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CITY OF ROCKPORT, TEXAS



Comprehensive Annual Financial Report
Year Ended September 30, 2020

CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2020

Prepared by

Katie Griffin, Director of Finance

CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

PAGE

Introductory Section

Letter of Transmittal	i-ix
GFOA Certificate of Achievement	x
List of Principal Officials.....	xi
Organization Chart.....	xii

Financial Section

Independent Auditor's Report	1-3
Management's Discussion and Analysis.....	5-11

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position – Exhibit 1	13
Statement of Activities – Exhibit 2	14-15

Fund Financial Statements

Governmental Funds

Balance Sheet - Exhibit 3-A	16-17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position – Exhibit 3-B	19
Statement of Revenue, Expenditures and Changes in Fund Balance – Exhibit 4-A	20-21
Reconciliation of Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities – Exhibit 4-B	22
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual – Exhibit 5	23

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS
(Continuation)

	<u>PAGE</u>
Proprietary Funds	
Statement of Net Positions – Exhibit 6.....	24-25
Statement of Revenues, Expenses and Changes in Net Positions – Exhibit 7	26-27
Statement of Cash Flows – Exhibit 8	28-31
Notes to Financial Statements	33-67
Required Supplementary Information	
Texas Municipal Retirement System Schedule of Changes in Net Pension Liabilities and Related Ratios.....	69
Texas Municipal Retirement System Schedule of City Pension Contributions	70
Texas Municipal Retirement System Supplemental Death Benefits Schedule of Changes in Total OPEB Liability and Related Ratios	71
Medical OPEB Schedule of Changes in Total OPEB Liability and Related Ratios	73
 Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet Exhibit 9-A	75
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance Exhibit 9-B	77
Nonmajor Special Revenue Funds	
Combining Balance Sheet Exhibit 10-A	78-81
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance Exhibit 10-B	82-85

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS
(Continuation)

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (GAPP Basis) and Actual	
Utility Bill Surcharge Fund Exhibit 11-A	86
City/County Dispatch Fund Exhibit 11-B	87
Hotel/Motel Tax Fund Exhibit 11-C	88
Municipal Court Security & Technology Fund Exhibit 11-D	89
Debt Service Fund Exhibit 11-E.....	91
Nonmajor Capital Project Funds	
Combining Balance Sheet Exhibit 12-A	92-93
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance Exhibit 12-B	94-95
Statistical Section	
Net Position by Component Table 1	98-99
Expenses, Program Revenues, and Net (Expense) Revenue Table 2	100-101
General Revenues and Total Change in Net Position Table 3	102-103
Fund Balances of Governmental Funds Table 4	104-105
Changes in Fund Balances of Governmental Funds Table 5	106-107
Tax Revenues by Source, Governmental Funds Table 6	109
Assessed Value and Estimated Actual Value of Taxable Property Table 7	110-111
Direct and Overlapping Property Tax Rates Table 8	112-113
Principal Property Tax Payers Table 9.....	115
Property Tax Levies and Collections Table 10	116

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS
(Continuation)

	<u>PAGE</u>
Ratios of Outstanding Debt by Type Table 11	117
Ratios of General Bonded Debt Outstanding Table 12	118
Direct and Overlapping Governmental Activities Debt Table 13	119
Legal Debt Margin Information Table 14.....	120-121
Pledged Revenue Coverage Table 15.....	123
Demographic and Economic Statistics Table 16.....	124-125
Principal Employers Table 17	127
Full-Time-Equivalent City Government Employers by Function/Program Table 18.....	128-129
Operating Indicators by Function/Program Table 19.....	130-131
Capital Asset Statistics by Function/Program Table 20.....	132-133
 Single Audit Section	
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 <i>Governmental Auditing Standards</i>	135-136
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.....	137-138
Schedule of Findings.....	139-141
Schedule of Expenditures of Federal Awards	142
Notes to Schedule of Expenditures of Federal Awards.....	143

INTRODUCTORY SECTION





April 28, 2021

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, 2020, 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 auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

MANAGEMENT RESPONSIBILITY

The report is published to provide to the City Council, our citizens, and 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 Director of Finance, 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, treasury management, 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.

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. This ordinance adopts the City's budget at the fund level and constitutes appropriation of the amounts specified therein as expenses from funds indicated and constitutes a levy of property tax therein proposed. The City's Code of Ordinances allows the city manager to transfer all or part of unencumbered appropriated balances among programs in a department within a single fund. Please refer to Note I E. 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 20.3 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 two 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. In 2014 Rockport was ranked seventh and eighth, respectively, in *Budget Travel's* "America's Coolest Small Towns" listing and *Where to Retiree's* "Top 8 Places to Retire." In 2015, CNN listed Rockport number 11 on its list of "America's Best Little Beach Towns." More recently, in 2020 *USA Today* placed it number four on their "10 Best Coastal Small Towns" and *Texas Highways* put Rockport number six on its recommendation of "Texas Top 40" travel destinations.

Rockport is a unique community made up largely of second homes. Rockport is a destination point for tourists and seasonal visitors. Permanent residents in Rockport totaled around 10,000 (pre-Hurricane Harvey), but the City has physical and human infrastructure to accommodate a regular population of 20,000 and over 35,000 during special events and holidays.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,319,449,457 in 2017. The devastation of Hurricane Harvey resulted in a negative impact on the City's appraised property values resulting in a decrease of approximately 13% to \$1,145,624,691 in 2018. Property values have rebounded to \$1,455,330,475 in 2020, surpassing pre-hurricane values.

Building permits increased from 1,989 in 2017 to 2,397 in 2018 largely due to the recovery building from Hurricane Harvey. The number of building permits in 2019 decreased to 1,997 as post-storm recovery building slowed and slightly increasing in 2020 to 2,100 permits.

Sales tax revenues increased from \$2,459,617 in 2017 to \$3,019,444 in 2018, as a result of post-storm recovery spending associated with Hurricane Harvey. In 2019, the sales tax revenues decreased to \$2,780,574 following a decline in post-storm spending. The sales tax revenues of 2020 remained almost constant due to the Covid-19 Pandemic resulting in a 2% increase of \$58,042 totaling \$2,838,616.

Hotel Occupancy taxes decreased significantly from \$866,970 in 2017 to \$479,754 in 2018 as a direct result of the impact of Hurricane Harvey. Following recovery efforts, all but one major hotel has returned to full operations in 2019 resulting in an increase in Hotel Occupancy taxes to \$713,075. The final major hotel returned to full operations in 2020. Despite Covid-19 statewide travel restrictions, hotel occupancy tax revenues for 2020 totaled \$903,198, exceeding pre-Hurricane Harvey levels.

The after effects of Hurricane Harvey and Covid-19 will continue to be a heavy influence on the local economy and the City's recovery efforts will continue to impact the organization's operations. Each of which will require thoughtful and deliberate consideration by the City Council, together with City staff, for development and commitment to a successful recovery and future growth of the community.

MAJOR INITIATIVES

As a forward-focused city working to improve the quality of life for our citizens and provide opportunities for growth in the business sector, the City of Rockport is always looking to improve infrastructure and reduce our operating costs. These were the impelling causes for two major capital improvement projects. First, a \$2.5 million major rehabilitation of the Waste Water Treatment Plant to provide adequate capacity for the future growth of the City. Next, a city-wide Energy Enhancement project to modernize facility, street and sports lighting equipment, and provide automatic read utility meters for both the water and natural gas services is an important initiative for the Council and city staff. This project will not only save on energy and labor costs in the future, it will help to reduce the City's carbon footprint.

After a brief delay, both the Waste Water Treatment Plant rehabilitation project and the City-wide Energy Enhancement project are underway. The WWTP project broke ground in early 2019 and is scheduled to be completed by late 2021. The lighting and facility improvements have been completed on the Energy Enhancement project. The installation of the automatic read utility meters and associated infrastructure began in late 2018 and is scheduled to be complete later this spring.

On August 25, Hurricane Harvey, a Category 4 hurricane, made direct landfall on the City of Rockport, with the eye passing through the town and tornados skipping through neighborhoods and randomly destroying structures. The devastation to the entire area of the Coastal Bend was dramatic and the impact on our future operations and growth cannot be fully known for some time. However, the citizens and businesses of Rockport have worked very hard to clean up, fix up and rebuild the city; as a result, additional capital improvement projects are underway. The Key Allegro Bridge is scheduled for replacement as a part of the Texas Department of Transportation Bridge Program with the City relocating utilities currently attached to the retiring bridge.

BUDGET AS COMPARED TO ACTUAL

The General Fund Revenues and Expenditures are budgeted based on historical information, the current economic climate of the City and inflationary trends. For a detailed comparison of actual General Fund revenues and expenditures with budget amounts, see "Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual in the financial section of this report (Exhibit 5).

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, 2020.

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, 2020 was \$1,455,330,475 and was taxed at \$0.421311 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$7,146,442.

Collections

Current taxes of \$6,458,384 (representing 98.451% of the tax levy) were collected during fiscal year 2019-2020. The collection rate was comparable to the preceding fiscal year. 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 2020 and the preceding five years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

Tax Year	2015	2016	2017	2018	2019	2020
General Fund	.219047	.233912	.239805	.248198	.248157	.241668
G.O. Debt	.145811	.155371	.145835	.203765	.171928	.179643
Total	.364858	.389283	.385640	.451963	.420085	.421311

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, 2019. This is the seventeenth 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, 2019 received the eighteenth consecutive prestigious award for the City. 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.

ACKNOWLEDGEMENTS

The preparation of this report 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 blue ink, appearing to read "Katie Griffin".

Katie Griffin, CGFO
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, 2019

Christopher P. Morill

Executive Director/CEO

City of Rockport, Texas

List of Principal Officials

September 30, 2020

Elected Officials

Name	Office
Patrick R. (Pat) Rios	Mayor
J. D. Villa	Mayor Pro-Tem
Bob Cunningham	Council Member
Andrea Hattman	Council Member
Mike Saski	Council Member

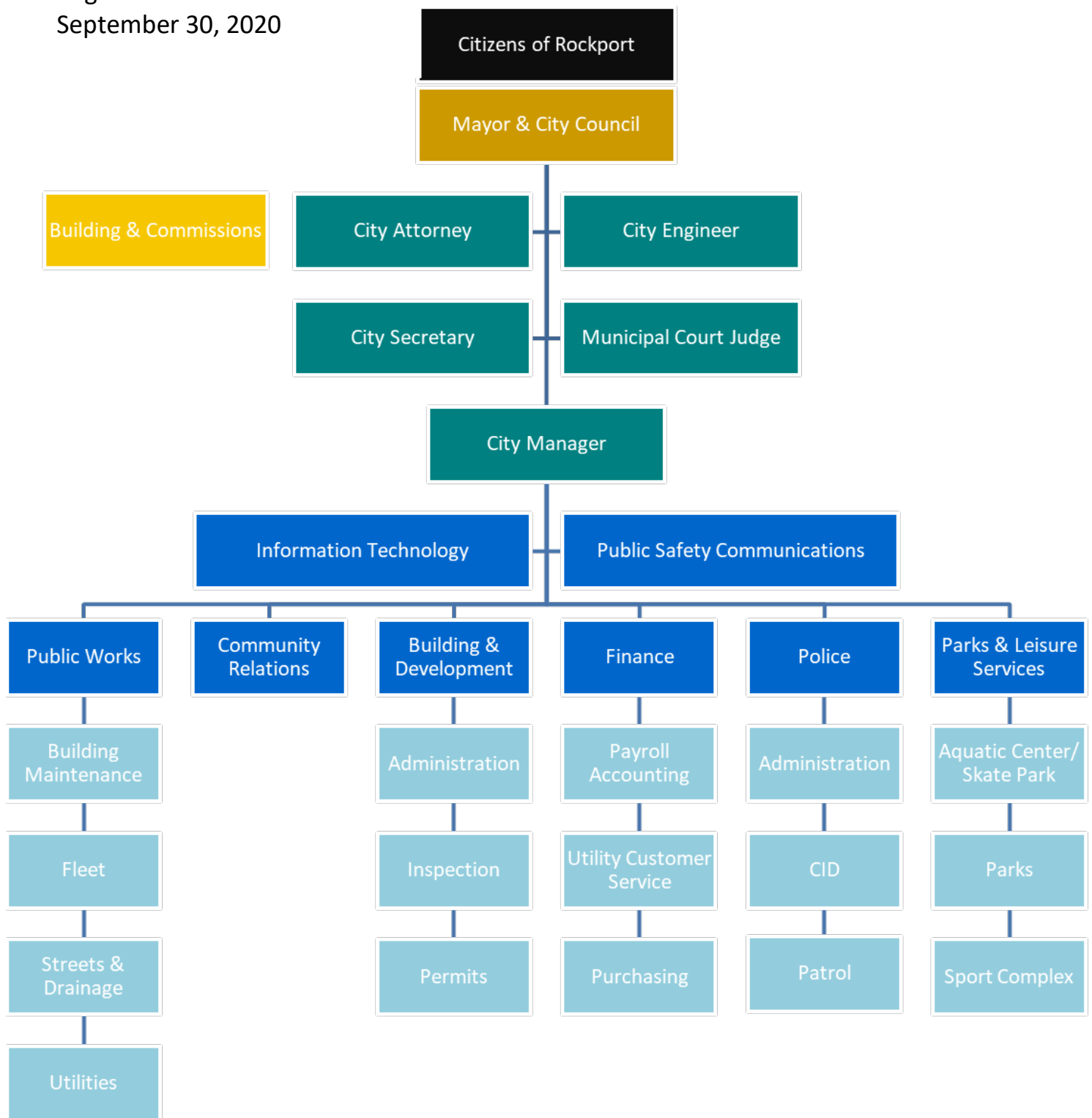
Appointed Officials

Name	Position
Kevin Carruth	City Manager
Teresa Valdez	City Secretary
Katie Griffin	Director of Finance
Mike Donoho	Director of Public Works & Building/Development
Rick Martinez	Director of Parks & Leisure Services
Greg Stevens	Chief of Police

City of Rockport, Texas

Organizational Chart

September 30, 2020



FINANCIAL SECTION

CITY of ROCKPORT, TEXAS



INDEPENDENT AUDITOR'S REPORT

April 28, 2021

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, 2020, 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 an opinion 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, 2020, and the respective changes in financial position and, where applicable, budgetary comparison and 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 69 through 73 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 142 and 143 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 April 28, 2021, 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



MANAGEMENT’S DISCUSSION AND ANALYSIS

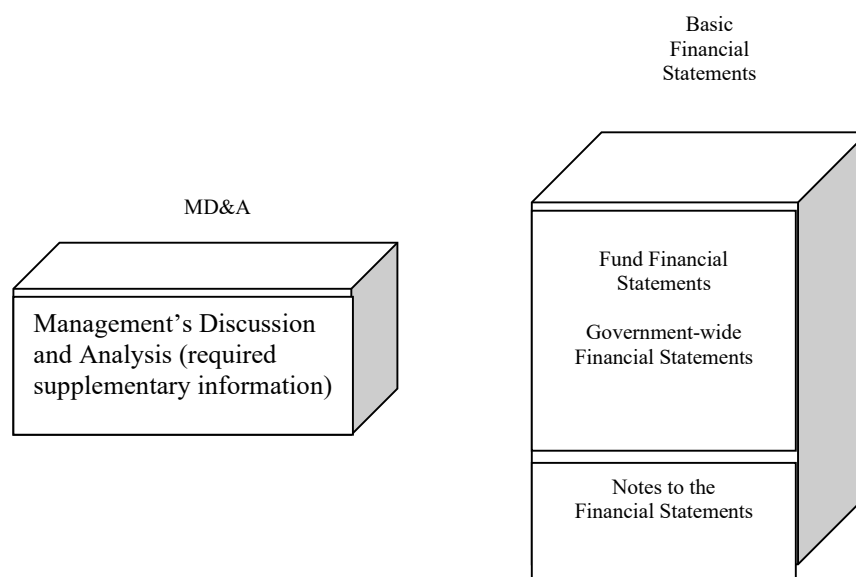
Our discussion and analysis of the City of Rockport’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the transmittal letter on page i to ix and the City’s financial statements, which begin 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 2020 by \$45,383,941 (net position). The unrestricted net position was a \$500,464 while net invested in capital asset was \$43,109,769 and restricted net position was \$1,773,707.
- The government’s total net position increased by \$4,084,173 in 2020.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$26,042,316 a increase of 109.88% in comparison with the prior year. The increase is mainly due to the unspent proceeds from the 2020 Tax Note.
- The General fund reported an unassigned fund balance of \$3,936,190 or, 41.42% of total general Fund expenditures.
- The City’s total long-term liabilities increased by \$8,387,090 16.54% during the current fiscal year, mainly due to the issuance of the 2020 Tax Notes.

