 CAPITAL PROJECT</b>
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 2)	645,549	511,046	--	--
Investments (Note 2)	2,160,000	--	--	--
Receivables, Net of Allowance for Uncollectible				
Property Taxes	54,399	33,704	--	--
Other Taxes	204,880	--	--	--
Accounts	600	--	--	--
Due from Other Funds (Note 7)	761,700	--	--	--
Inventories	56,290	--	--	--
Restricted Cash and Investments				
Cash and Cash Equivalents	--	--	3,384,838	455,811
Investments	--	--	245,000	--
<b>TOTAL ASSETS</b>	<b>3,883,418</b>	<b>544,750</b>	<b>3,629,838</b>	<b>455,811</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts Payable	208,899	--	--	--
Accrued Expenses	120,131	--	--	--
Due to Other Funds (Note 7)	--	192,701	--	--
Unearned Revenue	55,397	33,704	--	--
Unclaimed Property	28,152	--	--	--
<b>Total Liabilities</b>	<b>412,579</b>	<b>226,405</b>	<b>--</b>	<b>--</b>
Fund Balance (Note 11)				
Nonspendable	56,290	--	--	--
Restricted	--	--	3,629,838	455,811
Committed	--	318,345	--	--
Assigned	--	--	--	--
Unassigned	3,414,549	--	--	--
<b>Total Fund Balance</b>	<b>3,470,839</b>	<b>318,345</b>	<b>3,629,838</b>	<b>455,811</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,883,418</b>	<b>544,750</b>	<b>3,629,838</b>	<b>455,811</b>

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

**Exhibit 3-A**

<b>2016 CAPITAL PROJECT</b>	<b>OTHER GOVERNMENTAL</b>	<b>TOTAL GOVERNMENTAL</b>
--	1,694,026	2,850,621
--	--	2,160,000
--	--	88,103
--	245,502	450,382
--	17,578	18,178
--	--	761,700
--	--	56,290
404,320	2,731,887	6,976,856
--	--	245,000
404,320	4,688,993	13,607,130
--	242,478	451,377
--	18,296	138,427
--	498,220	690,921
--	17,791	106,892
--	--	28,152
--	776,785	1,415,769
--	--	56,290
404,320	3,924,832	8,414,801
--	1,704	320,049
--	81,823	81,823
--	(96,151)	3,318,398
404,320	3,912,208	12,191,361
404,320	4,688,993	13,607,130

**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

**Total Fund Balance - Total Governmental Funds as Adjusted (Note 14)** 12,191,361

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. The cost of assets in governmental activities and the accumulated depreciation are as follows:

Capital Assets (Excluding Internal Service of \$45,435)	38,065,249	
Accumulated Depreciation (Excluding Internal Service of \$12,747)	(7,486,311)	30,578,938

Ad valorem taxes received after 60 days of year-end are not considered available revenues and are deferred in the governmental funds	117,902
--------------------------------------------------------------------------------------------------------------------------------------	---------

Deferred Outflows and Inflows are not reported in governmental funds as follows:

Deferred Loss on Bond Refunding	1,179,518	
Deferred Outflows Related to Pensions (Excluding Internal Service \$102,852)	1,347,929	
Deferred Inflows Related to Pensions (Excluding Internal Service \$5,804)	(153,923)	2,373,524

Some liabilities are not due and payable in the current period and therefore are not reported in funds. A detail of these liabilities follows:

Long-Term Debt	(22,657,703)	
Net Pension Liability	(3,125,835)	
Accumulated Compensated Absences	(423,631)	
OPEB Obligations	(1,094,488)	
Accrued interest	(88,659)	(27,390,316)

Internal service funds are used by management to charge cost of fleet management to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities of net position.

(356,504)

**NET POSITION OF GOVERNMENTAL ACTIVITY**

17,514,905

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



**CITY OF ROCKPORT, TEXAS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	GENERAL FUND	DEBT SERVICE	2007 CAPITAL PROJECT	2015 CAPITAL PROJECT
Revenues				
Taxes and Business Fees	6,492,696	2,089,020	--	--
Licenses and Permits	227,790	--	--	--
Intergovernmental	122,130	--	--	--
Fines and Forfeitures	200,259	--	--	--
Charges for Services	48,545	--	--	--
Interest on Investments	30,720	6,643	3,410	--
Other Revenues	79,282	--	--	--
Total Revenues	7,201,422	2,095,663	3,410	--
Expenditures				
Current				
General Government	2,375,556	--	--	--
Public Safety	2,758,150	--	--	--
Public Works	935,395	--	--	--
Culture and Recreation	947,877	--	584	3,951
Tourism	--	--	--	--
Debt Service				
Principal Retirement	--	1,664,599	--	--
Interest and Fiscal Charges	--	620,908	--	--
Bond Issuance Cost	--	--	--	--
Capital Projects	299,780	--	366,253	--
Total Expenditures	7,316,758	2,285,507	366,837	3,951
Revenues Over (Under) Expenditures	(115,336)	(189,844)	(363,427)	(3,951)
Other Financing Sources (Uses)				
Certificate of Obligation Bonds Issued	--	--	--	--
Premium on Bonds Issued	--	--	--	--
Transfers In (Note 7)	1,103,002	35,338	--	--
Transfers Out (Note 7)	(737,560)	--	--	(25,653)
Total Other Financing Sources (Uses)	365,442	35,338	--	(25,653)
Net Change in Fund Balance	250,106	(154,506)	(363,427)	(29,604)
Fund Balance at Beginning of Year,	3,220,733	472,851	3,993,265	485,415
Fund Balance at End of Year	3,470,839	318,345	3,629,838	455,811

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

**Exhibit 4-A**

<b>2016 CAPITAL PROJECT</b>	<b>OTHER GOVERNMENTAL</b>	<b>TOTAL GOVERNMENTAL</b>
--	1,061,238	9,642,954
--	--	227,790
--	1,250,659	1,372,789
--	37,400	237,659
--	8,895	57,440
--	2,862	43,635
--	413	79,695
--	2,361,467	11,661,962
--	48	2,375,604
--	1,099,633	3,857,783
--	3,700	939,095
--	67,807	1,020,219
--	897,016	897,016
--	27,216	1,691,815
--	2,048	622,956
103,362	--	103,362
2,996,430	1,233,779	4,896,242
3,099,792	3,331,247	16,404,092
(3,099,792)	(969,780)	(4,742,130)
3,275,000	--	3,275,000
229,112	--	229,112
--	650,359	1,788,699
--	(35,338)	(798,551)
3,504,112	615,021	4,494,260
404,320	(354,759)	(247,870)
--	4,266,967	12,439,231
404,320	3,912,208	12,191,361

**CITY OF ROCKPORT, TEXAS**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Net Change in Fund Balances - Total Governmental Funds** (247,870)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceed depreciation as follows:

Capital Outlays (Excluding Internal Service \$31987)	4,896,243	
Depreciation (Excluding Internal Service \$2,278)	(898,237)	3,998,006

Delinquent property taxes, net of allowance, are not reported in the governmental funds. This is the amount receivable decreased this year (20,065)

Deferred Franchise tax written-off in the written off in governmental funds in current year (75,000)

Certain utility bill tax receivables and special assessments that are deferred in governmental funds (6,836)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also., governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of there differences in the treatment of long-term debt.

Bonds Issued	(3,275,000)	
Premium on Bonds Issued	(229,114)	
Principal Retirement	1,691,814	
Accrued Interest on Bonds	23,942	
Amortization of Bond Premiums	194,993	
Amortization of Deferred Charges on Refunding	(247,583)	(1,840,948)

Expenditures are recognized in the governmental funds when paid or due for items not normally paid with available financial resources. However, the Statement of Activities is presented on an accrual basis and expenses reported when incurred. This amount is the net effect of these differences

Pension Cost, Net	(123,871)	
Compensated Absence Expense	(60,027)	
OPEB Expense	(164,260)	(348,158)

Internal service funds are used by management to charge costs of fleet maintenance to individual funds. The net expenses and transfers to the business-type activities is reported in governmental activities (214,287)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>1,244,842</u>
---------------------------------------------------	--	------------------

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

**CITY OF ROCKPORT, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>			<b>VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
Revenues				
Taxes and Business Fees	6,537,515	6,537,515	6,492,696	(44,819)
Licenses and Permits	202,700	202,700	227,790	25,090
Intergovernmental	80,000	80,000	122,130	42,130
Fines and Forfeitures	201,500	201,500	200,259	(1,241)
Charges for Services	29,500	29,500	48,545	19,045
Interest on Investments	--	--	30,720	30,720
Other Revenues	40,250	40,250	79,282	39,032
Total Revenues	7,091,465	7,091,465	7,201,422	109,957
Expenditures				
Current				
General Government	2,373,122	2,373,122	2,375,556	(2,434)
Public Safety	2,886,872	2,886,872	2,758,150	128,722
Public Works	1,048,516	1,048,516	935,395	113,121
Culture and Recreation	896,447	896,447	947,877	(51,430)
Capital Projects	237,100	237,100	299,780	(62,680)
Total Expenditures	7,442,057	7,442,057	7,316,758	125,299
Revenues Under Expenditures	(350,592)	(350,592)	(115,336)	235,256
Other Financing Sources (Uses)				
Transfers In (Note 8)	1,246,803	1,246,803	1,103,002	(143,801)
Transfers Out (Note 8)	(698,118)	(698,118)	(737,560)	(39,442)
Total Other Financing Sources	548,685	548,685	365,442	(183,243)
Net Change in Fund Balance	198,093	198,093	250,106	52,013
Fund Balance at Beginning of Year	3,220,733	3,220,733	3,220,733	--
Fund Balance at End of Year	3,418,826	3,418,826	3,470,839	52,013

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

**CITY OF ROCKPORT, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	<b>WATER &amp; SEWER</b>	<b>NATURAL GAS</b>	<b>NONMAJOR ENTERPRISE</b>	<b>TOTAL ENTERPRISE</b>
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 2)	5,780,559	1,642,108	139,179	7,561,846
Investments (Note 2)	735,000	245,000	--	980,000
Receivables, Net of Allowance for Uncollectible				
Accounts	911,728	113,953	212,706	1,238,387
Due from Other Funds (Note 7)	929,847	--	--	929,847
Inventories	173,964	42,993	--	216,957
Restricted Cash and Investments				
Cash and Cash Equivalents (Note 2)	762,923	1,259,838	--	2,022,761
Investments (Note 2)	245,000	--	--	245,000
Total Current Assets	9,539,021	3,303,892	351,885	13,194,798
Land and Construction in Progress (Note 3)	110,653	--	104,300	214,953
Other Capital Assets, Net of Accumulated				
Depreciation (Note 3)	29,624,810	3,664,431	1,009,742	34,298,983
Net Capital Assets	29,735,463	3,664,431	1,114,042	34,513,936
Total Assets	39,274,484	6,968,323	1,465,927	47,708,734
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Bond Refundings	379,152	--	--	379,152
Deferred Outflows Related to Pensions	514,720	142,168	--	656,888
Total Deferred Outflows of Resources	893,872	142,168	--	1,036,040
<b>LIABILITIES</b>				
Accounts Payable	533,584	26,374	301,417	861,375
Accrued Expenses	48,927	14,166	7,493	70,586
Accrued Interest	66,858	13,558	--	80,416
Due To Other Funds (Note 7)	104,953	504,374	77,343	686,670
Customers' Deposits	1,256,633	--	--	1,256,633
Current Portion of Long-Term Liabilities (Note 4)				
Long-Term Debt (Notes 5 and 6)	1,036,820	128,826	--	1,165,646
Compensated Absences	52,861	9,706	--	62,567
OPEB Obligation	--	--	--	--
Total Current Liabilities	3,100,636	697,004	386,253	4,183,893
Long-Term Liabilities, Excluding Current				
Portion (Note 4)				--
Long-Term Debt (Note 5)	13,674,363	3,015,779	--	16,690,142
Compensated Absences	98,171	18,025	--	116,196
OPEB Obligation (Note 10)	707,617	230,244	--	937,861
Net Pension Liability (Note 9)	1,082,916	299,106	--	1,382,022
Total Noncurrent Liabilities	15,563,067	3,563,154	--	19,126,221
Total Liabilities	18,663,703	4,260,158	386,253	23,310,114
<b>DEFERRED INFLOWS</b>				
Deferred Gain on Bond Refunding	48,879	--	--	48,879
Deferred Inflows Related to Pensions	61,107	16,877	--	77,984
	109,986	16,877	--	126,863
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	15,354,553	519,826	1,114,042	16,988,421
Unrestricted	6,040,114	2,313,630	(34,368)	8,319,376
TOTAL NET POSITION	21,394,667	2,833,456	1,079,674	25,307,797