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 changes in net pension and OPEB liability and pension funding progress on the City's pension plan and retiree health plans. 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 and Debt Service Fund. Data from the other 20 funds are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on pages 16-21.

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, Natural Gas Fund, Sanitation Fund and Community Aquatic Center Fund, since they are considered to be major funds of the City. 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 33-67.

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 69-73.

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 \$45,383,940 as of September 30, 2020.

The largest portion of the City's net position \$43,109,769 (94.99%) 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 \$1,773,707 (3.91%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$500,465 a substantial improvement over 2019 deficit of \$783,160. The Table 1 illustrates the comparative detail of changes in net position of the City.

TABLE 1
SUMMARY OF NET POSITIONS

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	27,321,204	13,015,222	11,838,792	9,613,143	39,159,996	22,628,365
Capital Assets, Net	31,195,935	30,806,276	41,769,509	42,694,654	72,965,444	73,500,930
Total Assets	58,517,139	43,821,498	53,608,301	52,307,797	112,125,440	96,129,295
Deferred Outflows	1,830,910	3,175,694	824,864	1,347,450	2,655,774	4,523,144
Long-Term Liabilities	37,027,249	26,169,411	22,059,078	24,529,826	59,086,327	50,699,237
Other Liabilities	3,883,168	3,956,938	4,426,084	4,354,471	8,309,252	8,311,409
Total Liabilities	40,910,417	30,126,349	26,485,162	28,884,297	67,395,579	59,010,646
Deferred Inflows	1,442,472	232,552	559,222	109,477	2,001,694	342,029
Net Position						
Net Invested in Capital						
Assets	19,840,363	18,740,986	23,269,406	22,071,001	43,109,769	40,811,987
Restricted	1,773,707	1,270,937	--	--	1,773,707	1,270,937
Unrestricted	(3,618,910)	(3,373,632)	4,119,375	2,590,472	500,465	(783,160)
Total Net Position	17,995,160	16,638,291	27,388,781	24,661,473	45,383,941	41,299,764

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

As shown in Table 2, Total Revenue increased \$749,115, This increase is due to an increase of \$481,072 in Property Tax as a result an increase in property tax rates and values as well as the addition of new multi-family and single-family residences. Sales and use taxes increased by \$76,465 due to additional spending for home improvements during the Covid-19 Pandemic and increased visitors, contributing to the total revenue increase. Hotel Occupancy Tax increased by \$201,728 as all hotels have reopened following Hurricane Harvey and as a result of more people traveling to the Texas Gulf Coast for vacations rather than plane flights to further destinations during the pandemic. Other revenues increased by \$266,144 while Fines and Fees decreased by \$133,546 and Operational Grands decreased by \$166,476.

Total Expenses decreased \$672,220 due mainly to a decrease of \$394,003 in General Government expenses related to Harvey in 2019 and 2020. Public Works saw a decrease of \$433,802 due to a reduction in personnel costs and lack of construction project due to the Covid-19 pandemic. However, there was an increase in Interest and Fees on Debt totaling \$193,387 as a result of existing debt repayment structure

Table 2 provides a summary of the City's operations for year ended September 30, 2020 with comparative totals for the year ended September 30, 2019.

TABLE 2
STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Fees, Fines and Charges for Services	720,779	854,325	16,747,573	15,004,043	17,468,352	15,858,368
Operating Grants and Contributions	1,316,744	1,483,220	48,083	43,333	1,364,827	1,526,553
Capital Grants and Contributions	606,653	536,424	--	--	606,653	536,424
General Revenue						
Property Taxes	6,563,714	6,082,642	--	--	6,563,714	6,082,642
Sales Taxes	2,857,039	2,780,574	--	--	2,857,039	2,780,574
Franchise and Other Taxes	1,096,677	1,068,650	--	--	1,096,677	1,068,650
Hotel Occupancy Taxes	914,803	713,075	--	--	914,803	713,075
Investment Earnings	49,313	123,841	30,785	51,550	80,098	175,391
Other Revenues	281,319	15,175	6,810	33,103	288,129	48,278
Total Revenues	14,407,041	13,657,926	16,833,251	15,132,029	31,240,292	28,789,955
Expenses						
General Government	3,972,684	4,366,687	--	--	3,972,684	4,366,687
Public Safety	5,276,575	5,292,979	--	--	5,276,575	5,292,979
Public Works	1,505,912	1,939,714	--	--	1,505,912	1,939,714
Culture and Recreation	1,457,207	1,465,212	--	--	1,457,207	1,465,212
Tourism	708,391	721,784	--	--	708,391	721,784
Interest and Fees on Debt	833,318	639,931	--	--	833,318	639,931
Water and Sewer	--	--	8,922,626	8,887,596	8,922,626	8,887,596
Natural Gas	--	--	1,895,018	1,988,347	1,895,018	1,988,347
Sanitation	--	--	2,152,087	2,136,230	2,152,087	2,136,230
Community Aquatic Center	--	--	432,301	449,565	432,301	449,565
Total Expenses	13,754,087	14,426,307	13,402,032	13,461,738	27,156,119	27,888,045
Change in Net Position before Transfers	652,954	(768,381)	3,431,219	1,670,291	4,084,173	901,910
Transfers	703,911	428,258	(703,911)	(428,258)	--	--
Change in Net Position	1,356,865	(340,123)	2,727,308	1,242,033	4,084,173	901,910
Beginning Net Position	16,638,295	16,978,414	24,661,473	23,419,440	41,299,768	40,397,854
Total Net Position	17,995,160	16,638,291	27,388,781	24,661,473	45,383,941	41,299,764

Business-Type Activities. As shown in Table 2, Total revenues increased by \$1,701,222 due mainly to increase in in charges for service as the City continues to grow and add roof tops. Total Expenses slightly increased due to increase demand for services.

In the Water & Sewer and Natural Gas, 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 Southcross Energy, any price increases are passed on to the end customer.

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, 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 \$26,042,316 an increase of \$14,930,872 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 \$3,936,190. This fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. The fund balance increased \$585,233. Total revenues exceeded budgeted revenues as proceeds from FEMA and insurance claims associated with Hurricane Harvey continued to be received. Expenditures were less than budgeted due to reductions in contracted services and training caused by the Covid-19 Pandemic. Other decreases were found in insurance premiums and utilities.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$72,965,444 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery, equipment, infrastructure and construction in progress. Governmental activity capital assets increased by \$389,659 as a result of \$1,641,183 of additions offset by \$1,069,493 of depreciation and net retirements of \$182,031. Business-type activity capital assets decreased by \$925,145 as a result of \$748,150 additions less \$1,673,295 of depreciation.

Major capital asset additions during 2020 include the following:

- Land Purchases for New City Hall and Preliminary Design – \$469,198
- Drainage Projects - \$278,614
- Easement for Key Allegro Bridge – 191,729
- Water Main Improvements - \$471,330

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	10,194,001	9,714,430	214,953	214,953	10,408,954	9,929,383
Infrastructure	13,908,521	14,016,089	--	--	13,908,521	14,016,089
Building and Improvements	3,016,878	3,142,571	3,888,895	4,059,007	6,905,773	7,201,578
Improvements other than Bldg	2,283,303	2,016,803	--	--	2,283,303	2,016,803
Machinery and Equipment	1,107,380	1,246,408	328,289	367,677	1,435,669	1,614,085
Water System	--	--	18,539,257	18,066,885	18,539,257	18,066,885
Sewer System	--	--	13,296,302	13,773,717	13,296,302	13,773,717
Natural Gas System	--	--	5,408,180	5,677,938	5,408,180	5,677,938
Construction in Progress	685,852	669,976	93,633	534,477	779,485	1,204,453
	31,195,935	30,806,277	41,769,509	42,694,654	72,965,444	73,500,930

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$40,790,000 and increase of \$11,660,000 over the prior year. Of this amount, \$19,010,000 are general obligation bond, \$7,275,000 are certificates of obligation and \$14,505,000 backed by the full faith and credit of the government. Additionally, there were \$8,619,831 in an Energy Conservation Bond and \$413,528 in capital leases. During the year the City issued \$14,505,000 for the purpose of construction of the new city hall, Concho Street drainage improvements, and Key Allegro Bridge easements. Additional information on the City's long-term debt can be found in Note 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2020-2021 budget will raise more revenue from property taxes than last year's budget by an amount of \$480,469, which is an 8.53% increase from the prior year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$275,128.

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 Director of Finance at the City of Rockport, 2751 State Highway 35 Bypass, Rockport, Texas 78382.



CITY OF ROCKPORT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	GOVERNMENTAL	BUSINESS- TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents (Note 2)	3,863,465	8,738,344	12,601,809
Investments (Note 2)	488,000	488,000	976,000
Receivables, Net of Allowance for Uncollectible	2,848,611	1,475,343	4,323,954
Internal Balances	206,278	(206,278)	--
Inventories	117,118	255,846	372,964
Restricted Cash and Investments			
Cash and Cash Equivalents (Note 2)	19,797,732	1,087,537	20,885,269
Land and Construction in Progress (Note 3)	10,879,853	308,586	11,188,439
Other Capital Assets, Net of Accumulated Depreciation (Note 3)	20,316,082	41,460,923	61,777,005
Total Assets	<u>58,517,139</u>	<u>53,608,301</u>	<u>112,125,440</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Bond Refunding	419,285	298,416	717,701
Deferred Outflows Related to Pensions (Note 9)	1,043,569	356,359	1,399,928
Deferred Outflows Related to OPEB (Note 10)	368,056	170,089	538,145
Total Deferred Outflows of Resources	<u>1,830,910</u>	<u>824,864</u>	<u>2,655,774</u>
LIABILITIES			
Accounts Payable	466,319	769,907	1,236,226
Contractor's Retainage	486,059	--	486,059
Accrued Expenses	47,829	17,224	65,053
Accrued Interest	90,114	200,523	290,637
Deposits	--	1,582,631	1,582,631
Unearned Revenue	156,732	--	156,732
Unclaimed Property	53,223	--	53,223
Current Portion of Long-Term Liabilities (Note 4)			
Long-Term Debt	2,434,866	1,792,443	4,227,309
Compensated Absences	148,027	63,356	211,383
Long-Term Liabilities, Excluding Current Portion (Note 4)			
Long-Term Debt (Note 5 and 6)	29,137,723	18,091,984	47,229,707
Compensated Absences	442,320	189,317	631,637
Net Pension Liability (Note 9)	3,961,824	1,352,887	5,314,711
OPEB Liability (Note 10)	3,485,382	2,424,890	5,910,272
Total Liabilities	<u>40,910,418</u>	<u>26,485,162</u>	<u>67,395,580</u>
DEFERRED INFLOWS			
Deferred Gain on Bond Refunding	--	1,628	1,628
Deferred Inflows Related to Pensions (Note 9)	864,385	295,171	1,159,556
Deferred Inflows Related to OPEB (Note 10)	578,087	262,423	840,510
	<u>1,442,472</u>	<u>559,222</u>	<u>2,001,694</u>
NET POSITION			
Net Invested in Capital Assets	19,840,363	23,269,406	43,109,769
Restricted			
Tourism	1,127,645	--	1,127,645
Public Safety	368,903	--	368,903
Public Access TV	249,958	--	249,958
Security and Technology	13,374	--	13,374
Specified by Donors	11,384	--	11,384
Key Allegro Property Improvements	232	--	232
Child Safety	2,211	--	2,211
Unrestricted	<u>(3,618,911)</u>	<u>4,119,375</u>	<u>500,464</u>
TOTAL NET POSITION	<u>17,995,159</u>	<u>27,388,781</u>	<u>45,383,940</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, 2020

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		
		FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities				
General Government	3,972,684	551,897	504,640	193,065
Public Safety	5,276,575	168,843	812,104	--
Public Works	1,505,912	--	--	382,642
Culture and Recreation	1,457,207	39	--	30,946
Tourism	708,391	--	--	--
Interest and Fees on Long-Term Debt	833,318	--	--	--
Total Governmental Activities	13,754,087	720,779	1,316,744	606,653
Business-Type Activities				
Water and Sewer	8,922,626	12,137,157	--	--
Natural Gas	1,895,018	2,099,457	--	--
Sanitation	2,152,087	2,463,510	--	--
Community Aquatic Center	432,301	47,449	48,083	--
Total Business-Type Activities	13,402,032	16,747,573	48,083	--
Total Government	27,156,119	17,468,352	1,364,827	606,653

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
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
(2,723,082)	--	(2,723,082)
(4,295,628)	--	(4,295,628)
(1,123,270)	--	(1,123,270)
(1,426,222)	--	(1,426,222)
(708,391)	--	(708,391)
(833,318)	--	(833,318)
(11,109,911)	--	(11,109,911)
--	3,214,531	3,214,531
--	204,439	204,439
--	311,423	311,423
--	(336,769)	(336,769)
--	3,393,624	3,393,624
(11,109,911)	3,393,624	(7,716,287)
3,876,999	--	3,876,999
2,686,715	--	2,686,715
2,857,039	--	2,857,039
1,096,677	--	1,096,677
914,803	--	914,803
49,313	30,785	80,098
281,318	6,810	288,128
703,911	(703,911)	--
12,466,775	(666,316)	11,800,459
1,356,864	2,727,308	4,084,172
16,638,295	24,661,473	41,299,768
17,995,159	27,388,781	45,383,940

**CITY OF ROCKPORT, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2020**

	2020			
	GENERAL	DEBT SERVICE	CAPITAL PROJECT	NONMAJOR GOVERNMENTAL
ASSETS				
Cash and Cash Equivalents (Note 2)	960,480	897,930	--	2,005,055
Investments (Note 2)	488,000	--	--	--
Receivables, Net of Allowance for Uncollectible				
Property Taxes	92,180	61,892	--	--
Other Taxes	510,129	--	--	376,387
Accounts	276,774	--	--	15,203
Intergovernmental	1,336,969	--	--	179,077
Due from Other Funds (Note 7)	1,007,406	141,587	--	--
Inventories	50,841	--	--	--
Restricted Cash and Investments				
Cash and Cash Equivalents	--	--	14,720,355	5,077,377
TOTAL ASSETS	4,722,779	1,101,409	14,720,355	7,653,099
LIABILITIES AND FUND BALANCE				
Accounts Payable	294,140	--	--	174,110
Contractor's Retainage	--	--	--	486,059
Accrued Expenditures	39,474	--	--	6,204
Due to Other Funds (Note 7)	--	--	--	776,110
Unearned Revenue	248,912	61,892	--	15,203
Unclaimed Property	53,223	--	--	--
Total Liabilities	635,749	61,892	--	1,457,686
Fund Balance (Note 11)				
Nonspendable	50,841	--	--	--
Restricted				
Capital Projects	--	--	14,720,355	4,485,680
Tourism	100,000	--	--	1,027,645
Public Safety	--	--	--	368,903
Public Access TV	--	--	--	249,958
Security and Technology	--	--	--	13,374
Specified by Donors	--	--	--	11,384
Key Allegro Property Improvements	--	--	--	232
Child Safety	--	--	--	2,211
Committed	--	1,039,517	--	--
Assigned	--	--	--	734,775
Unassigned	3,936,189	--	--	(698,749)
Total Fund Balance	4,087,030	1,039,517	14,720,355	6,195,413
TOTAL LIABILITIES AND FUND BALANCE	4,722,779	1,101,409	14,720,355	7,653,099

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

Exhibit 3-A

TOTAL GOVERNMENTAL
<hr/>
3,863,465
488,000
154,072
886,516
291,977
1,516,046
1,148,993
50,841
<hr/>
19,797,732
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28,197,642
<hr/>
468,250
486,059
45,678
776,110
326,007
53,223
<hr/>
2,155,327
50,841
19,206,035
1,127,645
368,903
249,958
13,374
11,384
232
2,211
1,039,517
734,775
3,237,440
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26,042,315
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28,197,642
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CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balance - Total Governmental Funds	26,042,315
--	-------------------

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 \$129,166)	41,239,965	
Accumulated Depreciation (Excluding Internal Service of \$42,318)	(10,118,715)	31,121,250

Ad valorem taxes received after 60 days of year-end are not considered available revenues and are deferred in the governmental funds	169,275
--	---------

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

Deferred Loss on Bond Refunding	419,285	
Deferred Outflows Related to Pensions (Excluding Internal Service \$100,790)	1,005,600	
Deferred Outflows Related to OPEB (Excluding Internal Service \$12,379)	352,459	
Deferred Inflows Related to Pensions (Excluding Internal Service \$648)	(832,936)	
Deferred Inflows Related to OPEB (Excluding Internal Service \$8,996)	(557,457)	386,951

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	(31,572,589)	
Net Pension Liability (Excluding Internal Service \$246,487)	(3,817,679)	
OPEB Liability (Excluding Internal Service \$189,206)	(3,296,413)	
Accumulated Compensated Absences (Excluding Internal Service \$17,845)	(564,050)	
Accrued interest	(90,115)	(39,340,846)

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.

(383,786)

NET POSITION OF GOVERNMENTAL ACTIVITY

17,995,159

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, 2020

	GENERAL FUND	DEBT SERVICE	2020 CAPITAL PROJECT	NONMAJOR GOVERNMENTAL
Revenues				
Taxes and Business Fees	7,587,120	2,686,715	--	1,113,370
Licenses and Permits	502,005	--	--	--
Intergovernmental	829,848	--	--	1,093,548
Fines and Forfeitures	152,108	--	--	14,662
Charges for Services	54,540	--	--	--
Interest on Investments	16,032	5	355	32,921
Other Revenues	333,474	--	--	129,876
Total Revenues	9,475,127	2,686,720	355	2,384,377
Expenditures				
Current				
General Government	3,514,249	--	--	103,408
Public Safety	3,560,889	--	--	1,153,637
Public Works	964,965	--	--	--
Culture and Recreation	1,079,974	--	--	54,906
Tourism	--	--	--	708,391
Debt Service				
Principal Retirement	54,382	1,627,693	--	8,949
Interest and Fiscal Charges	57,404	544,269	--	1,326
Bond Issuance Cost	--	--	219,543	--
Capital Outlays	266,579	--	--	1,374,603
Total Expenditures	9,498,442	2,171,962	219,543	3,405,220
Revenues Over (Under) Expenditures	(23,315)	514,758	(219,188)	(1,020,843)
Other Financing Sources (Uses)				
Tax Notes Issued			14,505,000	
Premium on Bonds Issued	--	--	434,543	--
Transfers In (Note 7)	1,704,037	--	--	933,042
Transfers Out (Note 7)	(1,095,490)	(110,933)	--	(690,740)
Total Other Financing Sources (Uses)	608,547	(110,933)	14,939,543	242,302
Net Change in Fund Balance	585,232	403,825	14,720,355	(778,541)
Fund Balance at Beginning of Year	3,501,798	635,692	--	6,973,954
Fund Balance at End of Year	4,087,030	1,039,517	14,720,355	6,195,413

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

Exhibit 4-A

TOTAL GOVERNMENTAL
11,387,205
502,005
1,923,396
166,770
54,540
49,313
463,350
14,546,579
3,617,657
4,714,526
964,965
1,134,880
708,391
1,691,024
602,999
219,543
1,641,182
15,295,167
(748,588)
14,505,000
434,543
2,637,079
(1,897,163)
15,679,459
14,930,871
11,111,444
26,042,315

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, 2020

Net Change in Fund Balances - Total Governmental Funds 14,930,871

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 \$23,128)	1,641,182	
Depreciation (Excluding Internal Service \$11,704)	(1,057,330)	583,852

Loss on Sales and Retirements of Capital Assets (182,031)

Delinquent property taxes, net of allowance, are not reported in the governmental funds. This is the amount receivables decreased this year 44,099

Certain utility bill tax receivables and special assessments that are deferred in governmental funds 929

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt 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 these differences in the treatment of long-term debt.

Tax Bonds Issued	(14,505,000)	
Premium on Bonds Issued	(434,543)	
Principal Retirement	1,691,024	
Accrued Interest on Bonds	6,319	
Amortization of Bond Premiums	140,509	
Amortization of Deferred Charges on Refunding	(157,604)	(13,259,295)

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	(414,045)	
OPEB Expense	(242,302)	
Compensated Absence Expense	(74,526)	(730,873)

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 (30,688)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 1,356,864

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, 2020

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues				
Taxes and Business Fees	8,040,772	8,040,772	7,587,120	(453,652)
Licenses and Permits	439,600	439,600	502,005	62,405
Intergovernmental	91,300	91,300	829,848	738,548
Fines and Forfeitures	256,000	256,000	152,108	(103,892)
Charges for Services	61,035	61,035	54,540	(6,495)
Interest on Investments	20,000	20,000	16,032	(3,968)
Other Revenues	70,570	70,570	333,474	262,904
Total Revenues	8,979,277	8,979,277	9,475,127	495,850
Expenditures				
Current				
General Government	3,356,930	3,356,930	3,514,249	(157,319)
Public Safety	3,767,868	3,767,868	3,560,889	206,979
Public Works	1,441,453	1,441,453	964,965	476,488
Culture and Recreation	1,152,249	1,152,249	1,079,974	72,275
Debt Service				
Principal Retirement	--	--	54,382	(54,382)
Interest and Fiscal Charges	--	--	57,404	(57,404)
Bond Issuance Cost	--	--	--	--
Capital Projects	203,300	203,300	266,579	(63,279)
Total Expenditures	9,921,800	9,921,800	9,498,442	423,358
Revenues Under Expenditures	(942,523)	(942,523)	(23,315)	919,208
Other Financing Sources (Uses)				
Community Disaster Loan	351,251	351,251	--	(351,251)
Transfers In	1,664,666	1,664,666	1,704,037	39,371
Transfers Out	(1,073,394)	(1,073,394)	(1,095,490)	(22,096)
Total Other Financing Sources	942,523	942,523	608,547	(333,976)
Net Change in Fund Balance	--	--	585,232	585,232
Fund Balance at Beginning of Year	3,501,798	3,501,798	3,501,798	--
Fund Balance at End of Year	3,501,798	3,501,798	4,087,030	585,232

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

**CITY OF ROCKPORT, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITIONS
SEPTEMBER 30, 2020**

	WATER & SEWER	NATURAL GAS	SANITATION	COMMUNITY AQUATIC CENTER
ASSETS				
Cash and Cash Equivalents (Note 2)	7,756,180	381,662	600,502	--
Investments (Note 2)	488,000	--	--	--
Receivables, Net of Allowance for Uncollectible Accounts	1,115,299	130,004	230,040	--
Due from Other Funds (Note 7)	530,005	--	--	--
Inventories	204,281	51,565	--	--
Restricted Cash and Investments				
Cash and Cash Equivalents (Note 2)	247,065	840,472	--	--
Total Current Assets	10,340,830	1,403,703	830,542	--
Land and Construction in Progress (Note 3)	204,286	--	--	104,300
Other Capital Assets, Net of Accumulated Depreciation (Note 3)	35,310,847	5,408,180	--	741,896
Net Capital Assets	35,515,133	5,408,180	--	846,196
Total Noncurrent Assets	35,515,133	5,408,180	--	846,196
Total Assets	45,855,963	6,811,883	830,542	846,196
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Bond Refundings	298,416	--	--	--
Deferred Outflows Related to Pensions	267,067	89,292	--	--
Deferred Outflows Related to OPEB	124,561	45,528	--	--
Total Deferred Outflows of Resources	690,044	134,820	--	--
LIABILITIES				
Accounts Payable	470,549	62,552	235,679	1,127
Contractor's Retainage	--	--	--	--
Accrued Expenses	12,225	4,278	--	721
Accrued Interest	149,313	51,210	--	--
Due To Other Funds (Note 7)	141,452	417,098	--	177,733
Customers' Deposits	1,582,631	--	--	--
Current Portion of Long-Term Liabilities (Note 4)				
Long-Term Debt (Notes 5 and 6)	1,616,642	175,801	--	--
Compensated Absences	52,487	10,869	--	--
Total Current Liabilities	4,025,299	721,808	235,679	179,581
Long-Term Liabilities, Excluding Current Portion (Note 4)				
Long-Term Debt (Note 5)	14,245,553	3,846,431	--	--
Compensated Absences	156,839	32,478	--	--
Net Pension Liability (Note 9)	1,013,897	338,990	--	--
OPEB Liability (Note 10)	1,784,906	639,984	--	--
Total Noncurrent Liabilities	17,201,195	4,857,883	--	--
Total Liabilities	21,226,494	5,579,691	235,679	179,581
DEFERRED INFLOWS				
Deferred Gain on Bond Refunding	1,628	--	--	--
Deferred Inflows Related to Pensions	221,211	73,960	--	--
Deferred Inflows Related to OPEB	203,908	58,515	--	--
	426,747	132,475	--	--
NET POSITION				
Invested in Capital Assets, Net of Related Debt	20,613,888	1,809,322	--	846,196
Unrestricted	4,278,878	(574,785)	594,863	(179,581)
TOTAL NET POSITION	24,892,766	1,234,537	594,863	666,615

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

Exhibit 6

TOTAL PROPRIETARY	INTERNAL SERVICE FLEET
8,738,344	--
488,000	--
1,475,343	--
530,005	--
255,846	66,277
1,087,537	--
12,575,075	66,277
308,586	--
41,460,923	74,685
41,769,509	74,685
41,769,509	74,685
54,344,584	140,962
298,416	--
356,359	37,969
170,089	15,597
824,864	53,566
769,907	(1,932)
--	--
17,224	2,151
200,523	--
736,283	166,605
1,582,631	--
1,792,443	--
63,356	6,594
5,162,367	173,418
18,091,984	--
189,317	19,703
1,352,887	144,145
2,424,890	188,969
22,059,078	352,817
27,221,445	526,235
1,628	--
295,171	31,449
262,423	20,630
559,222	52,079
23,269,406	74,685
4,119,375	(458,471)
27,388,781	(383,786)

CITY OF ROCKPORT, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
YEAR ENDED SEPTEMBER 30, 2020

	WATER & SEWER	NATURAL GAS	SANITATION	COMMUNITY AQUATIC CENTER
Operating Revenues				
Charges for Services	12,137,157	2,099,457	2,463,510	47,449
Operating Expenses				
Personal Services	2,013,111	687,646	--	222,455
Contractual Services	590,043	58,296	2,159,054	21,121
Maintenance	3,990,597	111,905	--	48,623
Supplies	93,847	612,330	--	68,715
Other	314,035	16,994	(6,967)	4,482
Depreciation	1,336,632	269,758	--	66,905
Total Operating Expenses	<u>8,338,265</u>	<u>1,756,929</u>	<u>2,152,087</u>	<u>432,301</u>
Operating Income (Loss)	3,798,892	342,528	311,423	(384,852)
Nonoperating Revenue (Expenses)				
Interest on Investments	30,785	--	--	--
Payments From Other Governments	--	--	--	48,083
Interest Expense and Fiscal Charges	(579,542)	(136,704)	--	--
Other Revenues	6,810	--	--	--
Net Nonoperating Revenues (Expenses)	<u>(541,947)</u>	<u>(136,704)</u>	<u>--</u>	<u>48,083</u>
Income Before Transfers	3,256,945	205,824	311,423	(336,769)
Transfers In (Note 7)	1,186,345	110,933	--	172,108
Transfers Out (Note 7)	<u>(1,654,356)</u>	<u>(507,102)</u>	<u>(8,375)</u>	<u>(9,668)</u>
Total Operating Transfers	<u>(468,011)</u>	<u>(396,169)</u>	<u>(8,375)</u>	<u>162,440</u>
Net Income (Loss)	2,788,934	(190,345)	303,048	(174,329)
Net Position at Beginning of Year	<u>22,103,832</u>	<u>1,424,882</u>	<u>291,815</u>	<u>840,944</u>
NET POSITIONS END OF YEAR	<u>24,892,766</u>	<u>1,234,537</u>	<u>594,863</u>	<u>666,615</u>

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

Exhibit 7

TOTAL PROPRIETARY	INTERNAL SERVICE FLEET
16,747,573	729,347
2,923,212	254,287
2,828,514	141,029
4,151,125	19,613
774,892	301,544
328,544	1,597
1,673,295	12,163
12,679,582	730,233
4,067,991	(886)
30,785	--
48,083	--
(716,246)	--
6,810	--
(630,568)	--
3,437,423	(886)
1,469,386	--
(2,179,501)	(29,802)
(710,115)	(29,802)
2,727,308	(30,688)
24,661,473	(353,098)
27,388,781	(383,786)

**CITY OF ROCKPORT, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020**

	WATER & SEWER	NATURAL GAS	SANITATION	COMMUNITY AQUATIC CENTER
Cash Flows from Operating Activities				
Receipts from Customers	12,045,074	2,096,517	2,442,399	47,449
Receipts from Interfund Services Provided	--	--	--	--
Payments to Suppliers	(5,780,261)	(995,944)	(2,127,251)	(182,531)
Payments to Employees	(1,122,734)	(414,884)	--	(185,429)
Net Cash Provided by Operating Activities	5,142,079	685,689	315,148	(320,511)
Cash Flows from Noncapital Financing Activities				
Change in Interfund Borrowings	3,004,112	(665,783)	--	109,588
Transfers In from Other Funds	1,186,345	110,933	--	162,440
Transfers Out to Other Funds	(1,654,356)	(507,102)	(8,375)	--
Net Cash Provided by (Used for) Noncapital Financing Activities	2,536,101	(1,061,952)	(8,375)	272,028
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(748,601)	--	--	--
Principal Paid on Long-term Debt	(1,432,304)	(183,578)	--	--
Interest Expense and Fiscal Charges	(731,334)	(164,593)	--	--
Payments from Other Governments	--	--	--	48,083
Net Cash Provided (Used) for Capital and Related Financing Activities	(2,912,239)	(348,171)	--	48,083
Cash Flows from Investing Activities				
Interest on Investments	116,631	--	--	--
Net Cash Provided (Used) by Investing Activities	116,631	--	--	--
Increase (Decrease) in Cash and Cash Equivalents	4,882,572	(724,434)	306,773	(400)
Cash and Cash Equivalents at Beginning of Year				
Including Restricted Accounts	3,120,673	1,946,568	293,729	400
Cash and Cash Equivalents at End of Year	8,003,245	1,222,134	600,502	--

Exhibit 8

TOTAL PROPRIETARY	INTERNAL SERVICE FLEET
16,631,439	7,357
--	724,527
(9,085,987)	(579,922)
(1,723,047)	(170,669)
5,822,405	(18,707)
2,447,917	48,509
1,459,718	--
(2,169,833)	(29,802)
1,737,802	18,707
(748,601)	--
(1,615,882)	--
(895,927)	--
48,083	--
(3,212,327)	--
116,631	--
116,631	--
4,464,511	--
5,361,370	--
9,825,881	--
(Continued)	

**CITY OF ROCKPORT, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019**

	WATER & SEWER	NATURAL GAS	SANITATION	COMMUNITY AQUATIC CENTER
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	3,798,892	342,528	311,423	(384,852)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	1,336,632	269,758	--	66,905
Nonoperating Revenues	6,810	--	--	--
Changes in Assets, Liabilities and Deferred				
Accounts Receivable	(138,900)	(2,940)	(21,111)	--
Inventories	(63,105)	17,003	--	--
Deferred Outflows Related to Pension	360,239	116,154	--	--
Deferred Outflows Related to OPEB	(30,629)	(9,026)	--	--
Accounts Payable	4,061	6,952	24,836	(2,910)
Accrued Expenses	2,757	1,097	--	346
Customer Deposits	40,007	--	--	--
Compensated Absences	9,989	1,199	--	--
OPEB Liability	(11,368)	(2,327)	--	--
Net Pension Liability	(520,218)	(163,442)	--	--
Deferred Inflows Related to Pension	217,175	72,638	--	--
Deferred Inflows Related to OPEB	129,737	36,095	--	--
Net Cash Provided (Used) by Operating Activities	5,142,079	685,689	315,148	(320,511)

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

Exhibit 8
(Continuation)

TOTAL ENTERPRISE	INTERNAL SERVICE FLEET
4,067,991	(886)
1,673,295	12,163
6,810	--
(162,951)	2,537
(46,102)	(1,380)
476,393	62,821
(39,655)	(3,218)
32,939	(40,010)
4,200	958
40,007	--
11,188	8,452
(13,695)	(237)
(683,660)	(102,342)
289,813	30,801
165,832	11,634
5,822,405	(18,707)



CITY OF ROCKPORT, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

Capital Project Fund – The 2020 Capital Project Fund is used to account for the proceeds and related expenditures of the 2020 Tax Notes.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination 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 customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the funds.

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

Sanitation Fund – Sanitation Fund is used to account for the sanitation services provide through a contract with Republic Services for curbside collection of solid waste and comingled recyclables. Activities of the fund include collection of revenues and payments to the service provider. All costs are financed through charges to customers.

Community Aquatic Center Fund – Community Aquatic Center Fund is used to account for the water-based programs provided to the citizens of the City, Aransas County and the Town of Fulton. Activities of the fund include administration, operations and maintenance of the Community Aquatic Center and billing and collection activities. All costs are financed through charges for water-based programs and intergovernmental revenue from Aransas County and the City of Fulton.

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.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

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.

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. The City council reviews the proposed budget and makes 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.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

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.

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 position, 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.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

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 acquisition 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.

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:

<u>ASSETS</u>	<u>LIFE IN YEARS</u>
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. In governmental funds, compensated absences liabilities are paid from the funds reporting payroll and related expenditures which is mainly the general fund.