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

**Exhibit 6**

INTERNAL SERVICE FLEET
--
--
--
--
41,449
--
--
41,449
--
36,688
36,688
78,137
--
48,886
48,886
(14,178)
5,113
--
313,956
--
--
2,144
--
307,035
--
3,980
63,856
102,852
170,688
477,723
--
5,804
5,804
--
(356,504)
(356,504)

**CITY OF ROCKPORT, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<u>WATER &amp; SEWER</u>	<u>NATURAL GAS</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTAL ENTERPRISE</u>
Operating Revenues				
Charges for Services	10,443,336	1,780,909	234,181	12,458,426
Operating Expenses				
Personal Services	2,019,469	549,406	266,666	2,835,541
Contractual Services	571,690	46,952	29,056	647,698
Maintenance	3,708,182	65,680	42,033	3,815,895
Supplies	140,938	572,379	96,767	810,084
Other	337,607	17,421	992	356,020
Depreciation	959,952	143,145	66,650	1,169,747
Total Operating Expenses	<u>7,737,838</u>	<u>1,394,983</u>	<u>502,164</u>	<u>9,634,985</u>
Operating Income (Loss)	2,705,498	385,926	(267,983)	2,823,441
Nonoperating Revenue (Expenses)				
Interest on Investments	2,603	1,682	--	4,285
Payments From Other Governments	--		37,000	37,000
Interest Expense and Fiscal Charges	(517,905)	(115,273)	--	(633,178)
Net Nonoperating Revenues (Expenses)	<u>(515,302)</u>	<u>(113,591)</u>	<u>37,000</u>	<u>(591,893)</u>
Capital Contributions	<u>78,615</u>	<u>--</u>	<u>--</u>	<u>78,615</u>
Income Before Transfers	2,268,811	272,335	(230,983)	2,310,163
Transfers In (Note 7)	168,700	--	114,654	283,354
Transfers Out (Note 7)	(1,103,002)	(168,700)	--	(1,271,702)
Total Operating Transfers	<u>(934,302)</u>	<u>(168,700)</u>	<u>114,654</u>	<u>(988,348)</u>
Net Income (Loss)	1,334,509	103,635	(116,329)	1,321,815
Net Position at Beginning of Year as Restated	<u>20,060,158</u>	<u>2,729,821</u>	<u>1,196,003</u>	<u>23,985,982</u>
NET POSITIONS END OF YEAR	<u><u>21,394,667</u></u>	<u><u>2,833,456</u></u>	<u><u>1,079,674</u></u>	<u><u>25,307,797</u></u>

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

**Exhibit 7**

<b>INTERNAL SERVICE FLEET</b>
377,247
195,553
51,998
20,065
319,775
65
2,278
<u>589,734</u>
(212,487)
--
--
--
<u>--</u>
--
<u>--</u>
(212,487)
--
<u>(1,800)</u>
<u>(1,800)</u>
(214,287)
<u>(142,217)</u>
<u><u>(356,504)</u></u>



**CITY OF ROCKPORT, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2016**

	<b>WATER &amp; SEWER</b>	<b>NATURAL GAS</b>	<b>NONMAJOR ENTERPRISE</b>	<b>TOTAL ENTERPRISE</b>
Cash Flows from Operating Activities				
Receipts from Customers	10,549,652	1,808,775	236,442	12,594,869
Receipts from Interfund Services Provided	--	--	--	--
Payments to Suppliers	(5,437,457)	(839,053)	(213,963)	(6,490,473)
Payments to Employees	(1,214,216)	(343,636)	(212,069)	(1,769,921)
Net Cash Provided by Operating Activities	3,897,979	626,086	(189,590)	4,334,475
Cash Flows from Noncapital Financing Activities				
Change in Interfund Borrowings	(157,084)	(2)	76,987	(80,099)
Transfers In from Other Funds	168,700	--	114,654	283,354
Transfers Out to Other Funds	(1,103,002)	(168,700)	--	(1,271,702)
Payments from Other Governments	78,615	--	37,000	115,615
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,012,771)	(168,702)	228,641	(952,832)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(351,925)	--	(25,653)	(377,578)
Principal Paid on Long-term Debt	(1,006,829)	(117,234)	--	(1,124,063)
Interest Expense and Fiscal Charges	(559,472)	(109,636)	--	(669,108)
Net Cash Used for Capital and Related Financing Activities	(1,918,226)	(226,870)	(25,653)	(2,170,749)
Cash Flows from Investing Activities				
Purchase of Investment Securities	(490,000)		--	(490,000)
Interest on Investments	2,575	1,682	--	4,257
Net Cash Provided (Used) by Investing Activities	(487,425)	1,682	--	(485,743)
Increase in Cash and Cash Equivalents	479,557	232,196	13,398	725,151
Cash and Cash Equivalents at Beginning of Year Including Restricted Accounts	6,063,925	2,669,750	125,781	8,859,456
Cash and Cash Equivalents at End of Year	6,543,482	2,901,946	139,179	9,584,607

## Exhibit 8

[illegible]

**CITY OF ROCKPORT, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2016**

	<u>WATER &amp; SEWER</u>	<u>NATURAL GAS</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTAL ENTERPRISE</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by Operating Activities				
Operating Income (Loss)	2,705,498	385,926	(267,983)	2,823,441
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	959,952	143,145	66,650	1,169,747
Changes in Assets, Liabilities and Deferred				
Accounts Receivable	28,944	27,866	2,959	59,769
Inventories	(6,088)	6,479	--	391
Deferred Outflows Related to Pension	(249,581)	(142,168)	--	(391,749)
Accounts Payable	(14,821)	(2,183)	5,915	(11,089)
Accrued Expenses	13,254	2,636	3,567	19,457
Customer Deposits	76,501	--	(698)	75,803
Unclaimed Property	871	--	--	871
Compensated Absences	34,654	16,200	--	50,854
OPEB Obligation	46,348	31,416	--	77,764
Net Pension Liability	241,340	139,892	--	381,232
Deferred Inflows Related to Pension	61,107	16,877	--	77,984
Net Cash Provided (Used by Operating Activities)	<u>3,897,979</u>	<u>626,086</u>	<u>(189,590)</u>	<u>4,334,475</u>

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

**Exhibit 8**  
**(Continuation)**

**INTERNAL  
SERVICE  
FLEET**

---

(212,487)

2,278

--

19,417

(48,886)

3,121

1,348

--

--

6,124

12,474

48,104

---

5,804

---

---

(162,703)

**CITY of ROCKPORT, TEXAS**



CITY OF ROCKPORT, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockport, Texas (the City) was incorporated in 1871 under the provisions of the laws for the State of Texas. The City operates under a Home-Rule Charter, which was adopted on April 12, 1983, and provides the following services, as authorized, by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administration services. Other services include utilities. The City operates with a Council-Manager type of government, where the City Council consists of the mayor and four council members. The mayor is elected at large and one council member is elected from each of four wards.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

**A. Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. Based on this criterion, the City has no component units.

**B. Basis of Presentation**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. The effect of interfund activity, within the government and business-type activities columns, has been removed from these statements. However, any interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

**C. Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds.

**General Fund** – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

**2007 Capital Project Fund** – The fund is used to account for the proceeds and related expenditures of the 2007 Certificate of Obligation issue.

**2015 Capital Project Fund** – The fund is used to account for the proceeds and related expenditures of the 2015 Certificate of Obligation issue.

**2016 Capital Project Fund** – The fund is used to account for the proceeds and related expenditures of the 2016 Certificate of Obligation issue.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations on net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds.

**Water and Sewer Fund** – Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

**Natural Gas Fund** – Natural Gas Fund is used to account for the provision of natural services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for natural gas debt. All costs are financed through charges to natural gas

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service funds account for vehicle maintenance services to other departments within the City on a cost-reimbursement basis. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level in the Statement of Net Position. The net activity of these services is offset against the appropriate functional activity in the Statement of Activities. This complies with the City's policy of eliminating internal activity from the government-wide statements.

**D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.



Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**E. Budgetary Control**

Annual budgets are adopted for 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 Charter establishes the fiscal year as the twelve-month period beginning October 1. On or before the first regular scheduled meeting in August of each year, the City Manager submits a proposed budget for the ensuing fiscal year and budget message. The City council reviews the proposed budget and make any appropriate changes prior to publishing the final budget. The Council holds a public hearing on the proposed budget.

At a regular or special meeting, not fewer than seven days after the public hearing, the City Council will adopt the budget by ordinance on one reading. Adopting of the budget shall constitute appropriation of the amounts specified therein as expenditures from the funds indicated and constitutes a levy of property tax therein proposed.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council.

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

**F. Cash and Cash Equivalents**

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled cash accounts is available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with maturity of ninety days or less are also considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

**G. Investments**

This City's reports money market investments and short-term participating interest-earning investment contracts at amortized cost and reports nonparticipating interest-earning investment contracts using a cost-based measure. 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. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investments.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

**H. Property Tax**

Property taxes attach, as an enforceable lien, on property as of January 1. The City's property tax is levied each October 1 on the basis of assessed values at the date the enforceable lien attaches. Appraised values are established by the Aransas County Appraisal District, assessed at 100% of appraised value, approved by the Aransas County Appraisal Review Board, and certified by the Chief Appraiser. Responsibility for the billing and collection of the City's taxes is contracted to Aransas County as an efficiency measure.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. Taxes become delinquent on February 1 at which time penalty and interest charges are applicable. Property tax revenues are recorded as revenues when they become available.

**I. Receivables**

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is based on historical experience in collecting tax receivables.

Utility revenue is recorded when earned. Customers are billed monthly.

**J. Inventories and Prepaid Items**

Inventories are valued at cost, which approximates market, using either the first-in/first-out method or the average cost method.

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Outlays for capital assets are capitalized as projects are constructed. Infrastructure assets begin depreciating at the end of the year in which costs are incurred. Other capital assets begin depreciating when the asset is placed in service.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

ASSETS	LIFE IN YEARS
Buildings	20-40
Water and Sewer System	5-50
Infrastructure	50
Machinery and Equipment	5-10
Improvements Other than Buildings	20
Vehicles	3-10

**L. Accumulated Unpaid Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accounted for using the termination payment method. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Expenditures are recorded in the governmental funds as employees resign or retire. Compensated absences liabilities are normally paid from the funds reporting payroll and related expenditures.

**M. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the governmental funds. Bond discounts and issuance costs are treated as costs in the year issued.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

**N. Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. Fund Equity**

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

*Net Invested in Capital Assets*

This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

*Restricted*

The restricted component of net position represents restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted*

This category is the "residual" component of net position. It consists of net position that does not meet the definition of "restricted" or "net invested in capital assets."

In the governmental fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Council and its designated officials.

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories and prepaid items, long-term advances, long-term receivables, and nonfinancial assets held for resale.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by Council ordinance or resolution no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council and the City Manager, have the authority to assign amounts for a specific purpose. The residual fund balance that is not Restricted or Committed in governmental funds except the General Fund is assigned.

## Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

The *unassigned* fund balance represents the spendable net resources that have not been restricted, committed, or assigned to specific purposes.

### **P. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions used to determine pension liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

### **Q. Spending Prioritization in Using Available Resources**

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

### **R. Use of Estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

## Note 2 – CASH AND INVESTMENTS

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. It requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety of principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in: 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 Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

At September 30, 2016, the carrying amount of the City's cash deposits was \$19,367,690 and the bank balance was \$19,770,889. The City's bank balances at September 30, 2016 and during the period ended September 30, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City also had \$2,084 in cash on hand.

As of September 30, 2016, the City had \$42,310 invested in Texpool and the Texas Daily Funds. This investment is included in cash and cash equivalents because of its short-term maturity.

As of September 30, 2016, the City had \$3,630,000 invested in certificates of deposit that are included as investments.

**Interest Rate Risk** – In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

**Credit Risk** – In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

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 (PFIA), Chapter 2256 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principal, the (PFIA) 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. All investments noted above have been rated AAA-m by Standard & Poor's and AAA by Moody's.