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 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.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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. Information regarding the City's Total Pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Codification Section P20 – Pension Activities.

O. Other Postretirement Employee Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to City of Rockport Retiree Health Care Plan (Plan), and OBEB expense, information about the fiduciary net position and additions to/deductions for the Plan's fiduciary net position have been using the flow of economic resources measurement focus and full accrual basis of accounting. 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. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

P. 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."

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

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.

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

Q. 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 and OPEB 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 and OPEB liabilities – These differences are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

Note 1 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

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. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

R. 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.

S. 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.

An escrow account that was set up as part of the Energy Conservation Bond and related agreements, was not covered by collateral held by the City's agent in the City's name. \$250,000 was covered by federal deposit insurance but the remaining balance of \$688,334 was uncollateralized as of September, 30, 2020.

Note 2 – CASH AND INVESTMENTS – (Continuation)

At September 30, 2020, the carrying amount of the City's cash deposits was \$12,337,083 and the bank balance was \$12,781,397. The City's bank balances at September 30, 2020 and during the period ended September 30, 2020, were covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name, with the exception of the escrow account mentioned above. The City also had \$1,601 in cash on hand.

As of September 30, 2020, the City had \$5,584,161 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, 2020, the City had \$976,000 invested in certificates of deposit that are included as investments.

Interest Rate Risk – In compliance with the City's Investment Policy the City minimized the interest rate risk in the portfolio, related to current market events, by limiting the weighted average maturity to a maximum of two 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.

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, 2020 was as follows:

	BEGINNING BALANCE	ADDITIONS & TRANSFERS	RETIREMENTS	ENDING BALANCE
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	9,714,430	479,571	--	10,194,001
Construction in Progress	669,976	15,877	--	685,852
Total Capital Assets, Not Being Depreciated	10,384,406	495,448	--	10,879,853
Infrastructure	17,239,048	260,632	--	17,499,680
Building and Improvements	4,831,702	--	--	4,831,702
Improvements other than Bldg	3,224,559	500,881	201,041	3,524,399
Machinery and Equipment	5,610,391	384,222	1,361,116	4,633,497
Total Capital Assets, Being Depreciated	30,905,700	1,145,735	1,562,157	30,489,278
Less Accumulated Depreciation				
Infrastructure	3,222,959	368,200	--	3,591,159
Building and Improvements	1,689,131	125,693	--	1,814,824
Improvements other than Bldg	1,207,756	167,468	134,128	1,241,096
Machinery and Equipment	4,363,983	408,132	1,245,998	3,526,117
Total Accumulated Depreciation	10,483,829	1,069,493	1,380,126	10,173,196
Total Capital Assets, Being Depreciated, Net	20,421,871	76,242	182,031	20,316,082
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	30,806,277	571,690	182,031	31,195,935

Note 3 – CAPITAL ASSETS - (Continuation)

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS & TRANSFERS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	214,953	--	--	214,953
Construction in Progress	534,477	(440,844)	--	93,633
Total Capital Assets, Not Being Depreciated	749,431	(440,844)	--	308,586
Building and Improvements	6,207,831	--	--	6,207,831
Water System	28,106,583	1,089,692	--	29,196,275
Sewer System	23,928,848	21,650	--	23,950,498
Natural Gas System	6,812,023	--	--	6,812,023
Machinery and Equipment	2,746,968	77,653	690,378	2,134,243
Total Capital Assets, Being Depreciated	67,802,252	1,188,995	690,378	68,300,869
Less Accumulated Depreciation				
Building and Improvements	2,148,824	170,112	--	2,318,936
Water System	10,039,698	617,319	--	10,657,017
Sewer System	10,155,131	499,065	--	10,654,196
Natural Gas System	1,134,085	269,758	--	1,403,843
Machinery and Equipment	2,379,291	117,041	690,378	1,805,954
Total Accumulated Depreciation	25,857,029	1,673,295	690,378	26,839,946
Total Capital Assets, Being Depreciated, Net	41,945,223	(484,300)	--	41,460,923
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	42,694,654	(925,144)	--	41,769,510

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

Depreciation Expense	
Governmental Activities:	
General Government	248,771
Public Safety	106,966
Public Works	512,140
Culture and Recreation	201,616
Total Governmental Activities	1,069,493
Business-Type Activities:	
Water & Sewer	1,336,632
Natural Gas	269,758
Aquatic Center	66,905
Total Business-Type Activities	1,673,295

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, 2020:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities					
General Obligations	11,182,155	--	1,318,928	9,863,227	1,359,754
Certificates of Obligation	4,715,000	--	215,000	4,500,000	225,000
Tax Notes	--	14,505,000	--	14,505,000	500,000
Energy Conservation Bond	1,359,424	--	54,382	1,305,042	57,310
Premium on Bonds	697,736	434,543	146,488	985,791	190,088
Capital Leases	516,242	--	102,714	413,528	102,714
Total Long-Term Debt	18,470,557	14,939,543	1,837,512	31,572,589	2,434,866
Compensated Absences	507,369	231,004	148,026	590,347	148,026
Pension Liability	5,688,339	(845,729)	880,786	3,961,824	--
OPEB Liability	3,500,161	519,566	534,345	3,485,382	--
Total Governmental Activities	28,166,426	14,844,384	3,400,669	39,610,142	2,582,892
Business-Type Activities					
General Obligations	9,777,845	--	631,072	9,146,773	1,175,246
Certificates of Obligation	3,455,000	--	680,000	2,775,000	150,000
Energy Conservation Bond	7,619,599	--	304,810	7,314,789	321,222
Premium on Bonds	803,743	--	155,878	647,865	145,975
Total Long-Term Debt	21,656,187	--	1,771,760	19,884,427	1,792,443
Compensated Absences	241,485	74,545	63,357	252,673	63,356
Pension Liability	2,036,547	(382,888)	300,772	1,352,887	--
OPEB Liability	2,438,585	257,325	271,020	2,424,890	--
Total Business-Type Activities	26,372,804	(51,018)	2,406,909	23,914,877	1,855,799

Pension and OPEB liabilities related to governmental activities are liquidated by the fund which the expense relates based on the employees included in the specific funds. The majority of the related expense is paid by the general fund.

Note 5 – LONG-TERM DEBT

The following is a summary of bonds payable as of September 30, 2020:

	GOVERNMENTAL ACTIVITY	BUSINESS- TYPE ACTIVITY
General Obligation Refunding Bonds, Series 2010 Original Issuance \$2,905,000 Callable February 15, 2020 at par. Varying interest rates 2% to 4%	170,272	169,728
General Obligation Refunding Bonds, Series 2012 Original Issuance \$6,880,000 Callable February 15, 2023 at par. Varying interest rates 1% to 3%	2,235,312	1,634,688
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%	3,048,850	826,150
General Obligation Refunding Bonds, Series 2017 Original Issuance \$5,710,000 Callable February 15, 2028 at par. Interest rate 4%	--	5,610,000
Total General Obligations	9,863,227	9,146,773
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%	--	2,775,000
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%	1,600,000	--
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%	2,900,000	--
Total Certificates of Obligation	4,500,000	2,775,000
Tax Notes, Series 2020 Original Issuance \$14,505,000 Redeemable after February 15, 2025 at par. Interest Rate 3%.	14,505,000	--
Taxable Direct Pay Qualified Energy Conservation Bond Original Amount \$9,319,538. Due in semi-annual Payments. Interest rate 4%	1,305,042	7,314,789
Total Debt	30,173,269	19,236,562

Note 5 – LONG-TERM DEBT – (Continuation)

The annual requirements to amortize all bonded debt from governmental and business-type activities as of September 30, 2020 are as follows:

YEAR ENDED SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES			
	GENERAL OBLIGATION BONDS		CERTIFICATES OF OBLIGATION	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2021	1,359,754	340,692	225,000	145,950
2022	1,295,450	295,548	230,000	138,550
2023	1,343,454	249,940	240,000	130,338
2024	1,485,711	198,292	245,000	121,313
2025	1,538,738	141,644	255,000	112,006
2026-2030	2,840,122	106,158	1,420,000	428,637
2031-2035	--	--	1,660,000	177,231
2036-2038	--	--	225,000	3,375
	9,863,228	1,332,274	4,500,000	1,257,400

YEAR ENDED SEPTEMBER 30,	TAX NOTES		ENERGY CONSERVATION BOND	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2021	500,000	380,509	57,310	54,728
2022	645,000	410,475	60,342	52,266
2023	725,000	389,925	52,062	49,795
2024	755,000	367,725	66,582	47,434
2025	950,000	342,150	69,945	44,576
2026-2030	10,930,000	969,150	377,515	177,306
2031-2035	--	--	506,058	85,356
2036-2038	--	--	115,226	3,668
	14,505,000	2,859,934	1,305,041	515,131

Note 5 – LONG-TERM DEBT – (Continuation)

YEAR ENDED SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES			
	GENERAL OBLIGATION BONDS		CERTIFICATES OF OBLIGATION	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2021	1,175,246	325,296	150,000	111,050
2022	1,106,546	284,265	155,000	106,475
2023	1,106,546	244,442	160,000	100,950
2024	1,099,290	203,371	170,000	94,350
2025	1,141,263	161,369	175,000	87,231
2026-2030	3,559,880	251,214	1,005,000	314,608
2031-2035	--	--	960,000	83,726
2036-2038	--	--	--	--
	9,188,770	1,469,957	2,775,000	898,390

YEAR ENDED SEPTEMBER 30,	ENERGY CONSERVATION BOND	
	PRINCIPAL	INTEREST
2021	321,222	306,753
2022	338,219	292,954
2023	291,811	279,104
2024	373,194	265,871
2025	392,045	249,848
2026-2030	2,115,987	993,817
2031-2035	2,836,468	478,421
2036-2038	645,843	20,559
	7,314,789	2,887,328

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, 2020, the Center is carried at the cost of \$1,607,000 net of accumulated depreciation of \$602,625. The City acquired four vehicles under a lease purchase agreement that are carried at a cost of \$44,914 net of accumulated depreciation of \$21,706 as of September 30, 2020. 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, 2020:

Note 6 – CAPITAL LEASES – (Continuation)

YEAR ENDED SEPTEMBER 30,	BUILDING	EQUIPMENT	TOTAL
2021	105,242	10,275	115,517
2022	105,641	5,137	110,778
2023	106,173	--	106,173
2024	105,905	--	105,905
	422,961	15,412	438,373
Less Amount Representing Interest	(23,931)	(916)	(24,847)
Total Capital Lease	399,030	14,496	413,526

Note 7 – INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at September 30, 2020 consisted of the following individual fund balances:

	INTERFUND	
	RECEIVABLE	PAYABLE
Governmental Funds		
General Fund	1,007,406	--
Debt Service	141,587	--
Other Nonmajor Governmental Funds	--	776,110
Total Governmental Funds	1,148,993	776,110
Business-Type Funds		
Water & Sewer	530,005	141,452
Natural Gas	--	417,098
Community Aquatic Center	--	177,733
Total Business-Type Funds	530,005	736,283
Internal Service Fund	--	166,605
	1,678,998	1,678,998

The interfund balances at September 30, 2020 are for short-term loans to cover temporary cash flows requirements, amounts due to Water and Sewer from Natural Gas Funds for unspent bond proceeds in Natural Gas Fund to be used for construction of capital items for the Water and Sewer Fund and reimbursements for various funds.

Note 7 – INTERFUND TRANSACTIONS AND BALANCES (Continuation)

Interfund transfers during the year ended September 30, 2020 were as follows:

	TRANSFERS OUT		
	GENERAL	NONMAJOR GOVERNMENTAL	WATER & SEWER
TRANSFERS IN			
General	--	923,382	--
Debt Service	--	--	--
Nonmajor Governmental	28,517	--	662,223
Water & Sewer	1,434,229	--	220,127
Natural Gas	203,106	--	303,996
Sanitation	8,375	--	--
Community Aquatic Center	9,668	--	--
Internal Service	20,142	9,660	--
TRANSFER IN	1,704,037	933,042	1,186,346
	NATURAL GAS	COMMUNITY AQUATIC CENTER	TOTAL TRANSFERS OUT
General	--	172,108	1,095,490
Debt Service	110,933	--	110,933
Nonmajor Governmental	--	--	690,740
Water & Sewer	--	--	1,654,356
Natural Gas	--	--	507,102
Sanitation	--	--	8,375
Community Aquatic Center	--	--	9,668
Internal Service	--	--	29,802
TRANSFER IN	110,933	172,108	4,106,466

The Water & Sewer transfers to the General Fund were for an allocated amount for administrative service charges. and the transfer to Debt Service were payment of Debt Service related to the various bond series. Transfers from Nonmajor Governmental to Water & Sewer and Natural Gas are for capital expenditures. Transfer to Nonmajor Governmental Funds is for vehicle and equipment replacement and to cover deficits.

Note 8 – PROPERTY TAXES

The City's taxes are billed and collected by the Aransas County Tax Office. Ad valorem taxes of \$6,034,776 were assessed on property values totaling \$1,142,812,958 using a tax rate of \$0.420082 (\$0.248154 for maintenance and operations and \$0.171928 for debt service) per \$100 assessed value.

Note 9 – DEFINED BENEFIT PENSION PLAN

Plan Description.

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

All eligible employees of the city 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.

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.

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

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	6.75%
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	75
Inactive Employees Entitled to but not Yet Receiving Benefits	68
Active Employees	<u>114</u>
	<u><u>257</u></u>

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 2020, the City made contributions of 17.69% which included .024%, for supplemental death benefits for the calendar year 2019 and 18.13% which included .026% for supplemental death benefits for the calendar year 2020.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% per year including inflation
Investment Rate of Return	6.75%, net of pension plan investment Expense, including inflation

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

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, 2019, valuation was 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 2014 through 2018, and dated December 31, 2018. These assumptions were first used in the December 31, 2019 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, 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).

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

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

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED RATE OF RETURN (ARITHMETIC)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
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

	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
Balance at 12/31/2018	33,859,613	26,134,727	7,724,886
Change for the Year			
Service Cost	1,164,313	--	1,164,313
Interest	2,271,179	--	2,271,179
Difference Between Expected and Actual Experience	(350,839)	--	(350,839)
Changes in Assumptions	76,395	--	76,395
Contributions - Employer	--	1,108,588	(1,108,588)
Contributions - Employee	--	444,879	(444,879)
Net Investment Income	--	4,041,271	(4,041,271)
Benefit Payments, Including Refunds of Employee Contributions	(1,589,356)	(1,589,356)	--
Administrative Expenses	--	(22,830)	22,830
Other Changes	--	(685)	685
Net Changes	<u>1,571,692</u>	<u>3,981,867</u>	<u>(2,410,175)</u>
 BALANCE 12/31/2019	 <u>35,431,305</u>	 <u>30,116,594</u>	 <u>5,314,711</u>

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

Discount rate Sensitivity Analysis

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 or 1-percentage-point higher than the current rate:

	1% DECREASE	CURRENT SINGLE RATE ASSUMPTION	1% INCREASE
	5.75%	6.75%	7.75%
City's Net Pension Liability	<u>10,217,037</u>	<u>5,314,711</u>	<u>1,294,390</u>

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.

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,708,264. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOW OF RESOURCES
Pension Contributions after Measurement Date	906,242	--
Difference in Projected and Actual Earnings on Pension Assets	--	901,532
Difference in Projected and Actual Pension Experience	437,501	258,024
Difference in Actuarial Assumptions Used to Determine Pension Liability	<u>56,185</u>	<u>--</u>
TOTAL	<u>1,399,928</u>	<u>1,159,556</u>

Note 9 – DEFINED BENEFIT PENSION PLAN – (Continuation)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$906,242 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019 (i.e., recognized in the city's financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**MEASUREMENT YEAR
ENDED DECEMBER 31,**

2020	55,588
2021	(277,768)
2022	11,747
2023	<u>(455,437)</u>
TOTAL	<u><u>(665,870)</u></u>

Note 10 – OTHER POST-EMPLOYMENT BENEFITS

The City provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-member defined benefit medical plan (Medical OPEB) and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB Plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB Plans are as follows:

	<u>MEDICAL OPEB</u>	<u>TMRS SDBF</u>	<u>TOTAL</u>
Total OPEB Liability	5,473,827	436,445	5,910,272
Deferred Outflow of Resources	460,923	77,222	538,145
Deferred Inflow of Resources	795,636	44,874	840,510
OPEB Expense	480,876	35,666	516,542

MEDICAL BENEFITS

Plan 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 80% of the premium.

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

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.

The subsidy provided by the City for non-Medicare retirees is capped at an amount determined by the City each fiscal year. The monthly subsidy provided by the City in FYE19 was capped at \$1,093.37, which is roughly 80% of the overall retiree premium. In the December 31, 2017 valuation, the actuary had modeled the City's maximum contribution as the entire retiree premium. This clarification in benefit terms is being treated as a plan change which is fully recognized in the OPEB expense.

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

Retirees or Beneficiaries Currently Receiving Benefits	45
Inactive Employees Entitled to but not Receiving Benefits	--
Active Employees	<u>114</u>
	<u><u>159</u></u>

Funding Policy

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

Total OPEB Liability

The City's total OPEB liability of \$5,580,167 was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered payroll (annual payroll of active employees covered by the plan) for plan year 2019 was \$5,930,211, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 94.10%.

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.

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

For the December 31, 2019, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 10.5%% payroll growth rate, including inflation; 2.5% inflation rate; and 7.5% initial rate, declining to an ultimate rate of 5.5% after ten years for medical trends. For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment were used 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 employees who retire prior to age 65, the participation rate was assumed to equal the percentage of the premium paid for by the City. 90% of eligible employees who are at least 65 years old at retirement were assumed to participate.

Discount Rate

The plan does not have formal assets and the discount rate is equal to the tax-exempt municipal bond rate on the index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability:

	MEDICAL OPEB
Balance at January 1, 2019	5,580,167
Changes for the year:	
Service Cost	357,387
Interest OPEB Liability	210,376
Changes in Benefit Terms	(700,917)
Difference Between Expected and Actual	
Experience of the Total OPEB Liability	--
Changes in Assumptions	203,493
Benefit Payments	(176,679)
Net Change in Total OPEB Liability	(106,340)
BALANCE AT DECEMBER 31, 2019	5,473,827

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

Discount Rates Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	CURRENT DISCOUNT RATE		
	1% DECREASE	ASSUMPTION	1% INCREASE
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
Total Medical OPEB Liability	<u>6,119,915</u>	<u>5,473,827</u>	<u>4,913,821</u>

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the total OPEB liability of the plan using the assumed health care cost trend rate, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate.

	CURRENT HEALTHCARE		
	1% DECREASE	TREND RATE ASSUMPTION	1% INCREASE
	<u> </u>	<u> </u>	<u> </u>
Total Medical OPEB Liability	<u>5,040,055</u>	<u>5,473,827</u>	<u>5,997,414</u>

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$35,666 due mainly to the change in benefit terms.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB's from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOW OF RESOURCES</u>
OPEB Contributions after		
Measurement Date	127,660	--
Change in Assumptions	333,263	168,320
Difference in Projected and Actual		
Experience	--	627,316
	<hr/>	<hr/>
TOTAL	460,923	795,636
	<hr/>	<hr/>

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$127,660 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2019 (i.e., recognized in the city's financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to OPEB's will be recognized in OPEB expense as follows:

MEASUREMENT YEAR ENDED SEPTEMBER 30,	
2021	(86,887)
2022	(86,887)
2023	(86,887)
2024	(133,393)
2025	<u>(68,319)</u>
TOTAL	<u><u>(462,373)</u></u>

TMRS SUPPLEMENTAL DEATH BENEFIT FUND

Plan Description

In addition to the pension benefits described in Note 9, as required by state law and defined by City Policy, the City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (SDBF). SDBF provides group-term life insurance to employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death).

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

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

Retirees or Beneficiaries Currently Receiving Benefits	62
Inactive Employees Entitled to but not Receiving Benefits	10
Active Employees	<u>114</u>
	<u>186</u>

Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.24% for 2019 and 0.24% for 2018, of which .05%, represented the retiree-only portion for each year as percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2019 and 2018 were \$16,761 and \$16,761 respectively representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Total OPEB Liability

The City's total OPEB liability of \$358,579 was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered payroll (annual payroll of active employees covered by the plan) for plan year 2019 was \$5,906,687, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.07%.

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.

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

For the December 31, 2019, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 10.5% payroll growth rate, including inflation; 2.5% inflation rate; and 7.5% initial rate, declining to an ultimate rate of 5.5% after ten years for medical trends. For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment were used 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.

Discount Rate

The plan does not have formal assets and the discount rate is equal to the tax-exempt municipal bond rate on the index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability:

	<u>TMRS SDBF</u>
Balance at January 1, 2019	358,579
Changes for the year:	
Service Cost	17,160
Interest OPEB Liability	13,574
Difference Between Expected and Actual	
Experience of the Total OPEB Liability	(13,755)
Changes in Assumptions	63,429
Benefit Payments	<u>(2,542)</u>
Net Change in Total OPEB Liability	<u>77,866</u>
 BALANCE AT DECEMBER 31, 2019	 <u><u>436,445</u></u>

Discount Rates Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	CURRENT DISCOUNT RATE		
	1% DECREASE 1.75%	ASSUMPTION 2.75%	1% INCREASE 3.75%
	<u> </u>	<u> </u>	<u> </u>
Total TMRS SDBF Liability	<u>516,651</u>	<u>436,445</u>	<u>372,206</u>

Note 10 – OTHER POST-EMPLOYMENT BENEFITS – (Continuation)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$35,666.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB's from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOW OF RESOURCES</u>
OPEB Contributions after Measurement Date	12,464	--
Change in Assumptions	64,758	14,087
Difference in Projected and Actual Experience	--	30,787
	<hr/>	<hr/>
TOTAL	77,222	44,874
	<hr/> <hr/>	<hr/> <hr/>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$10,926 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2019 (i.e. recognized in the city's financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to OPEB's will be recognized in OPEB expense as follows:

<u>MEASUREMENT YEAR ENDED SEPTEMBER 30,</u>	
2021	4,932
2022	4,932
2023	811
2024	6,400
2025	2,809
	<hr/>
TOTAL	19,884
	<hr/> <hr/>

Note 11 – FUND BALANCES

Fund Balances Consisted of the following as of September 30, 2020:

Nonspendable :	
General Fund	50,841
Restricted:	
2020 Capital Project Fund	14,720,355
Nonmajor Capital Projects	4,485,680
Nonmajor Special Revenue Funds	
Tourism	1,127,645
Public Safety	368,903
Public Access TV	249,958
Security and Technology	13,374
Specified Donors	11,384
Key Allegro Property Improvements	232
Child Safety	2,211
Total Restricted	<u>20,979,742</u>
Committed -	
Debt Service Fund - Debt Retirement	1,039,517
Assigned:	
Nonmajor Special Revenue Funds:	
Bay Education Center	268
City/County Dispatch Services	6,516
Nonmajor Capital Project Funds:	
General Capital Improvements	30,946
Vehicle and Equipment Replacement	697,045
Total Assigned	<u>734,775</u>
Unassigned	
General Fund	3,936,189
Nonmajor Special Revenue Fund Deficit	(4,561)
Nonmajor Capital Project Fund Deficit	(694,188)
	<u>3,237,440</u>
TOTAL FUND BALANCE	<u><u>26,042,315</u></u>

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.



REQUIRED SUPPLEMENTARY INFORMATION

CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	DECEMBER 31,					
	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	740,391	876,152	982,451	1,558,081	1,114,592	1,164,313
Interest	1,625,684	1,721,744	1,750,739	1,915,431	2,136,342	2,271,179
Difference Between Expected and Actual Experience	(29,335)	(291,293)	(14,404)	1,248,532	162,769	(350,839)
Change in Assumptions	--	126,355	665,897	--	--	76,395
Benefit payments, Including Refunds of Employee Contribution	(1,133,860)	(930,802)	(1,331,557)	(1,162,491)	(1,292,599)	(1,589,356)
Net Change in Total Pension Liability	1,202,880	1,502,156	2,053,126	3,559,553	2,121,104	1,571,692
Total Pension Liability - Beginning	23,420,794	24,623,674	26,125,830	28,178,956	31,738,509	33,859,613
Total Pension Liability - Ending	24,623,674	26,125,830	28,178,956	31,738,509	33,859,613	35,431,305
Plan Fiduciary Net Position						
Contributions - Employer	777,084	830,773	877,449	1,375,596	961,933	1,108,588
Contributions - Employee	339,762	365,498	398,907	608,286	413,468	444,879
Net Investment Income	1,150,850	31,339	1,453,921	3,172,753	(805,105)	4,041,271
Benefit Payments, Including Refunds of Employee Contributions	(1,133,860)	(930,802)	(1,331,557)	(1,162,491)	(1,292,599)	(1,589,356)
Administrative Expenses	(12,015)	(19,088)	(16,421)	(16,446)	(15,558)	(22,830)
Other	(988)	(943)	(885)	(833)	(812)	(685)
Net Change in Fiduciary Net Position	1,120,833	276,777	1,381,414	3,976,865	(738,673)	3,981,867
Plan Fiduciary Net Position - Beginning	20,117,511	21,238,344	21,515,121	22,896,535	26,873,400	26,134,727
PLAN FIDUCIARY NET POSITION - ENDING	21,238,344	21,515,121	22,896,535	26,873,400	26,134,727	30,116,594
NET PENSION LIABILITY	3,385,330	4,610,709	5,282,421	4,865,109	7,724,886	5,314,711
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.25%	82.35%	81.25%	84.67%	77.19%	85.00%
Covered Payroll	4,853,742	5,221,406	5,698,673	8,689,797	5,906,687	6,355,418
Net Pension Liability as a Percentage of Covered Payroll	69.75%	88.30%	92.70%	55.99%	130.78%	83.62%

Until a full 10-year end is complete, we will present information for those years for which information is available.

**CITY OF ROCKPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS**

FISCAL YEAR	(1) ACTUARILLY DETERMINED CONTRIBUTION	(2) CONTRIBUTION IN RELATION TO THE ACTUARILLY DETERMINED CONTRIBUTION	(3) CONTRIBUTION EXCESS (DEFICIENCY) (2)-(1)	(4) COVERED EMPLOYEE PAYROLL	(5) ACTUARILLY DETERMINED CONTRIBUTIONS AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	(6) CONTRIBUTION AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL
					(1)/(4)	(2)/(4)
2011	668,220	668,220	--	4,476,021	14.93%	14.93%
2012	719,061	571,988	147,073	4,654,360	15.45%	12.29%
2013	679,157	418,917	260,240	4,369,466	15.54%	9.59%
2014	758,836	758,836	--	4,853,742	15.63%	15.63%
2015	831,456	831,456	--	5,136,730	16.19%	16.19%
2016	877,449	877,449	--	5,698,673	15.40%	15.40%
2017	917,078	917,078	--	5,793,290	15.83%	15.83%
2018	1,153,763	1,153,763	--	7,163,204	16.11%	16.11%
2019	1,069,089	1,054,491	--	6,149,048	17.39%	17.15%
2020	1,069,089	1,237,615	--	6,870,088	15.56%	18.01%

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	25 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.5% to 10% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 109% and projected on a fully geranial basis with scale BB.

CITY OF ROCKPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	DECEMBER 31,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	16,511	12,404	17,160
Interest on the Total OPEB Liability	12,874	13,074	13,574
Difference Between Expected and Actual Experience	--	(31,557)	(13,755)
Change in Assumptions	30,715	(22,651)	63,429
Benefit payments	(4,345)	(2,953)	(2,542)
Net Change in Total OPEB Liability	55,755	(31,683)	77,866
Total OPEB Liability - Beginning	334,507	390,262	358,579
Total OPEB Liability - Ending	390,262	358,579	436,445
Covered Employee Payroll	8,689,797	5,906,687	6,355,418
Net OPEB Liability as a Percentage of Covered Employee Payroll	4.49%	6.07%	6.87%

Changes of assumptions reflect a change in the discount rate each period
The following are the discount used each period

2019	2.75%
2018	3.71%
2017	3.31%

Until a full 10-year end is complete, we will present information for those years for which information is available.



CITY OF ROCKPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OPEB
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	DECEMBER 31,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	391,117	447,574	357,387
Interest on the Total OPEB Liability	214,798	212,555	210,376
Changes of Benefit Terms	--	(868,485)	--
Difference Between Expected and Actual Experience	--	(72,989)	(700,917)
Change in Assumptions	324,340	(249,986)	203,493
Benefit payments	(176,658)	(172,628)	(176,676)
Net Change in Total OPEB Liability	753,597	(703,959)	(106,337)
Total OPEB Liability - Beginning	5,530,526	6,284,123	5,580,164
Total OPEB Liability - Ending	6,284,123	5,580,164	5,473,827
Covered Employee Payroll	7,994,196	5,930,211	6,507,443
Net OPEB Liability as a Percentage of Covered Employee Payroll	78.61%	84.10%	84.12%

FYE 2019 - A benefit clarification regarding the City's maximum subsidy for non-Medicare retirees was treated as a change in benefit terms.

Changes of assumptions reflect a change in the discount rate each period
The following are the discount used each period

2019	3.71%
2018	3.31%
2017	3.81%

Until a full 10-year end is complete, we will present information for those years for which information is available.

CITY of ROCKPORT, TEXAS



Combining and Individual Financial Statements and Schedules

CITY of ROCKPORT, TEXAS



**CITY OF ROCKPORT, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020**

ASSETS	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL NONMAJOR GOVERNMENTAL
Cash and Cash Equivalents	1,288,009	717,046	2,005,055
Receivables, Net of Allowance for Uncollectible			
Other Taxes	376,387	--	376,387
Accounts	15,203	--	15,203
Intergovernmental	179,077	--	179,077
Restricted Cash and Investments			
Cash and Cash Equivalents	--	5,077,377	5,077,377
TOTAL ASSETS	1,858,676	5,794,423	7,653,099
LIABILITIES AND FUND BALANCE			
Accounts Payable	27,168	146,940	174,108
Contractor's Retainage	--	486,059	486,059
Due to Other Funds	134,171	641,941	776,112
Unearned Revenue	15,203	--	15,203
Total Liabilities	182,746	1,274,940	1,457,686
Fund Balance			
Restricted			
Capital Projects	--	4,485,680	4,485,680
Tourism	1,027,645	--	1,027,645
Public Safety	368,903	--	368,903
Public Access TV	249,958	--	249,958
Security and Technology	13,374	--	13,374
Specified by Donors	11,384	--	11,384
Key Allegro Property Improvements	232	--	232
Child Safety	2,211	--	2,211
Assigned	6,784	727,991	734,775
Unassigned	(4,561)	(694,188)	(698,749)
Total Fund Balance	1,675,930	4,519,483	6,195,413
TOTAL LIABILITIES AND FUND BALANCE	1,858,676	5,794,423	7,653,099

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, 2020

	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL NONMAJOR GOVERNMENTAL
Revenues			
Taxes and Business Fees	1,113,370	--	1,113,370
Intergovernmental	1,062,602	30,946	1,093,548
Fines and Forfeitures	14,662	--	14,662
Charges for Services	--	--	--
Interest on Investments	--	32,921	32,921
Other Revenues	129,843	33	129,876
Total Revenue	2,320,477	63,900	2,384,377
Expenditures			
Current			
General Government	103,408	--	103,408
Public Safety	1,144,249	9,388	1,153,637
Culture and Recreation	54,906	--	54,906
Tourism	708,391	--	708,391
Debt Service			
Principal Retirement	--	8,949	8,949
Interest and Fiscal Charges	--	1,326	1,326
Capital Projects	278,614	1,095,989	1,374,603
Total Expenditures	2,289,568	1,115,652	3,405,220
Revenues Under Expenditures	30,909	(1,051,752)	(1,020,843)
Other Financing Sources (Uses)			
Transfers In	506,893	426,149	933,042
Transfers Out	(28,517)	(662,223)	(690,740)
Total Other Financing Sources	478,376	(236,074)	242,302
Net Change in Fund Balance	509,285	(1,287,826)	(778,541)
Fund Balance at Beginning of Year	1,166,645	5,807,309	6,973,954
Fund Balance at End of Year	1,675,930	4,519,483	6,195,413

**CITY OF ROCKPORT, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020**

	UTILITY BILL SURCHARGE	STONEGARDEN GRANT	BAY EDUCATION CENTER	JUVENILE CASE MANAGER
ASSETS				
Cash and Cash Equivalents	298,778	--	268	--
Receivables, Net of Allowance for Allowance				
Other Taxes	--	--	--	--
Accounts	15,203	--	--	--
Intergovernmental	--	66,715	--	--
TOTAL ASSETS	313,981	66,715	268	--
LIABILITIES AND FUND BALANCE				
Accounts Payable	--	1,500	--	--
Accrued Expenditures	--	--	--	--
Due to Other Funds	250	17,832	--	4,561
Unearned Revenue	15,203	--	--	--
Total Liabilities	15,453	19,332	--	4,561
Fund Balance				
Restricted				
Tourism	--	--	--	--
Public Safety	298,528	47,383	--	--
Public Access TV	--	--	--	--
Security and Technology	--	--	--	--
Specified by Donors	--	--	--	--
Key Allegro Property Improvements	--	--	--	--
Child Safety	--	--	--	--
Assigned	--	--	268	--
Unassigned	--	--	--	(4,561)
Total Fund Balance	298,528	47,383	268	(4,561)
TOTAL LIABILITIES AND FUND BALANCE	313,981	66,715	268	--