**Concentrations of Credit Risk** – The City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Note 2 – CASH AND INVESTMENTS – (Continuation)

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

Note 3 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016 was as follows:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	6,417,352	2,996,430	--	9,413,782
Construction in Progress	326,777	(326,777)	--	--
Total capital Assets, Not Being Depreciated	6,744,129	2,669,653	--	9,413,782
Infrastructure	15,608,918	1,423,123	--	17,032,041
Building and Improvements	4,882,854	120,877	--	5,003,731
Improvements other than Buildings	1,884,604	--	--	1,884,604
Machinery and Equipment	4,065,949	714,577	--	4,780,526
Total Capital Assets, Being Depreciated	26,442,325	2,258,577	--	28,700,902
Less Accumulated Depreciation				
Infrastructure	1,812,836	334,481	--	2,147,317
Building and Improvements	1,448,348	131,658	--	1,580,006
Improvements other than Buildings	612,000	99,235	--	711,235
Machinery and Equipment	2,725,359	335,141	--	3,060,500
Total Accumulated Depreciation	6,598,543	900,515	--	7,499,058
Total Capital Assets, Being Depreciated, Net	19,843,782	1,358,062	--	21,201,844
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>26,587,911</b>	<b>4,027,715</b>	<b>--</b>	<b>30,615,626</b>

Note 3 – CAPITAL ASSETS - (Continuation)

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	214,953	--	--	214,953
Total capital Assets, Not Being Depreciated	214,953	--	--	214,953
Building and Improvements	6,182,178	25,653	--	6,207,831
Water System	21,367,672	253,039	--	21,620,711
Sewer System	21,794,518	21,315	--	21,815,833
Natural Gas System	4,294,256	--	--	4,294,256
Machinery and Equipment	2,326,332	77,571	--	2,403,903
Total capital Assets, Being Depreciated	55,964,956	377,578	--	56,342,534
Less Accumulated Depreciation				
Building and Improvements	1,469,160	169,328	--	1,638,488
Water System	8,272,784	396,911	--	8,669,695
Sewer System	8,629,104	359,481	--	8,988,585
Natural Gas System	486,680	143,145	--	629,825
Machinery and Equipment	2,016,076	100,882	--	2,116,958
Total Accumulated Depreciation	20,873,804	1,169,747	--	22,043,551
Total Capital Assets, Being Depreciated, Net	35,091,152	(792,169)	--	34,298,983
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	35,306,105	(792,169)	--	34,513,936

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Depreciation Expense	
Governmental Activities	
General Government	123,409
Public Safety	182,859
Public Works	450,282
Culture and Recreation	143,965
Total Governmental Activities	900,515
Business-Type Activities	
Water & Sewer	959,952
Natural Gas	143,145
Aquatic Center	66,650
Total Business-Type Activities	1,169,747



#### Note 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2016:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>Governmental Activities</b>					
General Obligations	15,202,337	--	682,729	14,519,608	
Certificates of Obligation	3,736,108	3,275,000	903,208	6,107,899	
Premium on Bonds	1,217,953	229,112	194,993	1,252,073	
Capital Leases	884,000	--	105,877	778,123	
Total Long-Term Debt	21,040,398	3,504,112	1,886,807	22,657,703	
Compensated Absences	363,604	216,566	150,414	429,755	150,414
Pension Liability	2,424,340	1,439,215	634,868	3,228,687	--
OPEB Obligation	981,611	307,995	131,261	1,158,344	--
Total Governmental Activities	24,809,952	5,467,888	2,803,350	27,474,489	150,414
<b>Business-Type Activities</b>					
General Obligations	6,532,663	--	532,271	6,000,392	
Certificates of Obligation	11,788,892	--	591,792	11,197,101	
Premium on Bonds	748,638	--	90,342	658,296	
Total Long-Term Debt	19,070,193	--	1,214,405	17,855,788	
Compensated Absences	127,979	113,351	62,567	178,763	62,567
Pension Liability	960,990	738,167	317,134	1,382,022	--
OPEB Obligation	860,096	134,563	56,798	937,861	--
Total Business-Type Activities	21,019,259	986,081	1,650,905	20,354,435	62,567

Note 5 – LONG-TERM DEBT

The following is a summary of bonds payable as of September 30, 2016

	<b><u>GOVERNMENTAL ACTIVITY</u></b>	<b><u>BUSINESS- TYPE ACTIVITY</u></b>
General Obligation Refunding Bonds, Series 2009 Original Issuance \$3,680,000 Varying interest rates 3% to 4%	347,361	247,639
General Obligation Refunding Bonds, Series 2010 Original Issuance \$2,905,000 Callable February 15, 2020 at par. Varying interest rates 2% to 4%	781,248	778,752
General Obligation Refunding Bonds, Series 2012 Original Issuance \$6,880,000 Callable February 15, 2023 at par. Varying interest rates 1% to 3%	3,549,352	2,595,648
General Obligation Refunding Bonds, Series 2014 Original Issuance \$5,430,000 Callable February 15, 2025 at par. Varying interest rates 2% to 4.25%	4,408,793	906,207
General Obligation Refunding Bonds, Series 2015 Original Issuance \$7,125,000 Callable February 15, 2027 at par. Varying interest rates 2% to 3.75%	5,432,854	1,472,146
Total General Obligations	14,519,608	6,000,392
Combination Tax and Revenue Certificates of Obligation, Series 2007 Original Issuance \$3,610,000 Callable February 15, 2024 at par. Varying interest rates 2% to 3%	912,899	7,101
Combination Tax and Revenue Certificates of Obligation, Series 2009 Original Issuance \$10,355,000 Callable February 15, 2020 at par. Varying interest rates 2% to 3%	--	7,835,000
Combination Tax and Revenue Certificates of Obligation, Series 2014 Original Issuance \$3,610,000 Callable February 15, 2024 at par. Varying interest rates 3% to 4.5%	--	3,355,000
Combination Tax and Revenue Certificates of Obligation, Series 2015 Original Issuance \$1,950,000 Callable February 15, 2025 at par. Varying interest rates 2% to 4%	1,920,000	--
Combination Tax and Revenue Certificates of Obligation, Series 2016 Original Issuance \$3,275,000 Callable February 15, 2026 at par. Varying interest rates 3% to 4%	3,275,000	--
Total Certificates of Obligation	6,107,899	11,197,101
Total Debt	20,627,507	17,197,493

Note 5 – LONG-TERM DEBT – (Continuation)

The annual requirements to amortize all bonded debt from governmental and business-type activities as of September 30, 2016 are as follows:

YEAR ENDED SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES			
	GENERAL OBLIGATION BONDS		CERTIFICATES OF OBLIGATION	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	623,872	490,532	987,899	251,699
2018	1,364,408	461,418	200,000	166,300
2019	1,349,173	421,560	205,000	159,800
2020	1,318,928	382,963	215,000	153,050
2021	1,359,754	340,692	225,000	145,950
2022-2026	7,266,300	295,548	1,235,000	605,369
2027-2031	1,237,173	696,035	1,465,000	382,606
2032-2036	--	--	1,575,000	123,475
	14,519,608	3,088,748	6,107,899	1,988,249

YEAR ENDED SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES			
	GENERAL OBLIGATION BONDS		CERTIFICATES OF OBLIGATION	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	491,128	187,582	617,101	437,653
2018	680,592	170,258	630,000	415,552
2019	660,827	150,366	650,000	392,852
2020	631,072	131,613	680,000	369,202
2021	650,246	111,396	700,000	343,852
2022-2026	2,613,701	282,945	3,945,000	1,276,927
2027-2031	272,827	5,414	3,240,000	420,065
2032-2036	--	--	735,000	47,707
	6,000,393	1,039,573	11,197,101	3,703,810

## Note 6 – CAPITAL LEASES

The City has entered into a lease purchase agreement for the Public Safety Center with the County of Aransas, Texas. The City and County jointly paid for the facility to house the law enforcement entities. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. At September 30, 2016, the Center is carried at the cost of \$1,607,000 net of accumulated depreciation of \$482,100. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at September 30, 2016:

<b>YEAR ENDED SEPTEMBER 30,</b>	
2017	105,539
2018	105,867
2019	105,461
2020	105,722
2021	105,242
2022-2026	317,719
	<hr/> 845,549
Less Amount Representing Interest	<hr/> (67,426)
Total Capital Lease	<hr/> <hr/> 778,123

## Note 7 – INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at September 30, 2016 consisted of the following individual fund balances:

	<b>INTERFUND</b>	
	<b>RECEIVABLE</b>	<b>PAYABLE</b>
Governmental Funds		
General Fund	761,700	--
Debt Service Fund	--	192,701
Other Nonmajor Governmental Funds	--	498,220
	<u>761,700</u>	<u>690,921</u>
Business-Type Funds		
Water & Sewer	929,847	104,953
Natural Gas	--	504,374
Other Nonmajor Business-Type Funds	--	77,343
	<u>929,847</u>	<u>686,670</u>
Internal Service Fund	<u>--</u>	<u>313,956</u>
	<u>1,691,547</u>	<u>1,691,547</u>

The interfund balances at September 30, 2016 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

Interfund transfers during the year ended September 30, 2016 were as follows:

	<b>TRANSFERS OUT</b>			
	<b>2015</b>			
	<b>GENERAL</b>	<b>CAPITAL PROJECT</b>	<b>NONMAJOR GOVERNMENTAL</b>	<b>WATER &amp; SEWER</b>
<b>TRANSFERS IN</b>				
General	--	--	--	1,103,002
Debt Service	--	--	35,338	--
Nonmajor Governmental	648,599	--	--	--
Nonmajor Enterprise	89,001	25,653	--	--
	<u>737,600</u>	<u>25,653</u>	<u>35,338</u>	<u>1,103,002</u>
TRANSFER IN				
	<u>737,600</u>	<u>25,653</u>	<u>35,338</u>	<u>1,103,002</u>
	<b>NATURAL GAS</b>	<b>INTERNAL SERVICE</b>	<b>TOTAL</b>	
General	--	--	1,103,002	
Debt Service	--	--	35,338	
Nonmajor Governmental	--	1,800	650,399	
Water & Sewer	168,700	--	168,700	
Nonmajor Enterprise	--	--	114,654	
	<u>168,700</u>	<u>1,800</u>	<u>2,072,093</u>	
TRANSFER IN				
	<u>168,700</u>	<u>1,800</u>	<u>2,072,093</u>	

#### Note 7 – INTERFUND TRANSACTIONS AND BALANCES – (Continuation)

The Water & Sewer transfers to the General Fund were for an allocated amount for administrative service charges, and the transfer to the Nonmajor Governmental Funds was for payment of Debt Service related to the various bond series.

#### Note 8 – PROPERTY TAXES

The City's taxes are billed and collected by the Aransas County Tax Office. Ad valorem taxes of \$5,109,529 were assessed on property values totaling \$1,190,639,302 using a tax rate of \$0.364858 (\$0.219047 for maintenance and operations and \$0.145811 for debt service) per \$100 assessed value.

#### Note 9 – DEFINED BENEFIT PENSION PLAN

##### **Plan Description.**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the city are required to participate in TMRS.

##### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The City of Rockport provides retirement and supplemental death benefits to its employees and retirees.

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

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

The City granted monetary credit for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the Plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the City Council within the options available in statutes governing TMRS. Plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Rate (City to Employee)	2 to 1
Years Required for Vesting	10
Service Retirement Eligibility (Expressed as Age/Years of Service)	20 years at any age, 10 years at age 60 and above

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	58
Inactive Employees Entitled to but not Receiving Benefits	57
Active Employees	119
	<u>234</u>

## Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Rockport were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2016, the City made contributions of 15.43% which included .023%, for supplemental death benefits.

### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.9% per year
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation through December 31, 2015, 6.75% thereafter

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.



Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	<u>100.00%</u>	

### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

**Changes in the Net Pension Liability**

	<b><u>TOTAL PENSION LIABILITY</u></b>	<b><u>PLAN FIDUCIARY NET POSITION</u></b>	<b><u>NET PENSION LIABILITY</u></b>
Balance at 12/31/2014	24,623,674	21,238,344	3,385,330
Change for the Year			
Service Cost	876,152	--	876,152
Interest	1,721,744	--	1,721,744
Difference Between Expected and Actual Experience	(291,293)	--	(291,293)
Changes in Assumptions	126,355	--	126,355
Contributions - Employer	--	830,773	(830,773)
Contributions - Employee	--	365,498	(365,498)
Net Investment Income	--	31,339	(31,339)
Changes in Assumptions	--	(930,802)	930,802
Benefit Payments, Including Refunds of Employee Contributions	(930,802)	--	(930,802)
Administrative Expenses	--	(19,088)	19,088
Other Changes	--	(943)	943
Net Changes	<u>1,502,156</u>	<u>276,777</u>	<u>1,225,379</u>
 BALANCE 12/31/2015	 <u>26,125,830</u>	 <u>21,515,121</u>	 <u>4,610,709</u>

**Sensitivity of the net pension liability to changes in the discount rate**

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

	<b><u>1% DECREASE 5.75%</u></b>	<b><u>CURRENT SINGLE RATE ASSUMPTION 6.75%</u></b>	<b><u>1% INCREASE 7.75%</u></b>
City's Net Pension Liability	<u>8,216,592</u>	<u>4,610,709</u>	<u>1,657,790</u>

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,082,405. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	<b><u>DEFERRED INFLOW OF RESOURCES</u></b>
Pension Contributions after Measurement Date	637,998	--
Difference in Projected and Actual Earnings on Pension Assets	1,318,735	--
Difference in Projected and Actual Pension Experience	--	237,711
Difference in Actuarial Assumptions Used to Determine Pension Liability	96,970	--
	<u>2,053,703</u>	<u>237,711</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$637,998 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the city's financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

<b>MEASUREMENT YEAR ENDED DECEMBER 31,</b>	
2017	297,288
2018	297,288
2019	302,444
2020	280,974
	<u>1,177,994</u>

Note 10 – OTHER POSTEMPLOYMENT BENEFITS

**Program Description**

In addition to the pension benefits described in Note 9, as required by state law and defined by City Policy, the City makes available health care benefits to employees who retire from the City as follows:

- Retirement before 4/24/2001 – City pays 100% of premium.
- Retirement after 4/24/2001 with ten years of service – City pays 50% of the premium. The percentage of premium paid increases annually and at twenty years of service the City pays 100% of the premium.

Early retirement, and duty disabled benefits are the same as above but if retiring after 4/24/2001, at age 65, the retiree must apply for Medicare and the City furnishes a Medicare Supplemental Policy.

After 4/24/2001, eligible employees must enroll for this coverage within thirty days of retirement.

The health care benefit provided by the plan is for the retiree only.

**Funding Policy**

The City pays for the premiums on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) for the retiree health insurance is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Note 10 – OTHER POSTEMPLOYMENT BENEFITS – (Continuation)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually, contributed to the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	426,305
Interest on OPEB Obligation	82,877
Adjustment to ARC	(66,625)
Total	<u>442,557</u>
Employer Contribution	<u>(188,059)</u>
Increase in OPEB Obligation	254,498
Net OPEB Obligation, Beginning of Year	<u>1,841,707</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>2,096,205</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and 2016 were as follows:

<u>YEAR ENDED SEPTEMBER 30,</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
2015	431,591	43.54%	1,841,707
2016	442,557	42.49%	2,096,205

**Funded Status and Funding Progress**

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,646,230, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2016 was \$5,136,730, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 90.45%.

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets held in an irrevocable trust is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 10 – OTHER POSTEMPLOYMENT BENEFITS – (Continuation)

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the December 31, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions use a 4.5% discount rate, 3% payroll growth rate, 4% inflation rate and 7.25% initial rate, declining to an ultimate rate of 5.25% after ten years for medical trends. The present value of all benefits expected to be paid to current plan members as of December 31, 2014, is \$7,325,734. The actuarial accrued liability, which is a portion of the \$7,325,734 attributable to service accrued by plan members as of December, 31, 2014, is \$4,646,230. As of December 31, 2014, there is \$0 in valuation assets available to offset the liabilities of the plan.

# Note 11 – FUND BALANCES

Fund Balances Consisted of the following as of September 30, 2016:

Nonspendable	
General Fund	<u>56,290</u>
Restricted	
Capital Projects	
2007 Capital Project	3,629,838
2015 Capital Project	455,811
2016 Capital Project	404,320
Nonmajor Capital Projects	2,695,357
Nonmajor Special Revenue Funds	
Fire Protection	102,552
Security and Technology	5,003
Specified by Donors	12,775
Public Access TV	160,321
Tourism	896,688
Key Allegro Property Improvements	232
Child Safety	1,374
Public Safety	50,530
Total Restricted	<u>8,414,801</u>
Committed	
Debt Service Fund - Debt Retirement	318,345
Nonmajor Capital Project Funds - Capital Projects	1,704
Total Committed	<u>320,049</u>
Assigned - Vehicle Replacement	
Nonmajor Capital Project Funds	<u>81,823</u>
Unassigned	
General Fund	3,414,549
Nonmajor Special Revenue Fund Deficit	(96,151)
	<u>3,318,398</u>
TOTAL FUND BALANCE	<u><u>12,191,361</u></u>

The general fund will make a transfer to the City/County Dispatch fund to cover the deficit.

## Note 12 – COMMITMENTS AND CONTINGENT LIABILITIES

The City is exposed to various risks of loss related to third party liability claims; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The City obtains 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 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 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.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## Note 13- FUTURE FINANCIAL REPORTING REQUIREMENTS

The City has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the City.

Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” – This statement changes the focus of accounting of postemployment benefits other than pensions from how much it costs to adequately fund the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Statement No. 77, “Tax Abatement Disclosures” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.



#### Note 14 – PRIOR PERIOD ADJUSTMENT

Prior year OPEB Liability was not allocated to business-type activities. As a result, \$661,269 was moved to the Water & Sewer Fund and \$198,828 was moved to the Natural Gas Fund from Governmental Activities.

Prior year Net Pension Liabilities and related Deferred Outflows and Inflows were not allocated to the Natural Gas Fund or the Internal Service Fund and they were allocated based on the number of employees rather than the related payments to TMRS. Additionally, the activity for the year was not recorded resulting in recognition of \$143,654 of additional expense in 2015. The following table shows the prior period adjustments and the restated beginning net position:

	<b>BUSINESS-TYPE</b>		<b>GOVERNMENTAL</b>	
	<b><u>WATER &amp; SEWER</u></b>	<b><u>NATURAL GAS</u></b>	<b><u>INTERNAL SERVICE</u></b>	<b><u>GOVERNMENTAL</u></b>
Net Position, as Previously Reported	20,021,389	3,087,863	(36,086)	15,839,300
Adjustment to OPEB Liability	(661,269)	(198,828)	(51,382)	911,479
Adjustments Related to Pension				
Net Pension Liability	788,635	(207,984)	(71,518)	(591,181)
Deferred Outflows Related to Pension	(83,578)	50,148	17,244	264,325
Deferred Inflows Related to Pension	(4,991)	(1,378)	(474)	(15,594)
Total Adjustment Related to Pension	700,066	(159,214)	(54,748)	(342,450)
	<u>20,060,186</u>	<u>2,729,821</u>	<u>(142,217)</u>	<u>16,408,329</u>

**CITY OF ROCKPORT, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TWO YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)**

	<b>DECEMBER 31,</b>	
	<b>2014</b>	<b>2015</b>
Total Pension Liability		
Service Cost	740,391	876,152
Interest	1,625,684	1,721,744
Changes of Benefit Terms		--
Difference Between Expected and Actual Experience	(29,335)	(291,293)
Change in Assumptions	--	126,355
Benefit payments, Including Refunds of Employee Contribution	(1,133,860)	(930,802)
Net Change in Total Pension Liability	1,202,880	1,502,156
Total Pension Liability - Beginning	23,420,794	24,623,674
Total Pension Liability - Ending	24,623,674	26,125,830
Plan Fiduciary Net Position		
Contributions - Employer	777,084	830,773
Contributions - Employee	339,762	365,498
Net Investment Income	1,150,850	31,339
Benefit Payments, Including Refunds of Employee Contributions	(1,133,860)	(930,802)
Administrative Expenses	(12,015)	(19,088)
Other	(988)	(943)
Net Change in Fiduciary Net Position	1,120,833	276,777
Plan Fiduciary Net Position - Beginning	20,117,511	21,238,344
PLAN FIDUCIARY NET POSITION - ENDING	21,238,344	21,515,121
NET PENSION LIABILITY	3,385,330	4,610,709
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.25%	82.35%
Covered Employee Payroll	4,853,742	5,221,406
Net Pension Liability as a Percentage of Covered Employee Payroll	69.75%	88.30%

**CITY OF ROCKPORT, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST TWO YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)**

	<b>DECEMBER 31,</b>	
	<b>2014</b>	<b>2015</b>
Actuarially Determined Contributions	831,456	870,772
Contributions in relating to the Actuarially Determined Contribution	831,456	870,772
Contribution Excess (Deficiency)	--	--
Covered Employee Payroll	5,103,386	5,571,985
Actuarially Determined Contributions as a Percentage of Covered Employee Payroll	16.29%	15.63%
Contributing a Percentage of Covered Employee Payroll	16.29%	15.63%

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	3%
Salary Increases	3.5% to 12% including inflation
Investment Rate of Return	7%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuating pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates by 103% and projected on a fully geranial basis with scale BB.

**CITY OF ROCKPORT, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREE HEALTH PLAN  
SCHEDULE OF FUNDING PROGRESS  
LAST TWO THREE YEARS**

<b>FISCAL YEAR</b>	<b>ACTUARIAL VALUE OF ASSETS</b>	<b>ACTUARIAL ACCRUED LIABILITY</b>	<b>FUNDED RATIO</b>	<b>UNFUNDED ACUARIAL ACCRUED LIABILITY</b>	<b>ANNUAL COVERED PAYROLL</b>	<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>
2014	--	3,722,663	0%	3,722,663	4,926,943	75.56%
2015	--	4,646,230	0%	4,646,230	5,344,739	86.93%
2016	--	4,646,230	0%	4,646,230	5,959,879	77.96%



# **Combining and Individual Financial Statements and Schedules**

**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2016**

<b>ASSETS</b>	<b><u>SPECIAL REVENUE</u></b>	<b><u>CAPITAL PROJECT</u></b>	<b><u>TOTAL NONMAJOR GOVERNMENTAL</u></b>
Cash and Cash Equivalents	1,152,816	541,210	1,694,026
Receivables, Net of Allowance for Uncollectible			
Other Taxes	245,502	--	245,502
Accounts	17,578	--	17,578
Restricted Cash and Investments			
Cash and Cash Equivalents	--	2,731,887	2,731,887
<b>TOTAL ASSETS</b>	<b>1,415,896</b>	<b>3,273,097</b>	<b>4,688,993</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	242,478	--	242,478
Accrued Expenses	18,296	--	18,296
Due to Other Funds	4,007	494,213	498,220
Unearned Revenue	17,791	--	17,791
Total Liabilities	282,572	494,213	776,785
Fund Balance			
Restricted	1,229,475	2,695,357	3,924,832
Committed	--	1,704	1,704
Assigned	--	81,823	81,823
Unassigned	(96,151)	--	(96,151)
Total Fund Balance	1,133,324	2,778,884	3,912,208
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>1,415,896</b>	<b>3,273,097</b>	<b>4,688,993</b>



**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
Revenues			
Taxes and Business Fees	1,061,238	--	1,061,238
Intergovernmental	604,719	645,940	1,250,659
Fines and Forfeitures	37,400	--	37,400
Charges for Services	8,895	--	8,895
Interest on Investments	--	2,862	2,862
Other Revenues	413	--	413
Total Revenue	<u>1,712,665</u>	<u>648,802</u>	<u>2,361,467</u>
Expenditures			
Current			
General Government	--	48	48
Public Safety	1,099,633	--	1,099,633
Public Works	--	3,700	3,700
Culture and Recreation	67,807	--	67,807
Tourism	897,016	--	897,016
Debt Service			
Principal Retirement	27,216	--	27,216
Interest and Fiscal Charges	2,048	--	2,048
Capital Projects	118,621	1,115,158	1,233,779
Total Expenditures	<u>2,212,341</u>	<u>1,118,906</u>	<u>3,331,247</u>
Revenues Over (Under) Expenditures	(499,676)	(470,104)	(969,780)
Other Financing Sources (Uses)			
Transfers In	419,559	230,800	650,359
Transfers Out	(35,338)	--	(35,338)
Total Other Financing Sources	<u>384,221</u>	<u>230,800</u>	<u>615,021</u>
Net Change in Fund Balance	(115,455)	(239,304)	(354,759)
Fund Balance at Beginning of Year	<u>1,248,779</u>	<u>3,018,188</u>	<u>4,266,967</u>
Fund Balance at End of Year	<u><u>1,133,324</u></u>	<u><u>2,778,884</u></u>	<u><u>3,912,208</u></u>

**CITY OF ROCKPORT, TEXAS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2016**

	UTILITY BILL SURCHARGE	STONEGARDEN GRANT	BAY EDUCATION CENTER	JUVENILE CASE MANAGER
ASSETS				
Cash and Cash Equivalents	252,505	19,549	2,230	1,518
Receivables, Net of Allowance for Allowance				
Other Taxes	--	--	--	--
Accounts	17,578	--	--	--
TOTAL ASSETS	270,083	19,549	2,230	1,518
LIABILITIES AND FUND BALANCE				
Accounts Payable	149,740	3,546	2,230	1,518
Accrued Expenses	--	--	--	--
Due to Other Funds	--	4,007	--	--
Unearned Revenue	17,791	--	--	--
Total Liabilities	167,531	7,553	2,230	1,518
Fund Balance				
Nonspendable	--	--	--	--
Restricted	102,552	11,996	--	--
Unassigned	--	--	--	--
Total Fund Balance	102,552	11,996	--	--
TOTAL LIABILITIES AND FUND BALANCE	270,083	19,549	2,230	1,518