Exhibit 10-A

CONTRIBUTION FUND	CITY/COUNTY DISPATCH SERVICES	PUBLIC ACCESS TV	HOTEL/ MOTEL TAX
11,384	32,907	249,958	651,926
--	--	--	376,387
--	--	--	--
--	--	--	--
11,384	32,907	249,958	1,028,313
--	20,569	--	287
--	5,822	--	382
--	--	--	--
--	--	--	--
--	26,391	--	669
--	--	--	1,027,645
--	--	--	--
--	--	249,958	--
--	--	--	--
11,384	--	--	--
--	--	--	--
--	--	--	--
--	6,516	--	--
--	--	--	--
11,384	6,516	249,958	1,027,645
11,384	32,907	249,958	1,028,314

(Continued)

**CITY OF ROCKPORT, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020**

	KEY ALLEGRO PROPERTY IMPROVEMENT DISTRICT	BORDER STAR GRANT	CHILD SAFETY	FORFEITURE
ASSETS				
Cash and Cash Equivalents	232	3,979	2,211	22,992
Receivables, Net of Allowance for Allowance				
Other Taxes	--	--	--	--
Accounts	--	--	--	--
Intergovernmental	--	916	--	--
TOTAL ASSETS	232	4,895	2,211	22,992
LIABILITIES AND FUND BALANCE				
Accounts Payable	--	4,813	--	--
Accrued Expenses	--	--	--	--
Due to Other Funds	--	82	--	--
Unearned Revenue	--	--	--	--
Total Liabilities	--	4,895	--	--
Fund Balance				
Restricted				
Tourism	--	--	--	--
Public Safety	--	--	--	22,992
Public Access TV	--	--	--	--
Security and Technology	--	--	--	--
Specified by Donors	--	--	--	--
Key Allegro Property Improvements	232	--	--	--
Child Safety	--	--	2,211	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total Fund Balance	232	--	2,211	22,992
TOTAL LIABILITIES AND FUND BALANCE	232	4,895	2,211	22,992

Exhibit 10-A
(Continuation)

COMMUNITY DEVELOPMENT BLOCK GRANT	MUNICIPAL COURT SECURITY & TECHNOLOGY	TOTAL NONMAJOR SPECIAL REVENUE
--	13,374	1,288,009
--	--	376,387
--	--	15,203
111,446	--	179,077
111,446	13,374	1,858,676
--	--	27,168
--	--	6,204
111,446	--	134,171
--	--	15,203
111,446	--	182,746
--	--	1,027,645
--	--	368,903
--	--	249,958
--	13,374	13,374
--	--	11,384
--	--	232
--	--	2,211
--	--	6,784
--	--	(4,561)
--	13,374	1,675,930
111,446	13,374	1,858,676

CITY OF ROCKPORT, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2020

	UTILITY BILL SURCHARGE	STONEGARDEN GRANT	BAY EDUCATION CENTER	JUVENILE CASE MANAGER
Revenues				
Taxes and Business Fees	183,358	--	--	--
Intergovernmental	--	200,868	--	--
Fines and Forfeitures	--	--	--	3,779
Charges for Services	--	--	--	--
Other Revenues	--	--	--	--
Total Revenue	183,358	200,868	--	3,779
Expenditures				
Current				
General Government	(620)	--	--	--
Public Safety	--	153,485	--	11,046
Public Works	--	--	--	--
Culture and Recreation	--	--	--	--
Tourism	--	--	--	--
Capital Projects	--	--	--	--
Total Expenditures	(620)	153,485	--	11,046
Revenues Over (Under) Expenditures	183,978	47,383	--	(7,267)
Other Financing Sources (Uses)				
Transfers In	--	--	--	7,267
Transfers Out	(8,375)	--	--	--
Total Other Financing Sources (Uses)	(8,375)	--	--	7,267
Net Change in Fund Balance	175,603	47,383	--	--
Fund Balance at Beginning of Year	122,925	--	268	(4,561)
Fund Balance at End of Year	298,528	47,383	268	(4,561)

Exhibit 10-B

CONTRIBUTION FUND	CITY/COUNTY DISPATCH SERVICES	PUBLIC ACCESS TV	HOTEL/ MOTEL TAX
--	--	26,814	903,198
--	464,098	--	--
--	--	--	--
--	--	--	--
--	--	--	129,828
--	464,098	26,814	1,033,026
--	--	--	--
--	937,066	--	--
--	--	--	--
--	--	--	54,906
--	--	--	708,391
--	--	--	--
--	937,066	--	763,297
--	(472,968)	26,814	269,729
--	499,626	--	--
--	(20,142)	--	--
--	479,484	--	--
--	6,516	26,814	269,729
11,384	--	223,144	757,916
11,384	6,516	249,958	1,027,645

(1)

(Continued)

CITY OF ROCKPORT, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2019

	KEY ALLEGRO PROPERTY IMPROVEMENT DISTRICT	BORDER STAR GRANT	CHILD SAFETY	FORFEITURE
Revenues				
Taxes and Business Fees	--	--	--	--
Intergovernmental	--	14,994	--	--
Fines and Forfeitures	--	--	360	5,350
Other Revenues	--	--	--	--
Total Revenue	--	14,994	360	5,350
Expenditures				
Current				
General Government	--	--	--	--
Public Safety	--	14,994	--	27,658
Culture and Recreation	--	--	--	--
Tourism	--	--	--	--
Capital Projects	--	--	--	--
Total Expenditures	--	14,994	--	27,658
Revenues Over (Under) Expenditures	--	--	360	(22,308)
Other Financing Sources (Uses)				
Transfers In	--	--	--	--
Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	--	--	360	(22,308)
Fund Balance at Beginning of Year	232	--	1,851	45,300
Fund Balance at End of Year	232	--	2,211	22,992

Exhibit 10-B
(Continuation)

COMMUNITY DEVELOPMENT BLOCK GRANT	MUNICIPAL COURT SECURITY & TECHNOLOGY	TOTAL NONMAJOR SPECIAL REVENUE
--	--	1,113,370
382,642	--	1,062,602
--	5,173	14,662
--	15	129,843
382,642	5,188	2,320,477
104,028	--	103,408
--	--	1,144,249
--	--	54,906
--	--	708,391
278,614	--	278,614
382,642	--	2,289,568
--	5,188	30,909
--	--	506,893
--	--	(28,517)
--	--	478,376
--	5,188	509,285
--	8,186	1,166,645
--	13,374	1,675,930

Exhibit 11-A

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, 2020

	BUDGET		ACTUAL	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues				
Taxes and Business Fees	176,500	176,500	183,358	6,858
Intergovernmental	--	--	--	--
Total Revenues	176,500	176,500	183,358	6,858
Expenditures				
Current				
Public Safety	143,908	143,908	--	143,908
Revenues Over (Under) Expenditures	32,592	32,592	183,978	151,386
Other Financing Uses				
Transfers Out	(8,375)	(8,375)	(8,375)	--
Total Other Financing Uses	(8,375)	(8,375)	(8,375)	--
Net Change in Fund Balance	24,217	24,217	175,603	151,386
Fund Balance at Beginning of Year	122,925	122,925	122,925	--
Fund Balance at End of Year	147,142	147,142	298,528	151,386

Exhibit 11-B

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, 2020

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	456,681	456,681	464,098	7,417
Expenditures				
Current				
Public Safety	886,175	886,175	937,066	(50,891)
Revenues Under Expenditures	(429,494)	(429,494)	(472,968)	(43,474)
Other Financing Sources (Uses)				
Transfers In	475,322	475,322	499,626	24,304
Transfers Out	(45,828)	(45,828)	(20,142)	25,686
Total Other Financing Sources	429,494	429,494	479,484	49,990
Net Change in Fund Balance	--	--	6,516	6,516
Fund Balance at End of Year	--	--	6,516	6,516

Exhibit 11-C

**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, 2020**

	BUDGET			VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues				
Taxes and Business Fees	780,000	780,000	903,198	123,198
Other Revenues	156,067	156,067	129,828	(26,239)
Total Revenues	936,067	936,067	1,033,026	96,959
Expenditures				
Current				
Culture and Recreation	45,000	45,000	54,906	(9,906)
Tourism	824,066	824,066	708,391	115,675
Total Expenditures	869,066	869,066	763,297	105,769
Revenues Over Expenditures	67,001	67,001	269,729	202,728
Transfers Out	(67,001)	(67,001)	--	67,001
Total Other Financing Uses	(67,001)	(67,001)	--	67,001
Net Change in Fund Balance	--	--	269,729	269,729
Fund Balance at Beginning of Year	757,916	757,916	757,916	--
Fund Balance at End of Year	757,916	757,916	1,027,645	269,729

Exhibit 11-D

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, 2020

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Fines and Forfeitures	12,000	12,000	5,173	(6,827)
Other Revenues	--	--	15	15
Total Revenues	12,000	12,000	5,188	(6,812)
Expenditures				
Current				
Public Safety	8,941	8,941	--	8,941
Total Expenditures	8,941	8,941	--	8,941
Revenues Over (Under) Expenditures	3,059	3,059	5,188	2,129
Net Change in Fund Balance	3,059	3,059	5,188	2,129
Fund Balance at Beginning of Year	8,186	8,186	8,186	--
Fund Balance at End of Year	11,245	11,245	13,374	2,129

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, 2020

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues				
Taxes and Business Fees	2,297,754	2,297,754	2,686,715	388,961
Interest on Investments	175	175	5	(170)
Total Revenues	2,297,929	2,297,929	2,686,720	388,791
Expenditures				
Debt Service				
Principal Retirement	1,682,075	1,682,075	1,627,693	54,382
Interest and Fiscal Charges	598,930	598,930	544,269	54,661
Total Expenditures	2,281,005	2,281,005	2,171,962	109,043
Revenues Over Expenditures	16,924	16,924	514,758	497,834
Other Financing Uses				
Transfers Out	--	--	(110,933)	(110,933)
Total Other Financing Sources (Uses)	--	--	(110,933)	(110,933)
Net Change in Fund Balance	16,924	16,924	403,825	386,901
Fund Balance at Beginning of Year	635,692	635,692	635,692	--
Fund Balance at End of Year	652,616	652,616	1,039,517	386,901

**CITY OF ROCKPORT, TEXAS
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020**

	GENERAL CAPITAL IMPROVEMENTS	VEHICLE AND EQUIPMENT REPLACEMENT	2005 CAPITAL PROJECT	2007 CAPITAL PROJECT
ASSETS				
Cash and Cash Equivalents	--	717,046	--	--
Receivables, Net of Allowance for Uncollectable				
Intergovernmental	--	--	--	--
Restricted Cash and Investments				
Cash and Cash Equivalents	--	--	2,500,919	1,685,337
TOTAL ASSETS	--	717,046	2,500,919	1,685,337
LIABILITIES AND FUND BALANCE				
Accounts Payable	42,016	20,001	--	84,923
Contractor's Retainage	--	--	--	21,117
Due to Other Funds	529,034	--	--	--
Total Liabilities	571,050	20,001	--	106,040
Fund Balance				
Restricted				
Capital Projects	--	--	2,500,919	1,579,297
Assigned	30,946	697,045	--	--
Unassigned	(601,996)	--	--	--
Total Fund Balance	(571,050)	697,045	2,500,919	1,579,297
TOTAL LIABILITIES AND FUND BALANCE	--	717,046	2,500,919	1,685,337

Exhibit 12-A

2015 CAPITAL PROJECTS	2016 CAPITAL PROJECTS	2017 CAPITAL PROJECT	TOAL NONMAJOR CAPITAL PROJECTS
--	--	--	717,046
--	--	--	--
228,489	176,975	485,657	5,077,377
228,489	176,975	485,657	5,794,423
--	--	--	146,940
--	--	464,942	486,059
--	--	112,907	641,941
--	--	577,849	1,274,940
228,489	176,975	--	4,485,680
--	--	--	727,991
--	--	(92,192)	(694,188)
228,489	176,975	(92,192)	4,519,483
228,489	176,975	485,657	5,794,423

CITY OF ROCKPORT, TEXAS
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2020

	GENERAL CAPITAL IMPROVEMENTS	VEHICLE AND EQUIPMENT REPLACEMENT	2005 CAPITAL PROJECT	2007 CAPITAL PROJECT
Revenues				
Intergovernmental	30,946	--	--	--
Interest on Investments	--	5,824	26	27,071
Other Revenues	--	33	--	--
Total Revenue	30,946	5,857	26	27,071
Expenditures				
Current				
Public Safety	--	9,388	--	--
Debt Service				
Principal Retirement	--	8,949	--	--
Interest and Fiscal Charges	--	1,326	--	--
Capital Projects	705,268	390,721	--	--
Total Expenditures	705,268	410,384	--	--
Revenues Over (Under) Expenditures	(674,322)	(404,527)	26	27,071
Other Financing Sources (Uses)				
Transfers In	--	426,149	--	--
Transfers Out	--	(13,375)	--	(648,848)
Total Other Financing Sources (Uses)	--	412,774	--	(648,848)
Net Change in Fund Balance	(674,322)	8,247	26	(621,777)
Fund Balance at Beginning of Year	103,272	688,798	2,500,893	2,201,074
Fund Balance at End of Year	(571,050)	697,045	2,500,919	1,579,297

Exhibit 12-B

2015 CAPITAL PROJECTS	2016 CAPITAL PROJECTS	2017 CAPITAL PROJECT	TOAL NONMAJOR CAPITAL PROJECTS
--	--	--	30,946
--	--	--	32,921
--	--	--	33
--	--	--	63,900
--	--	--	9,388
--	--	--	8,949
--	--	--	1,326
--	--	--	1,095,989
--	--	--	1,115,652
--	--	--	(1,051,752)
--	--	--	426,149
--	--	--	(662,223)
--	--	--	(236,074)
--	--	--	(1,287,826)
228,489	176,975	(92,192)	5,807,309
228,489	176,975	(92,192)	4,519,483

CITY of ROCKPORT, TEXAS



STATISTICAL SECTION

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

Contents	<u>Page</u>
Financial Trends	98-107
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	109-116
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	117-123
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	124-127
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparison over time with other governments.	
Operating Information	128-133
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	

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

	September 30,					
	2011	2012	2013	2014	2015	2016
Governmental Activities						
Net Invested in Capital Assets	7,539,674	9,313,304	12,137,914	13,719,863	15,375,317	16,359,297
Restricted	407,389	408,684	451,153	591,401	523,884	1,192,945
Unrestricted	3,373,599	2,444,508	1,154,271	1,363,328	(88,350)	(37,337)
Total Governmental						
Activities Net Position	11,320,662	12,166,496	13,743,338	15,674,592	15,810,851	17,514,905
Business-type Activities						
Invested in Capital Assets,	17,287,725	17,967,353	16,147,439	22,172,890	19,971,005	16,988,421
Restricted	184,655	183,991	183,366	182,073	180,935	--
Unrestricted	5,245,674	4,377,731	6,761,292	1,816,298	4,156,370	8,319,376
Total Business-type						
Activities Net Position	22,718,054	22,529,075	23,092,097	24,171,261	24,308,310	25,307,797
Primary Government						
Net Invested in Capital Assets	24,827,399	27,280,657	28,285,353	35,892,753	35,346,322	33,347,718
Restricted	592,044	592,675	634,519	773,474	704,819	1,192,945
Unrestricted	8,619,273	6,822,239	7,915,563	3,179,626	4,068,020	8,282,039
Total Primary						
Government Net Position	34,038,716	34,695,571	36,835,435	39,845,853	40,119,161	42,822,702

TABLE 1

September 30,			
2017	2018	2019	2020
17,313,597	12,705,425	18,740,986	19,840,363
1,479,596	1,231,127	1,270,937	1,773,707
(2,054,477)	3,334,747	(3,373,632)	(3,618,911)
16,738,716	17,271,299	16,638,291	17,995,159
20,420,255	21,588,198	22,071,001	23,269,406
--	--	--	--
6,179,215	1,894,758	2,590,468	4,119,375
26,599,470	23,482,956	24,661,469	27,388,781
37,733,852	34,293,623	40,811,987	43,109,769
1,479,596	1,231,127	1,270,937	1,773,707
4,124,738	5,229,505	(783,164)	500,464
43,338,186	40,754,255	41,299,760	45,383,940