Exhibit 10-A

CONTRIBUTION FUND	CITY/COUNTY DISPATCH SERVICES	PUBLIC ACCESS TV	HOTEL/ MOTEL TAX
12,775	(68,163)	160,321	713,492
--	--	--	245,502
--	--	--	--
12,775	(68,163)	160,321	958,994
--	9,692	--	62,306
--	18,296	--	--
--	--	--	--
--	--	--	--
--	27,988	--	62,306
--	--	--	--
12,775	--	160,321	896,688
--	(96,151)	--	--
12,775	(96,151)	160,321	896,688
12,775	(68,163)	160,321	958,994

(Continued)

**CITY OF ROCKPORT, TEXAS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2016**

	KEY ALLEGRO PROPERTY IMPROVEMENT DISTRICT	BORDER STAR GRANT	CHILD SAFETY	FORFEITURE
ASSETS				
Cash and Cash Equivalents	232	10,788	1,374	41,192
Receivables, Net of Allowance for Allowance				
Other Taxes	--	--	--	--
Accounts	--	--	--	--
TOTAL ASSETS	232	10,788	1,374	41,192
LIABILITIES AND FUND BALANCE				
Accounts Payable	--	--	--	13,446
Accrued Expenses	--	--	--	--
Due to Other Funds	--	--	--	--
Unearned Revenue	--	--	--	--
Total Liabilities	--	--	--	13,446
Fund Balance				
Restricted	232	10,788	1,374	27,746
Unassigned	--	--	--	--
Total Fund Balance	232	10,788	1,374	27,746
TOTAL LIABILITIES AND FUND BALANCE	232	10,788	1,374	41,192

**Exhibit 10-A**  
**(Continuation)**

<b>MUNICIPAL COURT SECURITY &amp; TECHNOLOGY</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE</b>
5,003	1,152,816
--	245,502
--	17,578
5,003	1,415,896
--	242,478
--	18,296
--	4,007
--	17,791
--	282,572
5,003	1,229,475
--	(96,151)
5,003	1,133,324
5,003	1,415,896

**CITY OF ROCKPORT, TEXAS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b>UTILITY BILL SURCHARGE</b>	<b>STONEGARDEN GRANT</b>	<b>BAY EDUCATION CENTER</b>	<b>JUVENILE CASE MANAGER</b>
Revenues				
Taxes and Business Fees	190,713	--	--	--
Intergovernmental	--	259,167	--	--
Fines and Forfeitures	--	--	--	6,099
Charges for Services	--	--	--	--
Other Revenues	--	--	--	--
Total Revenue	190,713	259,167	--	6,099
Expenditures				
Current				
Public Safety	149,740	184,025	--	16,134
Culture and Recreation	--	--	67,807	--
Tourism	--	--	--	--
Debt Service				
Principal Retirement	27,216	--	--	--
Interest and Fiscal Charges	2,048	--	--	--
Capital Projects	--	29,358	--	--
Total Expenditures	179,004	213,383	67,807	16,134
Revenues Over (Under) Expenditures	11,709	45,784	(67,807)	(10,035)
Other Financing Sources (Uses)				
Transfers In	--	--	68,580	10,035
Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	--	--	68,580	10,035
Net Change in Fund Balance	11,709	45,784	773	--
Fund Balance at Beginning of Year	90,843	(33,788)	(773)	--
Fund Balance at End of Year	102,552	11,996	--	--

Exhibit 10-B

CONTRIBUTION FUND	CITY/COUNTY DISPATCH SERVICES	PUBLIC ACCESS TV	HOTEL/ MOTEL TAX
--	--	21,144	849,381
--	345,817	--	--
--	--	--	--
8,895	--	--	--
--	--	--	350
8,895	345,817	21,144	849,731
--	742,265	--	--
--	--	--	--
--	--	--	897,016
--	--	--	--
--	--	--	--
--	742,265	--	897,016
8,895	(396,448)	21,144	(47,285)
--	340,944	--	--
--	--	--	(35,338)
--	340,944	--	(35,338)
8,895	(55,504)	21,144	(82,623)
3,880	(40,647)	139,177	979,311
12,775	(96,151)	160,321	896,688



**CITY OF ROCKPORT, TEXAS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b>KEY ALLEGRO PROPERTY IMPROVEMENT DISTRICT</b>	<b>BORDER STAR GRANT</b>	<b>CHILD SAFETY</b>	<b>FORFEITURE</b>
<b>Revenues</b>				
Taxes and Business Fees	--	--	--	--
Intergovernmental	--	(265)	--	--
Fines and Forfeitures	--	--	593	23,315
Charges for Services	--	--	--	--
Other Revenues	--	--	--	--
Total Revenue	--	(265)	593	23,315
<b>Expenditures</b>				
Current				
Public Safety	--	--	--	6,386
Culture and Recreation	--	--	--	--
Tourism	--	--	--	--
Debt Service				
Principal Retirement	--	--	--	--
Interest and Fiscal Charges	--	--	--	--
Capital Projects	--	--	--	--
Total Expenditures	--	--	--	6,386
Revenues Over (Under) Expenditures	--	(265)	593	16,929
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	--	--	--
Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	--	(265)	593	16,929
Fund Balance at Beginning of Year	232	11,053	781	10,817
Fund Balance at End of Year	232	10,788	1,374	27,746

**Exhibit 10-B**  
**(Continuation)**

<b>MUNICIPAL COURT SECURITY &amp; TECHNOLOGY</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE</b>
--	1,061,238
--	604,719
7,393	37,400
--	8,895
63	413
<u>7,456</u>	<u>1,712,665</u>
1,083	1,099,633
--	67,807
--	897,016
--	27,216
--	2,048
89,263	118,621
<u>90,346</u>	<u>2,212,341</u>
(82,890)	(499,676)
--	419,559
--	(35,338)
<u>--</u>	<u>384,221</u>
(82,890)	(115,455)
<u>87,893</u>	<u>1,248,779</u>
<u>5,003</u>	<u>1,133,324</u>

**CITY OF ROCKPORT, TEXAS  
UTILITY BILL SURCHARGE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>			<b>VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>Revenues</b>				
Taxes and Business Fees	167,490	167,490	190,713	23,223
<b>Expenditures</b>				
Current				
Public Safety	123,525	123,525	149,740	(26,215)
Principal Retirement	30,661	30,661	27,216	3,445
Interest and Fiscal Charges	4,859	4,859	2,048	2,811
Total Expenditures	159,045	159,045	179,004	(19,959)
Revenues Over (Under) Expenditures	8,445	8,445	11,709	3,264
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(8,375)	(8,375)	--	8,375
Net Change in Fund Balance	70	70	11,709	11,639
Fund Balance at Beginning of Year	90,843	90,843	90,843	--
Fund Balance at End of Year	90,913	90,913	102,552	11,639

**CITY OF ROCKPORT, TEXAS  
CITY/COUNTY DISPATCH  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>			<b>VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>Revenues</b>				
Intergovernmental	359,957	359,957	345,817	(14,140)
<b>Expenditures</b>				
Current				
Public Safety	736,113	736,113	742,265	(6,152)
Revenues Over (Under) Expenditures	(376,156)	(376,156)	(396,448)	(20,292)
<b>Other Financing Sources (Uses)</b>				
Transfers In	376,842	376,842	340,944	(35,898)
Transfers Out	(686)	(686)	--	686
Total Other Financing Sources (Uses)	376,156	376,156	340,944	(35,212)
Net Change in Fund Balance	--	--	(55,504)	(55,504)
Fund Balance at Beginning of Year	(40,647)	(40,647)	(40,647)	--
Fund Balance at End of Year	(40,647)	(40,647)	(96,151)	(55,504)

**CITY OF ROCKPORT, TEXAS**  
**HOTEL/MOTEL TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>Revenues</b>				
Taxes and Business Fees	850,000	850,000	849,381	(619)
Other Revenues	--	--	350	350
Total Revenues	850,000	850,000	849,731	(269)
<b>Expenditures</b>				
Current				
Tourism	689,290	689,290	897,016	(207,726)
Revenues Over (Under) Expenditures	160,710	160,710	(47,285)	(207,995)
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(60,338)	(60,338)	(35,338)	25,000
Total Other Financing Sources (Uses)	(60,338)	(60,338)	(35,338)	25,000
Net Change in Fund Balance	100,372	100,372	(82,623)	(182,995)
Fund Balance at Beginning of Year	979,311	979,311	979,311	--
Fund Balance at End of Year	1,079,683	1,079,683	896,688	(182,995)

**CITY OF ROCKPORT, TEXAS**  
**MUNICIPAL COURT SECURITY & TECHNOLOGY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>			<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>FINAL BUDGET POSITIVE (NEGATIVE)</b>
<b>Revenues</b>				
Fines and Forfeitures	12,000	12,000	7,393	(4,607)
Other Revenues	--	--	63	63
Total Revenues	12,000	12,000	7,456	(4,544)
<b>Expenditures</b>				
Current				
Public Safety	5,000	5,000	1,083	3,917
Capital Projects	65,000	65,000	89,263	(24,263)
Total Expenditures	70,000	70,000	90,346	(20,346)
Revenues Over (Under) Expenditures	(58,000)	(58,000)	(82,890)	(24,890)
Net Change in Fund Balance	(58,000)	(58,000)	(82,890)	(24,890)
Fund Balance at Beginning of Year	87,893	87,893	87,893	--
Fund Balance at End of Year	29,893	29,893	5,003	(24,890)

**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS**  
**DEBT SERVICE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b>BUDGET</b>			<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>Revenues</b>				
Taxes and Business Fees	2,118,065	2,118,065	2,089,020	(29,045)
Interest on Investments	500	500	6,643	6,143
Total Revenues	2,118,565	2,118,565	2,095,663	(22,902)
<b>Expenditures</b>				
Debt Service				
Principal Retirement	1,447,898	1,447,898	1,664,599	(216,701)
Interest and Fiscal Charges	642,367	642,367	620,908	21,459
Total Expenditures	2,090,265	2,090,265	2,285,507	(195,242)
Revenues Over (Under) Expenditures	28,300	28,300	(189,844)	(218,144)
<b>Other Financing Sources (Uses)</b>				
Transfers In	35,338	35,338	35,338	--
Total Other Financing Sources (Uses)	35,338	35,338	35,338	--
Net Change in Fund Balance	63,638	63,638	(154,506)	(218,144)
Fund Balance at Beginning of Year	472,851	472,851	472,851	--
Fund Balance at End of Year	536,489	536,489	318,345	(218,144)



**CITY OF ROCKPORT, TEXAS  
NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2016**

	FLAMINGO LUAU ROAD ASSESSMENT	GENERAL CAPITAL IMPROVEMENTS	BAY EDUCATION CENTER CONSTRUCTION	VEHICLE AND EQUIPMENT REPLACEMENT
ASSETS				
Cash and Cash Equivalents	1,704	437,126	20,557	81,823
Restricted Cash and Investments				
Cash and Cash Equivalents	--	--	--	--
Investments	--	--	--	--
TOTAL ASSETS	1,704	437,126	20,557	81,823
LIABILITIES AND FUND BALANCE				
Due to Other Funds	--	261,441	--	--
Total Liabilities	--	261,441	--	--
Fund Balance				
Restricted	--	175,685	20,557	--
Committed	1,704	--	--	--
Assigned	--	--	--	81,823
Total Fund Balance	1,704	175,685	20,557	81,823
TOTAL LIABILITIES AND FUND BALANCE	1,704	437,126	20,557	81,823

**Exhibit 12-A**

<b>2005 CAPITAL PROJECTS</b>	<b>TOAL NONMAJOR CAPITAL PROJECTS</b>
--	541,210
2,731,887	2,731,887
--	--
2,731,887	3,273,097
232,772	494,213
232,772	494,213
2,499,115	2,695,357
--	1,704
--	81,823
2,499,115	2,778,884
2,731,887	3,273,097

**CITY OF ROCKPORT, TEXAS**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<b><u>FLAMINGO LUAU ROAD ASSESSMENT</u></b>	<b><u>GENERAL CAPITAL IMPROVEMENTS</u></b>	<b><u>BAY EDUCATION CENTER CONSTRUCTION</u></b>	<b><u>VEHICLE AND EQUIPMENT REPLACEMENT</u></b>
Revenues				
Intergovernmental	--	645,940	--	--
Interest on Investments	--	--	--	182
Total Revenue	--	645,940	--	182
Total Revenues				
Expenditures				
Current				
General Government	48	--	--	--
Public Works	--	--	--	3,700
Capital Projects	--	648,355	--	466,803
Total Expenditures	48	648,355	--	470,503
Revenues Over (Under) Expenditures	(48)	(2,415)	--	(470,321)
Other Financing Sources (Uses)				
Transfers In	--	--	--	230,800
Net Change in Fund Balance	(48)	(2,415)	--	(239,521)
Fund Balance at Beginning of Year	1,752	178,100	20,557	321,344
Fund Balance at End of Year	1,704	175,685	20,557	81,823

**Exhibit 12-B**

<b>2005 CAPITAL PROJECTS</b>	<b>TOAL NONMAJOR CAPITAL PROJECTS</b>
--	645,940
2,680	2,862
2,680	648,802
--	48
--	3,700
--	1,115,158
--	1,118,906
2,680	(470,104)
--	230,800
2,680	(239,304)
2,496,435	3,018,188
2,499,115	2,778,884

**CITY OF ROCKPORT, TEXAS  
NONMAJOR ENTERPRISE FUNDS  
COMBINING SCHEDULE OF NET POSITION  
SEPTEMBER 30, 2016**

	<u>SANITATION</u>	<u>COMMUNITY AQUATIC CENTER</u>	<u>TOTAL NONMAJOR ENTERPRISE</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	144,869	(5,690)	139,179
Receivables, Net of Allowance for Accounts	212,706	--	212,706
Total Current Assets	<u>357,575</u>	<u>(5,690)</u>	<u>351,885</u>
Land and Construction in Progress	--	104,300	104,300
Other Capital Assets, Net of Accumulated Depreciation	--	1,009,742	1,009,742
Net Capital Assets	<u>--</u>	<u>1,114,042</u>	<u>1,114,042</u>
Total Assets	<u>357,575</u>	<u>1,108,352</u>	<u>1,465,927</u>
<b>LIABILITIES</b>			
Accounts Payable	290,254	11,163	301,417
Accrued Expenses	--	7,493	7,493
Due To Other Funds	--	77,343	77,343
Total Current Liabilities	<u>290,254</u>	<u>95,999</u>	<u>386,253</u>
Total Liabilities	<u>290,254</u>	<u>95,999</u>	<u>386,253</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	--	1,114,042	1,114,042
Unrestricted	67,321	(101,689)	(34,368)
TOTAL NET POSITION	<u>67,321</u>	<u>1,012,353</u>	<u>1,079,674</u>

**CITY OF ROCKPORT, TEXAS**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<u>SANITATION</u>	<u>COMMUNITY AQUATIC CENTER</u>	<u>TOTAL NONMAJOR ENTERPRISE</u>
Operating Revenues			
Charges for Services	17,867	216,314	234,181
Operating Expenses			
Personal Services	--	266,666	266,666
Contractual Services	294	28,762	29,056
Maintenance	--	42,033	42,033
Supplies	--	96,767	96,767
Other	--	992	992
Depreciation	--	66,650	66,650
Total Operating Expenses	<u>294</u>	<u>501,870</u>	<u>502,164</u>
Operating Income (Loss)	17,573	(285,556)	(267,983)
Nonoperating Revenue (Expenses)			
Intergovernmental Revenue	--	37,000	37,000
Income Before Transfers	<u>17,573</u>	<u>(248,556)</u>	<u>(230,983)</u>
Transfers In	--	114,654	114,654
Net Income (Loss)	<u>17,573</u>	<u>(133,902)</u>	<u>(116,329)</u>
Net Position at Beginning of Year	<u>49,748</u>	<u>1,146,255</u>	<u>1,196,003</u>
NET POSITIONS END OF YEAR	<u><u>67,321</u></u>	<u><u>1,012,353</u></u>	<u><u>1,079,674</u></u>

**CITY of ROCKPORT, TEXAS**



**CITY OF ROCKPORT, TEXAS  
NONMAJOR PROPRIETARY FUNDS  
SCHEDULE OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2016**

	<u>SANITATION</u>	<u>COMMUNITY AQUATIC CENTER</u>	<u>TOTAL NONMAJOR ENTERPRISE</u>
Cash Flows from Operating Activities			
Receipts from Customers	20,582	215,860	236,442
Payments to Suppliers	2,203	(216,166)	(213,963)
Payments to Employees		(212,069)	(212,069)
Net Cash Provided by Operating Activities	22,785	(212,375)	(189,590)
Cash Flows from Noncapital Financing Activities			
Change in Interfund Borrowings	--	76,987	76,987
Transfers In from Other Funds	--	114,654	114,654
Payments from Other Governments	--	37,000	37,000
Net Cash Provided by (Used for) Noncapital Financing Activities	--	228,641	228,641
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	--	(25,653)	(25,653)
Increase (Decrease) in Cash and Cash Equivalents	22,785	(9,387)	13,398
Cash and Cash Equivalents at Beginning of Year Including Restricted Accounts	122,084	3,697	125,781
Cash and Cash Equivalents at End of Year	144,869	(5,690)	139,179
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	17,573	(285,556)	(267,983)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	--	66,650	66,650
Changes in Assets, Liabilities and Deferred			
Accounts Receivable	2,715	244	2,959
Accounts Payable	2,497	3,418	5,915
Accrued Expenses	--	3,567	3,567
Customers' Deposits	--	(698)	(698)
Net Cash Provided by Operating Activities	22,785	(212,375)	(189,590)



**CITY of ROCKPORT, TEXAS**



# **Report on Internal Controls Over Financial Reporting and Compliance**

**CITY of ROCKPORT, TEXAS**



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  
GOVERNMENTAL AUDITING STANDARDS

February 17, 2017

The Honorable Mayor and  
Members of the City Council  
City of Rockport, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockport, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 17, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. We consider the deficiency 2016-1 described in the accompanying schedule of findings to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 and other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Finding**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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**

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

A handwritten signature in black ink that reads "Collier, Johnson & Woods". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

February 17, 2017

The Honorable Mayor, and  
Members of the City Council  
City of Rockport, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Rockport' (the City's) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 on the City's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the 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 for the year ended September 30, 2016.

## Report on Internal Control Over Compliance

Management of the City 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 the City'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City'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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Collier, Johnson & Woods*

CITY OF ROCKPORT, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2016

**Summary of Audit Results**

1. The independent auditor's report expresses an unmodified opinion on the basic financial statements of the City of Rockport, Texas.
2. One material weakness relating to the audit of the financial statements is reported in the "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*". No significant deficiencies are reported.
3. No instances of noncompliance material to the financial statements of the City of Rockport, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance".
5. The auditor's report on compliance for the major federal award programs for the City of Rockport, Texas expresses an unmodified opinion on all major programs.
6. There are no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs included:  
  
U.S. Department of Housing and Urban Development:  
Community Development Block Grant – State's Program (CFDA 14.228)
8. The dollar threshold for distinguishing Type A and Type B programs was \$750,000.
9. The City of Rockport, Texas qualified as a low-risk auditee.



## **Findings - Financial Statement Audit**

### **MATERIAL WEAKNESS**

#### **2016-1 Bank Reconciliations**

Condition: Pooled bank account balances are not being reconciled to the corresponding cash balances in the general ledger.

Criteria: Bank account balances are being reconciled monthly to a cash balance contained in the bank reconciliation module of the Incode software package. The cash balance in the reconciliation module does not equal the cash balance in the general ledger.

Cause: The existing procedure has been to perform the bank reconciliations with the balances in the reconciliation schedules rather than the amounts in the general ledger.

Effect: Since the bank account balances are not reconciled to the general ledger balances, these balances can become materially misstated. The unaudited bank cash balances at September 30, 2016 were overstated by \$73,640.

Recommendation: Bank account balances should be reconciled to the cash balances in the general ledger. The general ledger should be adjusted to the reconciled bank account balances monthly. Correcting entries should be recorded monthly as well. Reconciling items should be investigated and corrected, if necessary.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding. The City will develop an appropriate reconciliation procedure.

## **Findings and Questioned Costs – Federal Award Programs Audit**

The audit disclosed no findings required to be reported.

## **Prior Year Findings – Financial Statement Audit**

The audit disclosed no findings required to be reported.

**CITY OF ROCKPORT, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<b>Federal Grantor Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Passed Through to Subrecipients</b>	<b>Disbursements/ Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>				
<u>Passed Through Texas General Land Office</u>				
Community Development Block Grants State's Program	14.228	713411	--	648,355
<u>Passed Through Texas Dept. of Agriculture</u>				
Community Development Block Grants State's Program	14.228	DRS220250	--	79,385
Total CFDA Number 14.228			--	727,740
<b>Total U.S. Department of HUD</b>			--	727,740
<b>General Services Administration</b>				
<u>Passed Through Texas Facilities Commission</u>				
Donation of Federal Surplus Personal Property	39.003	13775	--	121
Total CFDA Number 39.003			--	121
<b>Total General Services Administration</b>			--	121
<b>U.S. Department of Homeland Security</b>				
<u>Passed through Aransas County, Texas</u>				
State Homeland Security Program - Operation Stonegarden	97.067	EMW-2014-SS-00	--	213,383
Total CFDA Number 97.067			--	213,383
<b>Total U.S. Department of Homeland Security</b>			--	213,383
<b>Total Expenditures of Federal Awards</b>			--	941,244



**CITY OF ROCKPORT, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2016**

**Note 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Rockport, Texas (City) under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**Note 2 – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amount shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – INDIRECT COST RATE**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY of ROCKPORT, TEXAS**



## **STATISTICAL SECTION**

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

	September 30,					
	2007	2008	2009	2010	2011	2012
Governmental Activities						
Net Invested in Capital Assets	2,337,041	3,524,435	4,913,873	6,821,463	7,539,674	9,313,304
Restricted	565,763	397,985	414,299	247,272	407,389	408,684
Unrestricted	3,960,640	4,483,176	4,486,555	4,202,634	3,373,599	2,444,508
Total Governmental						
Activities Net Position	6,863,444	8,405,596	9,814,727	11,271,369	11,320,662	12,166,496
Business-type Activities						
Invested in Capital Assets,						
Invested in Capital Assets,	14,728,064	14,887,246	15,244,499	16,563,623	17,287,725	17,967,353
Restricted	195,144	197,798	186,750	185,349	184,655	183,991
Unrestricted	5,397,009	6,135,437	5,598,373	4,708,276	5,245,674	4,377,731
Total Business-type						
Activities Net Position	20,320,217	21,220,481	21,029,622	21,457,248	22,718,054	22,529,075
Primary Government						
Net investment in Capital Assets	17,065,105	18,411,681	20,158,372	23,385,086	24,827,399	27,280,657
Restricted	760,907	595,783	601,049	432,621	592,044	592,675
Unrestricted	9,357,649	10,618,613	10,084,928	8,910,910	8,619,273	6,822,239
Total Primary						
Government Net Position	27,183,661	29,626,077	30,844,349	32,728,617	34,038,716	34,695,571

TABLE 1

September 30,			
2013	2014	2015	2016
12,137,914	13,719,863	15,375,317	16,359,297
451,153	591,401	523,884	1,192,945
1,154,271	1,363,328	(88,350)	(37,337)
13,743,338	15,674,592	15,810,851	17,514,905
16,147,439	22,172,890	19,971,005	16,988,421
183,366	182,073	180,935	--
6,761,292	1,816,298	4,156,370	8,319,376
23,092,097	24,171,261	24,308,310	25,307,797
28,285,353	35,892,753	35,346,322	33,347,718
634,519	773,474	704,819	1,192,945
7,915,563	3,179,626	4,068,020	8,282,039
36,835,435	39,845,853	40,119,161	42,822,702



**CITY OF ROCKPORT, TEXAS**  
**EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**UNAUDITED**

	September 30,					
	2007	2008	2009	2010	2011	2012
Expenses						
Governmental Activities:						
General Government	971,839	1,055,722	1,279,701	1,536,874	1,646,376	1,615,599
Public Safety	2,419,601	2,722,740	2,987,967	3,107,677	3,439,538	3,531,426
Public Works	1,462,111	1,612,377	1,698,485	1,802,657	1,528,189	1,563,014
Culture and Recreation	373,979	456,641	494,513	542,142	734,248	788,105
Tourism	483,780	505,658	522,996	480,483	476,810	464,438
Environmental	--	--	--	--	--	55,129
Interest and Fiscal Charges	582,858	1,157,502	1,126,044	1,060,140	999,535	996,263
Total Governmental:						
Activities Expenses	6,294,168	7,510,640	8,109,706	8,529,973	8,824,696	9,013,974
Business-type Activities:						
Sanitation	--	--	--	--	--	--
Water & Sewer	5,446,484	6,677,635	8,498,469	6,572,267	7,636,247	7,589,175
Beach Park	547,752	635,462	669,681	650,646	662,288	315,789
Community Aquatic Center	294,325	299,539	373,948	307,583	306,478	314,698
Natural Gas System*	--	--	--	1,620,119	1,415,532	1,163,782
Total Business-type Activities Expenses	6,288,561	7,612,636	9,542,098	9,150,615	10,020,545	9,383,444
Total Primary Government Expenses	12,582,729	15,123,276	17,651,804	17,680,588	18,845,241	18,397,418
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	47,079	15,683	23,970	17,051	17,953	18,267
Public Safety	496,827	487,146	500,843	536,995	507,255	494,629
Public Works	231,245	257,689	138,806	157,742	177,694	182,984
Culture and Recreation	1,191	38,376	--	28,916	948	19,687
Operating Grants and Contributions	309,457	312,468	304,545	521,842	575,942	455,997
Capital Grants and Contributions	20,000	--	384,894	1,111,885	79,300	634,417
Total Governmental Activities:						
Activities Program Revenues	1,105,799	1,111,362	1,353,058	2,374,431	1,359,092	1,805,981
Business-type Activities:						
Charges for Services:						
Sanitation	12,133	13,967	14,183	17,267	17,039	14,873
Water & Sewer	6,552,677	7,824,558	9,561,756	7,354,531	8,377,063	8,455,811
Beach Park	317,321	355,287	404,937	381,096	425,924	128,376
Community Aquatic Center	99,906	89,073	97,404	109,049	114,642	138,830
Natural Gas System*	--	--	--	1,965,945	1,725,602	1,449,133
Operating Grants and Contributions	105,583	129,750	108,750	118,583	183,750	62,000
Capital Grants and Contributions	287,350	322,574	6,081	22,000	267,941	3,500
Total Business-type Activities:						
Activities Program Revenues	7,374,970	8,735,209	10,193,111	9,968,471	11,111,961	10,252,523
Total Primary Government:						
Program Revenues	8,480,769	9,846,571	11,546,169	12,342,902	12,471,053	12,058,504
Net (Expense)/Revenue						
Governmental Activities	(5,188,369)	(6,399,278)	(6,756,648)	(6,155,542)	(7,465,604)	(7,207,993)
Business-type Activities	1,086,409	1,122,573	651,013	817,856	1,091,416	869,079
Total Primary Government Net Expense	(4,101,960)	(5,276,705)	(6,105,635)	(5,337,686)	(6,374,188)	(6,338,914)