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

	September 30,					
	2011	2012	2013	2014	2015	2016
Expenses						
Governmental Activities:						
General Government	1,646,376	1,615,599	1,534,488	1,464,770	1,744,282	2,619,202
Public Safety	3,439,538	3,531,426	3,390,096	4,035,843	4,210,447	4,245,536
Public Works	1,528,189	1,563,014	1,563,687	1,576,188	1,765,828	1,468,510
Culture and Recreation	734,248	788,105	914,460	961,048	1,110,379	1,228,172
Tourism	476,810	464,438	536,505	640,589	569,140	897,016
Interest and Fiscal Charges	999,535	996,263	908,935	769,851	526,297	754,966
Total Governmental:						
Activities Expenses	8,824,696	9,013,974	8,848,171	9,448,289	9,926,373	11,213,402
Business-type Activities:						
Water & Sewer	7,636,247	7,589,175	7,840,317	7,699,148	7,904,121	8,330,913
Natural Gas System*	1,415,532	1,163,782	1,256,075	1,844,475	1,644,781	1,525,253
Sanitation	--	--	--	--	--	294
Community Aquatic Center	306,478	314,698	333,267	397,675	399,748	501,870
Beach Park	662,288	315,789	--	--	--	--
Total Business-type Activities Expenses	10,020,545	9,383,444	9,429,659	9,941,298	9,948,650	10,358,330
Total Primary Government Expenses	18,845,241	18,397,418	18,277,830	19,389,587	19,875,023	21,571,732
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	17,953	18,267	13,289	16,624	34,169	186,238
Public Safety	507,255	494,629	393,762	727,069	760,746	246,250
Public Works	177,694	182,984	215,265	242,798	216,173	--
Culture and Recreation	948	19,687	--	--	--	15,402
Operating Grants and Contributions	575,942	455,997	366,214	234,191	180,099	726,849
Capital Grants and Contributions	79,300	634,417	739,309	699,802	205,900	645,940
Total Governmental Activities:						
Activities Program Revenues	1,359,092	1,805,981	1,727,839	1,920,484	1,397,087	1,820,679
Business-type Activities:						
Charges for Services:						
Water & Sewer	8,377,063	8,455,811	8,907,527	9,219,874	9,480,727	10,443,336
Natural Gas System*	1,725,602	1,449,133	1,740,465	2,389,044	2,143,239	1,780,909
Sanitation	17,039	14,873	16,686	16,994	19,260	17,867
Community Aquatic Center	114,642	138,830	133,706	165,231	180,357	216,314
Beach Park	425,924	128,376	--	--	--	--
Operating Grants and Contributions	183,750	62,000	42,000	51,250	51,417	37,000
Capital Grants and Contributions	267,941	3,500	256,450	--	210,577	78,615
Total Business-type Activities:						
Activities Program Revenues	11,111,961	10,252,523	11,096,834	11,842,393	12,085,577	12,574,041
Total Primary Government:						
Program Revenues	12,471,053	12,058,504	12,824,673	13,762,877	13,482,664	14,394,720
Net (Expense)/Revenue						
Governmental Activities	(7,465,604)	(7,207,993)	(7,120,332)	(7,527,805)	(8,529,286)	(9,392,723)
Business-type Activities	1,091,416	869,079	1,667,175	1,901,095	2,136,927	2,215,711
Total Primary Government Net Expense	(6,374,188)	(6,338,914)	(5,453,157)	(5,626,710)	(6,392,359)	(7,177,012)

* 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,			
2017	2018	2019	2020
5,600,349	5,619,934	4,366,689	3,977,380
4,312,116	4,921,884	5,292,979	5,276,575
1,609,854	1,520,833	1,939,714	1,505,912
1,102,163	1,571,346	1,465,212	1,457,207
623,225	620,016	721,784	708,391
733,939	781,227	639,927	833,318
13,981,646	15,035,240	14,426,305	13,758,783
8,186,640	8,975,471	8,887,596	8,922,626
1,617,518	1,795,239	1,988,347	1,985,018
1,951,334	2,054,464	2,136,230	2,152,087
428,671	451,815	449,565	432,301
--	--	--	--
12,184,163	13,276,989	13,461,738	13,492,032
26,165,809	28,312,229	27,888,043	27,250,815
345,555	840,612	664,275	551,897
391,656	187,553	185,943	168,843
--	--	--	--
4,639	3,848	4,107	39
1,325,411	1,903,417	1,483,220	1,316,744
50,432	5,062	536,424	606,653
2,117,693	2,940,492	2,873,969	2,644,176
10,338,747	8,974,043	10,509,995	12,137,157
1,826,135	1,662,341	2,061,303	2,099,457
2,048,327	2,061,393	2,256,801	2,463,510
209,227	165,574	175,940	47,449
--	--	--	--
37,667	38,833	43,333	48,083
2,218	1,650	--	--
14,462,321	12,903,834	15,047,372	16,795,656
16,580,014	15,844,326	17,921,341	19,439,832
(11,863,953)	(12,094,748)	(11,552,336)	(11,114,607)
2,278,158	(373,155)	1,585,634	3,303,624
(9,585,795)	(12,467,903)	(9,966,702)	(7,810,983)

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

	September 30,					
	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue						
Governmental Activities	(7,465,604)	(7,207,993)	(7,120,332)	(7,527,805)	(8,529,286)	(9,392,723)
Business-type Activities	1,091,416	869,079	1,667,175	1,901,095	2,136,927	2,215,711
Total Primary Government Net Expense	(6,374,188)	(6,338,914)	(5,453,157)	(5,626,710)	(6,392,359)	(7,177,012)
General Revenues and Other Changes in Net Position						
Governmental Activities:						
Taxes:						
Property Taxes	4,024,879	4,159,989	4,379,318	4,534,427	4,685,492	5,228,422
Sales Taxes	1,799,286	1,929,948	2,051,342	2,231,798	2,390,992	2,481,777
Franchise Taxes and other taxes	807,931	795,072	860,734	803,439	867,893	1,045,731
Hotel Occupancy Taxes	647,278	662,330	698,934	839,931	876,738	860,124
Investment Earnings	50,110	31,763	48,287	42,240	31,568	43,635
Other Revenue	59,003	78,699	54,618	173,247	93,484	79,695
Transfers	26,410	616,350	849,138	833,977	949,371	898,181
Total Governmental Activities	7,414,897	8,274,151	8,942,371	9,459,059	9,895,538	10,637,565
Business-type Activities:						
Investment Earnings	46,943	21,108	16,076	11,848	9,242	4,285
Other Revenue	--	--	--	--	--	--
Gain(Loss) on asset disposition	--	(462,816)	--	--	--	--
Transfers	(26,410)	(616,350)	(849,138)	(833,977)	(949,371)	(898,181)
Total Business-type Activities	20,533	(1,058,058)	(833,062)	(822,129)	(940,129)	(893,896)
Total Primary Government	7,435,430	7,216,093	8,109,309	8,636,930	8,955,409	9,743,669
Change in Net Position						
Governmental Activities	(50,707)	1,066,158	1,822,039	1,931,254	1,366,252	1,244,842
Business-type Activities	1,111,949	(188,979)	834,113	1,078,966	1,196,798	1,321,815
Total Primary Government	1,061,242	877,179	2,656,152	3,010,220	2,563,050	2,566,657

TABLE 3

September 30,			
2017	2018	2019	2020
(11,863,953)	(12,094,748)	(11,552,336)	(11,114,607)
2,278,158	(373,155)	1,585,634	3,393,624
(9,585,795)	(12,467,903)	(9,966,702)	(7,720,983)
5,541,427	5,915,568	6,082,642	6,563,714
2,459,617	3,019,444	2,780,574	2,857,039
1,064,310	976,197	1,068,650	1,096,677
866,970	479,754	713,075	914,803
52,998	84,505	123,840	49,313
93,630	2,418,135	15,178	281,319
1,008,809	1,467,804	428,258	703,911
11,087,761	14,361,407	11,212,217	12,466,776
9,706	35,368	51,550	30,785
12,618	--	33,103	6,810
--	--	--	--
(1,008,809)	(1,467,804)	(428,258)	(703,911)
(986,485)	(1,432,436)	(343,605)	(666,316)
10,101,276	12,928,971	10,868,612	11,800,460
(776,192)	2,266,659	(340,119)	1,352,169
1,291,673	(1,805,591)	1,242,029	2,727,308
515,481	461,068	901,910	4,079,477

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

	September 30,					
	2011	2012	2013	2014	2015	2016
General Fund						
Nonspendable	56,427	31,221	27,250	58,047	29,078	56,290
Restricted	--	--	--	--	--	--
Unassigned	3,534,604	3,099,834	2,821,064	3,011,065	3,191,300	3,414,549
Total General Fund	3,591,031	3,131,055	2,848,314	3,069,112	3,220,378	3,470,839
All Other Governmental Funds						
Restricted	9,523,625	9,234,662	9,429,485	8,495,513	8,772,017	8,414,801
Committed	(134,170)	(253,917)	(28,713)	12,140	36,015	320,049
Assigned	333,670	217,194	372,949	428,654	520,002	81,823
Unassigned	--	--	--	(76,051)	(110,482)	(96,151)
Total All Other Governmental Funds	9,723,125	9,197,939	9,773,721	8,860,256	9,217,552	8,720,522

TABLE 4

September 30,			
2017	2018	2019	2020
--	63,038	46,151	50,841
--	75,000	100,000	100,000
1,677,334	4,144,587	3,355,647	3,936,189
1,677,334	4,282,625	3,501,798	4,087,030
8,044,416	7,387,657	6,278,378	20,879,742
299,247	240,015	635,692	1,039,517
277,061	344,067	792,337	734,775
--	(171,997)	(96,754)	(698,749)
8,620,724	7,799,742	7,609,653	21,955,285

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

	September 30,					
	2011	2012	2013	2014	2015	2016
Revenues						
Taxes	7,440,695	7,718,487	8,174,665	8,602,188	9,001,518	9,642,954
Licenses, Fees and Permits	177,694	182,984	201,950	218,504	216,173	227,790
Intergovernmental	655,242	1,090,414	1,113,479	1,312,278	700,062	1,372,789
Fines and Forfeitures	329,567	333,335	215,253	254,785	212,983	237,659
Charges for Services	948	19,687	13,315	24,294	78,261	57,440
Investment Earnings	42,175	31,763	35,878	35,291	31,568	43,635
Other Revenues	59,003	78,699	54,618	99,294	95,614	79,695
Total Revenues	8,705,324	9,455,369	9,809,158	10,546,634	10,336,179	11,661,962
Expenditures						
General Government	1,274,439	1,345,717	1,289,805	1,345,263	1,463,333	2,375,604
Public Safety	3,234,665	3,287,236	3,144,331	3,724,061	3,980,680	3,857,783
Public Works	1,321,318	1,257,527	1,196,966	1,176,409	1,319,048	939,095
Culture and Recreation	631,897	659,021	763,424	814,379	939,194	1,020,219
Tourism	476,810	464,438	536,505	640,589	569,140	897,016
Capital Outlay	1,019,504	1,905,975	1,406,620	2,342,359	2,507,809	4,896,242
Debt Service						
Interest and Fiscal Charges	1,018,895	1,095,667	829,748	668,705	534,458	622,956
Bond Issuance Cost	--	--	87,178	106,527	108,599	103,362
Principal	1,007,674	987,971	1,212,065	1,334,871	1,464,919	1,691,815
Total Expenditures	9,985,202	11,058,681	10,466,642	12,153,163	12,887,180	16,404,092
Excess of Revenues						
Under Expenditures	(1,279,878)	(1,603,312)	(657,484)	(1,606,529)	(2,551,001)	(4,742,130)
Other Financing Sources (Uses)						
Bonds Issued	1,524,701	--	4,295,369	5,074,269	8,133,932	3,504,112
Capital Leases	--	--	--	--	--	--
Payments to Escrow Agent	(1,475,220)	--	(4,195,782)	(4,962,452)	(6,023,410)	--
Transfers In	1,566,570	1,596,511	1,687,402	1,596,487	1,701,867	1,788,699
Transfers Out	(1,533,335)	(978,361)	(836,464)	(794,442)	(752,826)	(798,551)
Total Other Financing						
Sources (Uses)	82,716	618,150	950,525	913,862	3,059,563	4,494,260
Net Change in Fund Balances	(1,197,162)	(985,162)	293,041	(692,667)	508,562	(247,870)
Debt Service as a Percentage						
of Non-Capital Expenditures	22.6%	22.8%	22.8%	20.6%	19.5%	20.3%

TABLE 5

September 30,			
2017	2018	2019	2020
9,930,322	10,386,841	10,644,722	11,387,205
301,191	793,143	616,333	502,005
1,375,842	1,908,480	2,019,643	1,923,396
56,854	184,718	183,517	166,770
383,806	54,152	54,476	54,540
52,998	84,505	123,841	49,313
93,630	2,418,133	180,524	463,351
12,194,643	15,829,972	13,823,056	14,546,580
5,355,244	5,103,678	4,276,405	3,622,353
3,863,413	4,576,201	4,632,229	4,714,526
997,156	1,011,631	1,253,555	964,965
978,227	1,314,065	1,123,671	1,134,880
623,225	620,016	721,784	708,391
959,462	1,742,669	905,960	1,641,182
1,730,748	689,314	658,660	602,999
--	18,254	--	219,543
738,774	1,684,409	1,706,669	1,691,024
15,246,249	16,760,237	15,278,933	15,299,863
(3,051,606)	(930,265)	(1,455,877)	(753,283)
--	1,410,978	--	14,939,543
78,035	--	--	--
--	--	--	--
2,196,206	2,884,923	2,616,340	2,637,079
(1,115,941)	(1,581,328)	(2,131,325)	(1,897,163)
1,158,300	2,714,573	485,015	15,679,459
(1,893,306)	1,784,308	(970,862)	14,926,176
17.3%	15.8%	16.5%	17.1%

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
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	5,542,453	2,459,617	900,233	853,420	175,624	9,931,347
2017	5,542,453	2,459,617	832,855	866,970	230,428	9,932,323
2018	5,918,368	3,019,444	748,682	479,754	224,698	10,390,946
2019	6,082,642	2,780,574	873,214	713,075	195,217	10,644,722
2020	6,563,714	2,857,039	841,477	914,803	210,172	11,387,205
Percent Change 2011-2020	0.388817825	0.37022701	0.04735483	0.29244001	0.13938584	0.346574072

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

Fiscal Year	Roll Year	Real Property			Personal Property		Less: Tax Exempt Real Property
		Residential Property	Commercial and Industrial Property	Rural- Underdev. Property	Business	Other	
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)
2017	2016	1,300,510,034	198,029,000	9,253,699	35,716,818	7,539,100	(37,403,970)
2018	2017	1,395,094,830	218,405,130	12,434,181	38,641,660	8,019,340	(47,215,527)
2019	2018	1,237,522,906	181,808,906	11,924,880	37,729,489	6,269,410	(14,502,937)
2020	2019	1,410,352,150	229,408,346	11,580,930	41,552,380	6,558,520	(33,510,048)

Source: Aransas County Appraisal District

* Information is not available

TABLE 7

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1,587,403,243	0.298700	1,587,403,243	100.00%
1,408,866,357	0.310000	1,408,866,357	100.00%
1,411,293,956	0.308900	1,411,293,956	100.00%
1,434,887,615	0.325800	1,434,887,615	100.00%
1,468,534,983	0.327700	1,468,534,983	100.00%
1,493,022,236	0.364858	1,493,022,236	100.00%
1,513,644,681	0.389283	1,513,644,681	100.00%
1,625,379,614	0.385640	1,625,379,614	100.00%
1,460,752,654	0.451963	1,460,752,654	100.00%
1,665,942,278	0.420082	1,665,942,278	100.00%

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Aransas County	Aransas County Navigation District	Aransas County Road/ Flood
2011	0.157300	0.152700	0.310000	0.359800	0.054700	--
2012	0.158300	0.150600	0.308900	0.370300	0.055800	--
2013	0.172500	0.153300	0.325800	0.381100	0.055800	--
2014	0.185100	0.142600	0.327700	0.375300	0.055100	--
2015	0.219047	0.145811	0.364858	0.385462	0.052511	--
2016	0.233912	0.155371	0.389283	0.404946	0.052622	0.690000
2017	0.239805	0.145835	0.385640	0.403315	0.050768	0.664853
2018	0.248198	0.203765	0.451963	0.403315	0.059822	0.640000
2019	0.248154	0.171928	0.420082	0.451453	0.052008	0.673607
2020	0.241668	0.179643	0.421311	0.433543	0.049776	0.673060

Source: Aransas County Tax Assessor

TABLE 8

Aransas County ISD
1.091700
1.132400
1.159400
1.160500
1.156100
1.169518
1.163930
1.163930
1.030000
0.980300