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

Table 2

September 30,			
2013	2014	2015	2016
1,534,488	1,464,770	1,744,282	2,619,202
3,390,096	4,035,843	4,210,447	4,245,536
1,563,687	1,576,188	1,765,828	1,468,510
914,460	961,048	1,110,379	1,228,172
536,505	640,589	569,140	897,016
--	--	--	--
908,935	769,851	526,297	754,966
8,848,171	9,448,289	9,926,373	11,213,402
--	--	--	294
7,840,317	7,699,148	7,904,121	8,330,913
--	--	--	--
333,267	397,675	399,748	501,870
1,256,075	1,844,475	1,644,781	1,525,253
9,429,659	9,941,298	9,948,650	10,358,330
18,277,830	19,389,587	19,875,023	21,571,732
13,289	16,624	34,169	186,238
393,762	727,069	760,746	246,250
215,265	242,798	216,173	--
--	--	--	15,402
366,214	234,191	180,099	726,849
739,309	699,802	205,900	645,940
1,727,839	1,920,484	1,397,087	1,820,679
16,686	16,994	19,260	17,867
8,907,527	9,219,874	9,480,727	10,443,336
--	--	--	--
133,706	165,231	180,357	216,314
1,740,465	2,389,044	2,143,239	1,780,909
42,000	51,250	51,417	37,000
256,450	--	210,577	78,615
11,096,834	11,842,393	12,085,577	12,574,041
12,824,673	13,762,877	13,482,664	14,394,720
(7,120,332)	(7,527,805)	(8,529,286)	(9,392,723)
1,667,175	1,901,095	2,136,927	2,215,711
(5,453,157)	(5,626,710)	(6,392,359)	(7,177,012)

as

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

	September 30,					
	2007	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>						
Governmental Activities	(5,188,369)	(6,399,278)	(6,756,648)	(6,155,542)	(7,465,604)	(7,207,993)
Business-type Activities	1,086,409	1,123,573	651,013	817,856	1,091,416	869,079
Total Primary Government Net Expense	(4,101,960)	(5,275,705)	(6,105,635)	(5,337,686)	(6,374,188)	(6,338,914)
<b>General Revenues and Other Changes in Net Position</b>						
Governmental Activities:						
Taxes:						
Property Taxes	2,793,748	3,471,324	3,876,478	3,996,835	4,024,879	4,159,989
Franchise Taxes and other taxes	746,414	776,959	836,640	789,168	807,931	795,072
Sales Taxes	1,714,042	1,842,730	1,726,846	1,737,376	1,799,286	1,929,948
Occupancy Taxes	533,215	540,624	467,038	477,688	647,278	662,330
Investment Earnings	649,602	702,769	297,450	122,596	50,110	31,763
Miscellaneous	61,002	46,437	53,059	53,633	59,003	78,699
Transfers	345,131	560,587	908,268	534,888	26,410	616,350
Total Governmental Activities	6,843,154	7,941,430	8,165,779	7,712,184	7,414,897	8,274,151
Business-type Activities:						
Investment Earnings	425,869	337,278	66,396	72,781	46,943	21,108
Miscellaneous	--	--	--	71,877	--	--
Gain(Loss) on asset disposition	--	--	--	--	--	(462,816)
Transfers	(345,131)	(560,587)	(908,268)	(534,888)	(26,410)	(616,350)
Total Business-type Activities	80,738	(223,309)	(841,872)	(390,230)	20,533	(1,058,058)
Total Primary Government	6,923,892	7,718,121	7,323,907	7,321,954	7,435,430	7,216,093
<b>Change in Net Position</b>						
Governmental Activities	1,654,785	1,542,152	1,409,131	1,556,642	(50,707)	1,066,158
Business-type Activities	1,167,147	900,264	(190,859)	427,626	1,111,949	(188,979)
Total Primary Government	2,821,932	2,442,416	1,218,272	1,984,268	1,061,242	877,179

TABLE E-3

September 30,			
2013	2014	2015	2016
(7,120,332)	(7,527,805)	(8,529,286)	(9,392,723)
1,667,175	1,901,095	2,136,927	2,215,711
(5,453,157)	(5,626,710)	(6,392,359)	(7,177,012)

4,379,318	4,534,427	4,685,492	5,228,422
860,734	803,439	867,893	1,045,731
2,051,342	2,231,798	2,390,992	2,481,777
698,934	839,931	876,738	860,124
48,287	42,240	31,568	43,635
54,618	173,247	93,484	79,695
849,138	833,977	949,371	898,181
8,942,371	9,459,059	9,895,538	10,637,565

16,076	11,848	9,242	4,285
--	--	--	--
--	--	--	--
(849,138)	(833,977)	(949,371)	(898,181)
(833,062)	(822,129)	(940,129)	(893,896)
8,109,309	8,636,930	8,955,409	9,743,669

1,822,039	1,931,254	1,366,252	1,244,842
834,113	1,078,966	1,196,798	1,321,815
2,656,152	3,010,220	2,563,050	2,566,657

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

	September 30,					
	2007	2008	2009	2010	2011	2012
General Fund						
Nonspendable	79,030	92,008	56,886	43,857	56,427	31,221
Unassigned	3,646,678	4,072,410	4,391,591	4,383,516	3,534,604	3,099,834
Total General Fund	3,725,708	4,164,418	4,448,477	4,427,373	3,591,031	3,131,055
All Other Governmental Funds						
Restricted	20,585,720	17,895,405	11,230,229	9,916,340	9,523,625	9,234,662
Committed	(56,515)	(797,786)	(98,853)	(67,922)	(134,170)	(253,917)
Assigned	--	--	142,974	235,527	333,670	217,194
Unassigned	--	--	--	--	--	--
Total All Other Governmental Funds	20,529,205	17,097,619	11,274,350	10,083,945	9,723,125	9,197,939

TABLE 4

September 30,			
2013	2014	2015	2016
27,250	58,047	29,078	56,290
2,821,064	3,011,065	3,191,300	3,414,549
2,848,314	3,069,112	3,220,378	3,470,839
9,429,485	8,495,513	8,772,017	8,414,801
(28,713)	12,140	36,015	320,049
372,949	428,654	520,002	81,823
--	(76,051)	(110,482)	(96,151)
9,773,721	8,860,256	9,217,552	8,720,522

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

	September 30,					
	2007	2008	2009	2010	2011	2012
<b>Revenues</b>						
Taxes	5,927,580	6,759,146	7,014,990	7,160,823	7,440,695	7,718,487
Licenses, Fees and Permits	179,770	179,454	127,810	157,742	177,694	182,984
Intergovernmental	307,960	312,468	689,439	1,633,727	655,242	1,090,414
Charges for Services	33,342	116,431	19,265	28,916	948	19,687
Fines	359,838	349,821	361,139	393,378	329,567	333,335
Investment Earnings	553,544	702,769	297,450	79,650	42,175	31,763
Special Assessments	4,602	3,489	711	--	--	--
Other Revenues	133,476	46,437	53,059	53,633	59,003	78,699
Total Revenues	7,500,112	8,470,015	8,563,863	9,507,869	8,705,324	9,455,369
<b>Expenditures</b>						
General Government	934,602	1,045,219	1,137,890	1,158,179	1,274,439	1,345,717
Public Safety	2,256,783	2,534,311	2,684,287	2,914,167	3,234,665	3,287,236
Public Works	1,327,317	1,454,671	1,410,462	1,600,542	1,321,318	1,257,527
Culture and Recreation	329,821	408,354	398,058	453,479	631,897	659,021
Tourism	483,780	505,658	522,996	480,483	476,810	464,438
Capital Outlay	2,004,996	3,340,589	8,084,491	2,765,131	1,019,504	1,905,975
Debt Service						
Interest and Bond Costs	657,466	505,322	666,283	864,399	1,018,895	1,095,667
Principal	495,085	1,159,854	1,135,664	1,127,741	1,007,674	987,971
Total Expenditures	8,489,850	10,953,978	16,040,131	11,364,121	9,985,202	11,058,681
Excess of Revenues						
Under Expenditures	(989,738)	(2,483,963)	(7,476,268)	(1,856,252)	(1,279,878)	(1,603,312)
<b>Other Financing Sources (Uses)</b>						
Bonds Issued	14,420,203	--	--	2,258,397	1,524,701	--
Payments to Escrow Agent	--	--	--	(2,155,327)	(1,475,220)	--
Transfers In	923,114	1,089,136	1,796,614	1,609,671	1,566,570	1,596,511
Transfers Out	(577,983)	(528,549)	(896,296)	(1,067,958)	(1,533,335)	(978,361)
Total Other Financing Sources (Uses)	14,765,334	560,587	900,318	644,783	82,716	618,150
Net Change in Fund Balances	13,775,596	(1,923,376)	(6,575,950)	(1,211,469)	(1,197,162)	(985,162)
Debt Service as a Percentage of Non-Capital Expenditures	17.8%	21.8%	22.6%	23.2%	22.6%	22.8%

TABLE 5

September 30,			
2013	2014	2015	2016
8,174,665	8,602,188	9,001,518	9,642,954
201,950	218,504	216,173	227,790
1,113,479	1,312,278	700,062	1,372,789
13,315	24,294	78,261	57,440
215,253	254,785	212,983	237,659
35,878	35,291	31,568	43,635
--	--	--	--
54,618	99,294	95,614	79,695
9,809,158	10,546,634	10,336,179	11,661,962
1,289,805	1,345,263	1,463,333	2,375,604
3,144,331	3,724,061	3,980,680	3,857,783
1,196,966	1,176,409	1,319,048	939,095
763,424	814,379	939,194	1,020,219
536,505	640,589	569,140	897,016
1,406,620	2,342,359	2,507,809	4,896,242
916,926	775,232	643,057	726,318
1,212,065	1,334,871	1,464,919	1,691,815
10,466,642	12,153,163	12,887,180	16,404,092
(657,484)	(1,606,529)	(2,551,001)	(4,742,130)
4,295,369	5,074,269	8,133,932	3,504,112
(4,195,782)	(4,962,452)	(6,023,410)	--
1,687,402	1,596,487	1,701,867	1,788,699
(836,464)	(794,442)	(752,826)	(798,551)
950,525	913,862	3,059,563	4,494,260
293,041	(692,667)	508,562	(247,870)
23.5%	21.5%	20.3%	21.0%



**CITY of ROCKPORT, TEXAS**



TABLE 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
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	183,580	8,512,252
2015	4,685,492	2,390,992	836,325	876,738	188,945	8,978,492
2016	5,208,357	2,481,777	892,661	849,381	190,713	9,622,889
Percent Change 2007-2016	86.5%	44.8%	25.3%	59.3%	9.0%	62.3%