CITY of ROCKPORT, TEXAS



TABLE 9

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

<u>Taxpayer</u>	<u>2020</u>			<u>2011</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Cove Harbor Marina and Drystacks LP	9,990,780	1	0.68%	--	--	--
AEP Texas Central Comp	8,361,390	2	0.57%	7,177,280	3	0.44%
Oaks at Bentwater, LP	8,130,000	3	0.56%	7,663,730	1	0.56%
Wal-Mart Real Estate Bus Tr	7,368,790	4	0.50%	7,132,010	4	0.52%
Rockport Harborfront, LP	7,216,860	5	0.49%	7,471,194	2	0.55%
H E Butt Grocery	7,096,920	6	0.49%	6,236,902	5	0.53%
J & S Lagoons RV LLC	5,545,420	7	0.38%	--	--	--
Heritage Hotels Rockport LP	4,853,000	8	0.33%	4,642,460	8	0.34%
TFP Properties	4,800,000	9	0.33%			
Wal-Mart Stores East #440	4,671,830	10	0.32%	5,480,927	6	0.40%
EOG Resources, Inc.	--	--	--	4,849,260	7	0.35%
Royal Marina Holdings, LLC	--	--	--	3,962,646	9	0.29%
Christopher Crowley	--	--	--	3,660,790	10	0.27%
Total	<u>68,034,990</u>		4.66%	<u>58,277,199</u>		4.25%

Source: Aransas County Appraisal District

TABLE 10

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	3,999,750	3,928,989	98.23%	64,003	3,992,992	99.83%
2012	4,113,275	4,047,717	98.41%	57,313	4,105,030	99.80%
2013	4,334,917	4,274,298	98.60%	51,673	4,325,971	99.79%
2014	4,446,634	4,385,623	98.63%	49,009	4,434,632	99.73%
2015	4,652,135	4,591,402	98.69%	49,062	4,640,464	99.75%
2016	5,109,529	5,049,937	98.83%	47,181	5,097,118	99.76%
2017	5,510,593	5,449,280	98.89%	46,415	5,495,695	99.73%
2018	5,885,041	5,820,159	98.90%	39,266	5,859,425	99.56%
2019	6,034,776	5,979,307	99.08%	24,844	6,004,151	99.49%
2020	6,559,985	6,458,383	98.45%	--	6,458,383	98.45%

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 & Energy Bond	Revenue Bonds	General Bonded Debt	Capital Leases & Energy Bond			
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	--	38,228,173	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	--	25,716,709	--	47,122,340	17.69%	5,036
2017	20,052,940	737,180	--	16,648,392	--	37,438,512	11.74%	3,517
2018	18,306,444	2,028,160	--	15,517,160	7,908,560	43,760,324	13.50%	4,146
2019	16,594,891	1,875,666	--	14,042,565	7,619,599	40,132,721	12.33%	3,920
2020	29,854,021	1,718,570	--	13,274,660	7,314,789	52,162,040	15.76%	4,755

TABLE 12

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
	General Bonded Debt	Debt Service Funds	Net Bonded Debt		
2011	40,165,050	--	40,165,050	3.05%	4,455
2012	38,180,062	--	38,180,062	2.91%	4,255
2013	37,191,173	--	37,191,173	2.68%	3,924
2014	37,699,237	--	37,699,237	2.66%	4,075
2015	37,260,000	--	37,260,000	2.54%	4,026
2016	46,344,217	--	46,344,217	3.10%	4,953
2017	36,701,332	--	36,701,332	2.42%	3,448
2018	33,823,604	--	33,823,604	2.08%	3,205
2019	30,637,456	--	30,637,456	2.10%	2,993
2020	43,128,681	--	43,128,681	2.59%	3,932

(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**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	25,297,000	65.03%	16,450,639
Aransas County	35,650,003	49.99%	17,821,436
Aransas County Navigation District	2,885,000	49.99%	<u>1,442,212</u>
Subtotal, Overlapping Debt			35,714,287
City Direct Debt			<u>43,128,681</u>
Total Direct and Overlapping Debt			<u><u>78,842,968</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,					
	2011	2012	2013	2014	2015	2016
Maximum available tax revenues for all purposes including debt service	34,193,454	32,699,909	35,273,627	37,699,237	35,872,190	37,325,556
Actual amount expended for general obligation debt	1,949,434	2,083,638	2,040,581	2,061,064	2,107,976	2,314,771
Excess	32,244,020	30,616,271	33,233,046	35,638,173	33,764,214	35,010,785

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	1,665,942,278
Maximum tax rate per \$100 assessed valuation	2.50
Maximum available tax revenues for all purposes including debt service	41,648,557
Actual amount expended for general obligation debt service	2,294,023

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,			
2017	2018	2019	2020
37,841,117	40,634,490	36,518,816	41,648,557
2,720,000	2,391,977	2,365,329	2,294,023
35,121,117	38,242,513	34,153,487	39,354,534

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 Service Requirements (2)	Coverage
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
2017	12,164,882	8,079,576	4,085,306	--	N/A
2018	10,636,384	8,792,183	1,844,201	--	N/A
2019	12,571,298	10,071,703	2,499,595	--	N/A
2020	12,137,157	8,338,265	3,798,892	--	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**

	September 30,					
	2011	2012	2013	2014	2015	2016
Population (1)	9,357	9,357	9,357	9,357	9,357	9,357
Personal Income (3)	24,950	24,950	24,950	24,950	24,950	28,472
Per Capita Personal Income (in thousands)	233,457	233,457	233,457	233,457	233,457	266,413
Median Age (3)	46.0	49.0	49.0	49.0	49.0	49.0
Education Level in Years of Schooling	--	--	--	--	--	--
School Enrollment (4)	2,848	3,331	3,331	3,331	3,331	3,405
Unemployment (2)	7.4%	7.4%	7.4%	6.2%	5.1%	5.1%

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

September 30,			
2017	2018	2019	2020
10,645	10,555	10,238	10,969
29,952	30,706	31,788	30,172
318,839	324,102	325,343	330,957
49.5	49.3	49.1	51.4
--	--	--	--
2,547	3,316	2,635	2,965
6.9%	6.8%	4.2%	9.0%

CITY of ROCKPORT, TEXAS



TABLE 17

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

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment*
Aransas County ISD	466	1	--	521	1	--
Aransas County	220	2	--	175	6	--
Wal-Mart	209	3	--	250	2	--
H.E.B.	203	4	--	185	4	--
City of Rockport	124	5	--	130	7	--
State of Texas	100	6	--	107	8	--
Gulf Point Plaza	80	7	--	93	9	--
Paradise Keys	76	8	--	--	--	--
Rockport Nursing & Rehabilitation Center	72	9	--	--	--	--
Builders Sources	60	10	--	--	--	--
Wood Group Production Ser	--	--	--	181	5	--
Care Regional Medical Center	--	--	--	210	3	--
Rockport Coastal Care Center	--	--	--	75	10	--
Total	<u>1,610</u>		<u>--</u>	<u>1,927</u>		<u>--</u>

Source: Rockport Fulton Chamber of Commerce

* Total City employees is not readily 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government							
Municipal Court	5	5	3	3	3	3	3
City Secretary	3	3	3	3	3	3	3
City Manager	1	1	1	1	1	1	1
Information/Technology	1	1	1	1	2	2	2
Finance	2	2	2	2	2	2	2
Police							
Officers	25	27	27	27	28	26	26
Civilians	14	13	13	12	15	15	15
Public Works							
Building and Development	5	5	5	5	6	7	8
Street and Drainage	10	11	7	7	7	7	7
Building Maintenance	1	1	1	1	1	1	--
Fleet	3	2	2	2	2	2	3
Parks and Recreation	27	28	13	13	12	13	13
Utilities:							
Water	15	16	17	17	18	18	18
Wastewater	7	6	6	6	10	10	10
Environmental	1	1	1	1	2	2	2
Natural Gas	6	6	6	6	8	8	8
Customer Service	6	6	6	6	5	6	5
Total	<u>132</u>	<u>134</u>	<u>114</u>	<u>113</u>	<u>125</u>	<u>126</u>	<u>126</u>

Source: City Budget

TABLE 18

September 30,		
2018	2019	2020
3	3	3
3	3	3
1	1	2
2	2	2
2	2	3
26	26	28
16	16	15
8	8	7
7	7	5
--	--	--
3	3	3
13	13	15
17	17	17
8	8	7
--	--	--
9	9	9
5	5	5
123	123	124

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

Function/Program	September 30,					
	2011	2012	2013	2014	2015	2016
General Government						
Building Permits Issued	1,393	1,172	1,208	139	1,085	1,238
Building Inspections Conducted	1,533	1,557	1,540	1,978	2,097	2,137
Police						
Physical Arrests	833	833	598	879	1,133	351
Traffic Violations	4,025	4,025	1,286	2,029	1,756	1,598
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)	8.88	10.00	9.84	7.69	9.55	9.10
Potholes Repaired	N/A	N/A	40	28	32	36
Library	N/A	N/A	N/A	N/A	N/A	N/A
Water						
New Connections	97	150	56	150	410	154
Water Main Breaks	9	7	15	10	8	18
Average Daily Consumption	3,245,000	3,086,000	2,773,000	2,723,000	2,552,000	2,684,000
Peak Daily Consumption	5,994,000	4,980,000	4,486,000	4,400,000	4,446,000	4,027,000
Storage Capacity	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000
Wastewater						
Average Daily Sewage Treatment (millions of gallons)	1.06	1.10	1.19	1.19	1.51	1.44
Transit	N/A	N/A	N/A	N/A	N/A	N/A

TABLE 19

September 30,			
2017	2018	2019	2020
1,989	4,760	1,997	1,350
2,733	3,791	3,304	2,852
687	880	541	550
1,057	1,500	4,688	3,742
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
--	--	--	--
17	59	61	81
N/A	N/A	N/A	N/A
152	152	152	241
16	15	15	19
2,761,000	2,591,000	2,352,700	2,658,000
4,662,000	4,677,000	3,874,000	5,782,000
7,600,000	7,600,000	7,600,000	7,600,000
1.02	1.32	1.02	1.12
N/A	N/A	N/A	N/A

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

Function/Program	September 30,					
	2011	2012	2013	2014	2015	2016
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	87	87	87	87
Parks and Recreation						
Acreage	200	200	150	150	150	150
Parks	10	10	10	10	10	10
Swimming Pools	1	1	1	1	1	1
Community Centers	1	1	--	--	--	--
Water						
Water Mains (miles)	163	163	163	163	163	163
Storage Capacity (thousands of gallons)	7,100	8,100	8,100	8,100	8,100	8,100
Wastewater						
Sanitary Sewers (miles)	67	67	67	67	67	67
Storm Sewers (miles)	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	2.5	2.5	2.5	2.5	2.5	2.5

Sources: Various city departments

TABLE 20

September 30,			
2017	2018	2019	2020
1	1	1	1
20	20	20	20
2	2	2	2
87	87	87	87
211	211	211	211
15	15	15	15
1	1	1	1
--	--	--	--
191	191	191	191
7,600	7,600	7,600	7,600
78	78	78	78
31	31	31	31
2.5	2.5	2.5	2.5

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

April 28, 2021

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 (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 28, 2021.

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) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weakness and significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questions costs as items 2020-001 to be a material weakness.

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. We consider the deficiency in the accompanying schedule of findings and questioned costs as item 2020-002 to be significant deficiency.

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 or other matters that are required to be reported under *Government Auditing Standard* and

City of Rockport, Texas' Response to Findings

The City of Rockport, Texas' 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

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

Collier, Johnson & Woods

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

April 28, 2021

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, Texas' (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, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2020.

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, 2020

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. Significant deficiencies and material weaknesses relating to the financial statements have been 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*". See material weakness 2020-001 and significant deficiency 2020-002 in the Schedule of Findings and Question Costs
3. No instances of noncompliance material to the financial statements of the City of Rockport, Texas, which is required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weakness 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. See items 2020-001 and 2020-002 for 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-

14.228 Community Development Block Grant

U.S. Department of Justice-

16.034 Coronavirus Emergency Supplemental Funding Program

U.S. Department of Homeland Security:

97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067 Operation Stonegarden
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.

Financial Statement Findings

2020-001 Undetected Errors - Material Weakness in Internal Control over Financials Reporting

Condition – During the audit we found the following errors that had not been detected by the City:

- In the prior year, the September 30, 2019 payroll was recorded as of October 1, 2019 in error and had to be adjusted to the proper year (FY 2019). This payroll was not reversed in the current year and resulted in payroll expenses and accruals related to payroll liabilities being overstated throughout the year.
- There were errors made throughout the year in the handling of payments on PCards. As a result, claims to pooled cash and pooled accounts payable were not correct and significant time was spent by the City to correct these errors during the audit.
- Interest payments related to Gas Fund debt were paid by the Water & Sewer fund.
- Expenditures were recorded to due to, due from, transfers in, and transfers out. As a result, significant time was spent during the audit to find and correct these errors.

Criteria – The City needs to maintain complete and accurate records and errors need to be detected and corrected on a timely basis.

Context – Throughout the audit we found numerous coding and classification errors requiring adjustment. Errors between PCard Liability and Pooled cash were not corrected until late March.

Cause – The City has a problem with the quality and quantity of accounting staff which places an enormous burden on the Director of Finance to review and correct problems on a timely basis.

Effect – Accounting records are being corrected once a year and require enormous amount of time to find and correct the accounting records in order to produce accurate financial statements for the audit.

Recommendation – All these errors indicate a need for close supervision of staff and a constant review of accounts to detect error as quickly as possible. Encode, the City's computer system does have some controls that should help identify errors. In the Pooled Cash and Payable module, the system prints reconciliations on the Pooled Cash Report that should be monitored regularly. The system also allows the limitation of authority to post to certain accounts. We recommend these limitations be put on due to, due from and transfer accounts to prevent expenditures being posted to these sensitive accounts.

Views of Responsible Officials – All errors were corrected during the audit. The Finance Department is requesting an additional accountant in the FY22 budget process to continue to increase accuracy, error detection, improve timeliness, and reinforce internal controls.

Federal Award Findings and Questioned Costs

2020-002 SEFA – Significant Weakness in Internal Control over Compliance

Criteria – The City needs to maintain record of all costs, including direct third-party payments, allocation of payroll cost and indirect cost related to each grant.

Condition – The City set up a separate fund for its COVID grant. Payroll expenditures were accumulated in the fund, along with appropriate expenditures; however, information accumulated in the fund was not used for grant reimbursements. Grant reimbursements were based on direct payroll information and not information accumulated in the grant fund. Additionally, schedules of expenditures of federal awards include amounts paid to third-party vendors but not the payroll and indirect cost making it difficult to determine the status of the grants.

Questioned Costs – N/A

Context – The schedule of expenditures of federal awards should include all such costs expended during the year, including internal costs incurred by the City for the performance of the respective federal program.

Cause – The City has lacked experienced staffing to understand reporting requirements for proper financial reporting.

Effect – Enormous amounts of time and effort are required at year end to properly accumulate all expenditures related to federal awards.

Recommendation – We recommend grant administrators and finance coordinate accounting for grant expenditures, including the accumulation of payroll and indirect cost based on a thorough understanding of the grant requirements.

Views of Responsible Officials – There is no disagreement with the finding. Refer to management response per the corrective action plan. The City added an additional accountant in February 2021 and is currently retraining existing staff. The Finance Department is requesting an additional accountant in the FY22 budget process to continue to increase accuracy, error detection, improve timeliness, and reinforce internal controls.

Prior Year Audit Findings

The audit disclosed no findings required to be reported.

CITY OF ROCKPORT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL / STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal / State Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Disbursements, Expenditures
Federal Assistance				
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		--	182,756
Passed through Texas Office of the Governor - <u>Homeland Security Grants Division (HSGD)</u>				
Homeland Security Grant Program	97.067	EMW-2017-SS-00	--	153,484
Total U.S. Department of Homeland Security			--	336,240
U.S. Department of Justice				
COVID -19 Emergency Supplemental Funding Program	16.034		--	563,420
Total U.S. Department of Justice			--	563,420
U.S. Department of Housing and Urban Development				
<u>Passed through Texas General Land Office</u>				
Community Development Block Grant	14.228		--	382,642
Total U.S. Department of Housing and Urban Development			--	382,642
TOTAL EXPENDITURES OF FEDERAL AWARDS			--	1,282,302
State Assistance				
U.S. Department of Homeland Security				
Passed through Texas Office of the Governor - <u>Homeland Security Grants Division (HSGD)</u>				
Borderstar	N/A		--	14,994
Total U.S. Department of Homeland Security			--	14,994
TOTAL EXPENDITURES OF STATE AWARDS			--	14,994
TOTAL FEDERAL AND STATE ASSISTANCE			--	1,297,296

See Accompanying Notes to the Schedule of Expenditures of Federal / State Awards.

CITY OF ROCKPORT, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2020

Note 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal / state awards (Schedule) includes the federal and state award activity of the City of Rockport, Texas (City) under programs of the federal and state governments for the year ended September 30, 2020. 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. Any negative amounts 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