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

<b>Fiscal Year</b>	<b>Roll Year</b>	<b>Real Property</b>			<b>Personal Property</b>		<b>Less: Tax Exempt Real Property</b>
		<b>Residential Property</b>	<b>Commercial and Industrial Property</b>	<b>Rural- Underdev. Property</b>	<b>Business</b>	<b>Other</b>	
2007	2006	*	*	*	*	*	*
2008	2007	1,136,460,421	152,848,104	12,948,250	45,556,584	5,743,745	(65,552,301)
2009	2008	1,184,302,272	163,509,633	13,764,610	44,527,321	6,071,625	(50,471,909)
2010	2009	1,208,687,146	169,416,739	12,804,120	44,808,234	5,722,815	(41,194,373)
2011	2010	1,397,619,312	163,711,921	12,819,730	43,894,297	5,006,615	(35,648,632)
2012	2011	1,207,519,961	176,446,050	13,221,090	38,887,032	7,882,595	(35,090,371)
2013	2012	1,209,214,142	175,017,442	13,164,960	40,033,361	8,259,105	(34,395,054)
2014	2013	1,227,156,427	177,726,064	13,413,250	44,619,583	8,310,645	(36,338,354)
2015	2014	1,257,623,793	192,355,262	14,740,765	32,195,433	8,325,446	(36,705,716)
2016	2015	1,274,430,459	196,346,050	14,354,575	36,597,876	7,998,336	(36,705,060)

Source: Aransas County Appraisal District

\* Information is not available

TABLE 7

<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
1,144,148,087	0.2443	1,144,148,087	100.00%
1,288,004,803	0.2790	1,288,004,803	100.00%
1,361,703,552	0.2990	1,361,703,552	100.00%
1,400,244,681	0.2987	1,400,244,681	100.00%
1,587,403,243	0.3100	1,587,403,243	100.00%
1,408,866,357	0.3089	1,408,866,357	100.00%
1,411,293,956	0.3258	1,411,293,956	100.00%
1,434,887,615	0.3277	1,434,887,615	100.00%
1,468,534,983	0.3352	1,468,534,983	100.00%
1,493,022,236	0.3649	1,493,022,236	100.00%

TABLE 8

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

<b>Fiscal Year</b>	<b>City Direct Rates</b>			<b>Overlapping Rates</b>		
	<b>Basic Rate</b>	<b>General Obligation Debt Service</b>	<b>Total Direct Rate</b>	<b>Aransas County</b>	<b>Aransas County Navigation District</b>	<b>Aransas County ISD</b>
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
2015	0.2053	0.1299	0.3352	0.3847	0.0536	1.1561
2016	0.2190	0.1458	0.3649	0.3855	0.0525	1.1560

Source: Aransas County Tax Assessor

TABLE 9

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

Taxpayer	2016			2007		
	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	9,474,000	1	0.55%	--	--	--
Wal-Mart Real Estate Bus Tr	7,000,000	2	0.41%	8,263,850	1	0.73%
Rockport Harborfront, LP	6,806,910	3	0.40%	7,394,924	2	0.65%
H E Butt Grocery	6,512,590	4	0.38%	7,122,226	3	0.63%
C H Marina and Drystack LP	6,157,460	5	0.36%	--	--	--
Heritage Hotels Rockport LP	5,680,270	6	0.33%	3,496,950	8	0.31%
Wal-Mart Stores East #440	5,495,600	7	0.32%	7,057,250	4	0.62%
AEP Texas Central Comp	5,211,760	8	0.30%	4,222,860	6	0.37%
Lokseva, Inc	4,036,350	9	0.24%	--	--	--
Sabra Texas Properties II LP	3,611,780	10	0.21%	--	--	--
Bracht Lumber Co., Inc.	--	--	--	4,683,881	5	0.41%
Christopher Crowley	--	--	--	3,709,572	7	0.33%
Laguna Partners, LTD	--	--	--	3,427,980	9	0.30%
ByPass Oaks LP	--	--	--	3,221,050	10	0.28%
Total	<u>59,986,720</u>		<u>3.50%</u>	<u>52,600,543</u>		<u>4.63%</u>

Source: Aransas County Appraisal District

TABLE 10

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections In Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	2,771,764	2,729,705	98.48%	36,923	2,763,743	99.71%
2008	3,444,641	3,392,957	98.50%	47,149	3,436,889	99.77%
2009	3,842,178	3,771,806	98.17%	65,373	3,831,805	99.73%
2010	3,947,447	3,866,254	97.94%	72,951	3,933,642	99.65%
2011	3,999,750	3,928,989	98.23%	61,103	3,984,262	99.61%
2012	4,113,275	4,047,717	98.41%	54,541	4,095,576	99.57%
2013	4,334,917	4,274,298	98.60%	47,889	4,314,386	99.53%
2014	4,446,634	4,385,623	98.63%	41,524	4,412,551	99.23%
2015	4,652,135	4,591,402	98.69%	29,500	4,620,902	99.33%
2016	5,109,529	5,049,937	98.83%	--	5,049,937	98.83%

Sources: Aransas County Appraisal District and Aransas County Tax Collector

TABLE 11

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percent of Personal Income	Per Capita
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt			
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
2015	18,938,444	884,000	--	18,321,556	38,144,000	11.57%	4,077
2016	20,627,508	778,123	--	17,197,492	38,603,123	14.49%	4,126



TABLE 12

**CITY OF ROCKPORT, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>			<b>Percentage of Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
	<b>General Bonded Debt</b>	<b>Debt Service Funds</b>	<b>Net Bonded Debt</b>		
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
2015	38,144,000	472,852	37,671,148	2.63%	4,026
2016	38,603,123	--	38,603,123	2.49%	4,126

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

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

TABLE 13

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

<b>Governmental Unit</b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable</u></b>	<b><u>Estimated Share of Direct and Overlapping Debt</u></b>
Debt Repaid With Property Taxes			
Aransas County Independent School District	31,770,968	65.03%	20,660,660
Aransas County	16,534,004	49.99%	8,265,349
Aransas County Navigation District	4,445,000	49.99%	<u>2,222,056</u>
Subtotal, Overlapping Debt			31,148,065
City Direct Debt			<u>38,603,123</u>
Total Direct and Overlapping Debt			<u><u>69,751,188</u></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**

	September 30,					
	2007	2008	2009	2010	2011	2012
<b>Maximum available tax revenues</b>						
for all purposes						
including debt service	28,364,349	30,402,840	32,136,535	33,040,660	34,193,454	32,699,909
Actual amount expended for						
general obligation debt	933,597	1,655,176	1,679,650	1,930,704	1,949,434	2,083,638
Excess	27,430,752	28,747,664	30,456,885	31,109,956	32,244,020	30,616,271

**Legal Debt Margin Calculation for the Current Fiscal Year**

Assessed Value	1,551,048,651
Maximum tax rate per \$100 assessed valuation	2.50
Maximum available tax revenues for all purposes including debt service	38,776,216

Actual amount expended for general obligation debt service	2,107,976
---------------------------------------------------------------	-----------

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.

TABLE 14

September 30,			
2013	2014	2015	2016
35,273,627	37,699,237	35,872,190	38,776,216
2,040,581	2,061,064	2,107,976	2,314,771
33,233,046	35,638,173	33,764,214	36,461,445

**CITY of ROCKPORT, TEXAS**



TABLE 15

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

Fiscal Year	Water and Sewer Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses (1)	Net Available Revenue	Debt Services Requirements (2)	Coverage
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
2015	11,618,026	6,336,116	5,281,910	--	N/A
2016	12,224,245	8,029,724	4,194,521	--	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**

	<b>December 30,</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Population (1)	9,264	9,425	9,810	9,810	9,357	9,357	9,357
Personal Income (3)	27,504	27,504	24,950	24,950	24,950	24,950	24,950
Per Capita Personal Income (in thousands)	254,797	259,225	244,760	244,760	233,457	233,457	233,457
Median Age (3)	42.7	42.7	42.7	46.0	46.0	49.0	49.0
Education Level in Years of Schooling	--	--	--	--	--	--	--
School Enrollment (4)	3,014	3,241	3,331	2,916	2,848	3,331	3,331
Unemployment (2)	4.2%	4.8%	6.9%	7.4%	7.4%	7.4%	7.4%

**Data Sources:**

- (1) City of Rockport
- (2) Texas Workforce Commission
- (3) Rockport-Fulton Chamber of Commerce
- (4) Texas Education Agency

Omitted information is not available.

TABLE 16

December 30,		
2014	2015	2016
9,357	9,357	9,357
24,950	24,950	28,472
233,457	233,457	266,413
49.0	49.0	49.0
--	--	--
3,331	3,331	3,405
6.2%	5.1%	5.1%



**CITY of ROCKPORT, TEXAS**



TABLE 17

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

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Aransas County ISD	521	1	--	521	1	--
Wal-Mart	250	2	--	250	2	--
Care Regional Medical Center	210	3	--	--	0	--
Wood Group Production Service	181	4	--	--	0	--
H.E.B.	185	5	--	185	3	--
Aransas County	175	6	--	175	4	--
City of Rockport	130	7	--	130	5	--
State of Texas	107	8	--	107	6	--
Gulf Pointe Plaza	93	9	--	93	7	--
Rockport Coastal Care Center	75	10	--	75	8	--
Total	1,927		--	1,536		--

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**

<u>Function/Program</u>	<u>September 30,</u>					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government						
Municipal Court	5	5	5	5	5	5
City Secretary	3	3	3	3	3	3
City Manager	1	1	1	1	1	1
Information/Technology	1	1	1	1	1	1
Finance	2	2	2	2	2	2
Police						
Officers	22	22	22	21	25	27
Civilians	14	14	14	14	14	13
Public Works						
Building and Development	5	5	5	5	5	5
Street and Drainage	8	8	8	9	10	11
Building Maintenance	1	1	1	1	1	1
Fleet	2	2	2	3	3	2
Parks and Recreation	27	27	27	27	27	28
Utilities:						
Water	15	15	15	15	15	16
Wastewater	6	6	6	7	7	6
Environmental	--	--	--	1	1	1
Natural Gas	--	7	7	6	6	6
Customer Service	5	4	4	4	6	6
Total	<u>117</u>	<u>123</u>	<u>123</u>	<u>125</u>	<u>132</u>	<u>134</u>

Source: City Budget

TABLE 18

September 30,			
2013	2014	2015	2016
3	3	3	3
3	3	3	3
1	1	1	1
1	1	2	2
2	2	2	2
27	27	28	26
13	12	15	15
5	5	6	7
7	7	7	7
1	1	1	1
2	2	2	2
13	13	12	13
17	17	18	18
6	6	10	10
1	1	2	2
6	6	8	8
6	6	5	6
114	113	125	126

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

<b>Function/Program</b>	<b>September 30,</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Government						
Building Permits Issued	475	490	162	209	209	342
Building Inspections Conducted	644	520	233	177	177	278
Police						
Physical Arrests	829	833	833	833	833	833
Traffic Violations	3,460	3,337	3,337	3,677	4,025	4,025
Fire	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
Other Public Works						
Street Resurfacing (miles)	20.63	9.15	9.15	9.15	9.15	9.15
Potholes Repaired	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
Water						
New Connections	297	203	143	267	48	73
Water Main Breaks	19	10	10	10	10	10
Average Daily Consumption	2,837,000	2,948,000	2,948,000	2,630,137	2,818,759	2,765,108
Peak Daily Consumption	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000
Storage Capacity	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	8,100,000
Wastewater						
Average Daily Sewage Treatment (millions of gallons)	1.36	1.30	1.30	1.30	1.30	1.30
Transit	N/A	N/A	N/A	N/A	N/A	N/A

TABLE 19

September 30,			
2013	2014	2015	2016
460	250	158	105
278	308	295	358
598	879	1,133	351
1,286	2,029	1,756	1,598
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
9.15	9.15	9.15	9.15
5,000	5,000	5,000	5,000
N/A	N/A	N/A	N/A
150	150	150	148
10	10	10	10
2,514,460	2,454,545	2,776,959	2,684,000
4,634,000	4,634,000	4,634,000	4,027,000
8,100,000	8,100,000	8,100,000	8,100,000
1.30	1.30	1.30	1.30
N/A	N/A	N/A	N/A

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

<b>Function/Program</b>	<b>September 30,</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Police						
Stations	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2
Other Public Works						
Streets (miles)	77	77	77	77	77	77
Parks and Recreation						
Acreage	200	200	200	200	200	200
Parks	10	10	10	10	10	10
Swimming Pools	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1
Water						
Water Mains (miles)	96	160	163	163	163	163
Storage Capacity (thousands of gallons)	7,100	7,100	7,100	7,100	7,100	8,100
Wastewater						
Sanitary Sewers (miles)	64	64	67	67	67	67
Storm Sewers (miles)	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	3	3	3	3	3	3

Sources: Various city departments

TABLE 20

September 30,			
2013	2014	2015	2016
1	1	1	1
12	12	12	12
2	2	2	2
87	87	87	87
150	150	150	150
10	10	10	10
1	1	1	1
--	--	--	--
163	163	163	163
8,100	8,100	8,100	8,100
67	67	67	67
31	31	31	31
3	3	3	3