



City of Rockport, Texas

Annual Financial Report

For the Year Ended September 30, 2022

**CITY OF ROCKPORT, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022
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FINANCIAL SECTION



PARK FOWLER & CO.

Certified Public Accountants & Management Consultants
A Professional Limited Liability Company

MANAGING PARTNER:
Ronald H. Park, CPA

IN-OFFICE COUNCIL:
Daniel T.A. Cotts, JD, LLM

ASSOCIATES:
Clara A. Moreno, CPA
Marc D. Kennedy, CPA
P. Andrew Hall, CPA
Pamela De La Pena, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rockport, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rockport, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockport, Texas internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rockport, Texas ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System, the schedule of contributions - Texas Municipal Retirement System and the funding status – other postemployment benefits on pages 4-12, and 56-59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockport, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the City of Rockport, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rockport, Texas internal control over financial reporting and compliance.

Park Fowler & Co., PLLC

Park Fowler & Co., PLLC
Corpus Christi, Texas
February 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$7,967,759 for the year, which is a change of 16%. The governmental activities increase was \$5,009,750 and the business-type activities showed a increase of \$2,958,009.
- The overall expenses for governmental activities increased by \$2,903,648 from 2021, which was mainly due to increases in personnel costs and materials and supplies.
- The overall expenses for business-type activities increased by \$1,617,385. These increases are primarily due to the increased costs associated with purchase of water and natural gas as well as increased maintenance costs for utility infrastructures.
- The assets and deferred outflows of the City of Rockport exceeded its liabilities and deferred inflows at the close of 2022 by \$58,591,695 (net position). The unrestricted net position was \$8,137,147, while net investment in capital assets was \$47,819,544 and restricted net position was \$2,635,004.
- The General Fund reported an unassigned fund balance of \$3,470,999 or, 30% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 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.

CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

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 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 governmentwide 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 18 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 15 funds are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on pages 16-20.

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 major funds of the City. The basic proprietary fund financial statements can be found on pages 21-28 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 41-68.

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 56-59.

Condensed Financial Information

Condensed financial information is presented in the following tables in a comparative format which allows for the analysis of current and prior year information.

CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

Government-wide Financial Analysis

City's Net Position

The City's governmental activities showed an increase in net position of \$5,009,750. The major changes during the year were in the categories of current and other assets which increased by \$10,466,670, capital assets increased by \$5,389,940 and other liabilities increased by \$6,047,671.

The City's business-type activities showed an increase in net position of \$2,958,009. The major changes during the year were in the categories of current and other assets which increased by \$2,406,365, capital assets decreased by \$1,012,602, and other liabilities increased by \$2,066,131.

The largest portion of the City's net position \$47,819,544 (81%) reflects its net 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 \$2,635,004 (4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$8,137,147. 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 Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 42,128,214	\$ 31,661,544	\$ 16,686,516	\$ 14,280,151	\$ 58,814,730	\$ 45,941,695
Capital Assets	37,744,481	32,354,541	39,507,197	40,519,799	77,251,678	72,874,340
Total Assets	79,872,695	64,016,085	56,193,713	54,799,950	136,066,408	118,816,035
Deferred Outflows	1,861,665	1,749,419	707,216	713,579	2,568,881	2,462,998
Noncurrent Liabilities	41,478,789	37,244,297	18,185,728	22,088,477	59,664,517	59,332,774
Other Liabilities	12,026,541	6,158,891	5,119,835	3,053,704	17,146,376	9,212,595
Total Liabilities	53,505,330	43,403,188	23,305,563	25,142,181	76,810,893	68,545,369
Deferred Inflows	2,436,391	1,579,427	796,310	530,301	3,232,701	2,109,728
Net Position:						
Net Investment in Capital Assets	24,487,789	22,756,047	23,331,755	23,733,553	47,819,544	46,489,600
Restricted	2,635,004	2,159,775	-	-	2,635,004	2,159,775
Unrestricted	(1,330,154)	(4,132,933)	9,467,301	6,107,494	8,137,147	1,974,561
Total Net Position	\$ 25,792,639	\$ 20,782,889	\$ 32,799,056	\$ 29,841,047	\$ 58,591,695	\$ 50,623,936

**CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022**

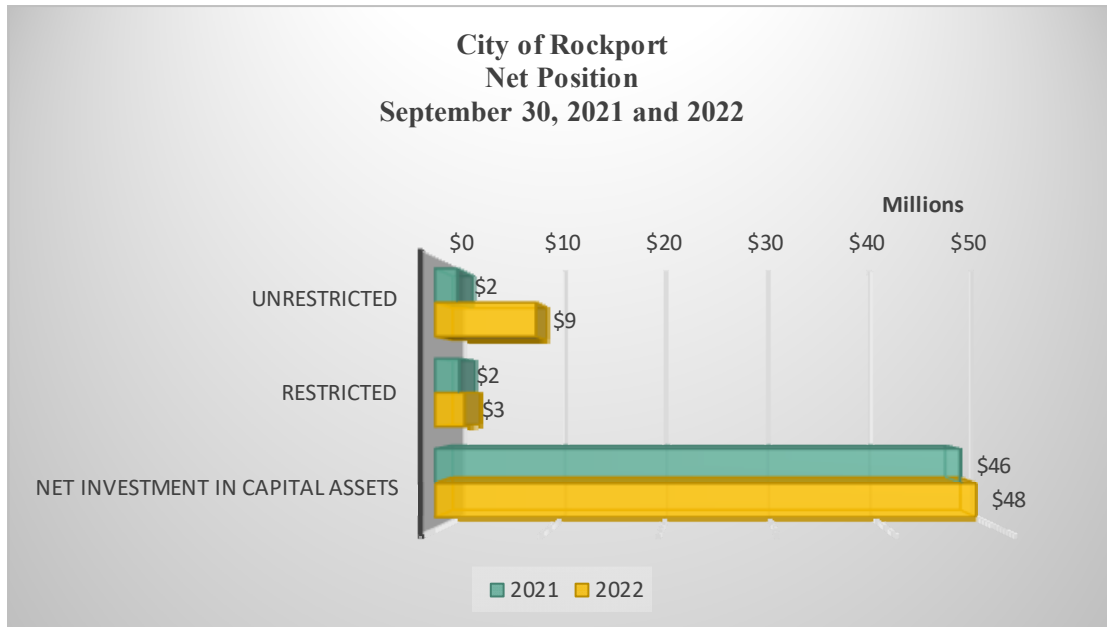


Table 2 – Changes in Net Positions

	Governmental activities		Business-type activities		Total primary government	
	2022	2021	2022	2021	2022	2021
Total revenues	\$ 20,868,777	\$ 16,189,727	\$ 20,346,540	\$ 17,776,794	\$ 41,215,317	\$ 33,966,521
Total expenses	(17,483,253)	(14,579,605)	(15,764,305)	(14,146,920)	(33,247,558)	(28,726,525)
Change before transfers	3,385,524	1,610,122	4,582,235	3,629,874	7,967,759	5,239,996
Transfers	1,624,226	1,177,608	(1,624,226)	(1,177,608)	-	-
Change in net position	5,009,750	2,787,730	2,958,009	2,452,266	7,967,759	5,239,996
Net position - beginning	20,782,889	17,995,159	29,841,047	27,388,781	50,623,936	45,383,940
Net position - ending	<u>\$ 25,792,639</u>	<u>\$ 20,782,889</u>	<u>\$ 32,799,056</u>	<u>\$ 29,841,047</u>	<u>\$ 58,591,695</u>	<u>\$ 50,623,936</u>

CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

The specific changes in revenues and expenses are shown in the tables that follow:

Table 3 – Statement of Activities

	Governmental activities		Business-type activities		Total primary government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 907,031	\$ 912,217	\$ 20,139,586	\$ 17,604,597	\$ 21,046,617	\$ 18,516,814
Operating grants and contributions	291,245	1,407,524	39,960	51,411	331,205	1,458,935
Capital grants and contributions	4,861,539	594,805	-	-	4,861,539	594,805
General revenues:						
Property taxes	7,551,441	7,195,781	-	-	7,551,441	7,195,781
Sales tax	3,620,483	3,239,904	-	-	3,620,483	3,239,904
Franchise tax	922,717	1,085,069	-	-	922,717	1,085,069
Hotel Occupancy	1,380,179	1,233,252	-	-	1,380,179	1,233,252
Investment Earnings	189,113	16,491	16,245	6,451	205,358	22,942
Other Revenues	136,356	270,081	150,749	114,335	287,105	384,416
Other Revenue - TMRS	1,008,673	234,603	-	-	1,008,673	234,603
Total revenues	<u>\$ 20,868,777</u>	<u>\$ 16,189,727</u>	<u>\$ 20,346,540</u>	<u>\$ 17,776,794</u>	<u>\$ 41,215,317</u>	<u>\$ 33,966,521</u>
Expenses						
General Government	\$ 4,272,064	\$ 3,716,764	\$ -	\$ -	\$ 4,272,064	\$ 3,716,764
Public safety	5,311,093	5,651,595	-	-	5,311,093	5,651,595
Public works	4,474,452	2,139,632	-	-	4,474,452	2,139,632
Culture and Recreation	1,627,805	1,410,908	-	-	1,627,805	1,410,908
Tourism	772,422	722,799	-	-	772,422	722,799
Interest and Fees on Debt	1,025,417	937,907	-	-	1,025,417	937,907
Water and Sewer	-	-	9,865,621	9,359,609	9,865,621	9,359,609
Natural Gas	-	-	2,741,025	1,849,671	2,741,025	1,849,671
Sanitation	-	-	2,446,560	2,437,819	2,446,560	2,437,819
Community Aquatic Center	-	-	711,099	499,821	711,099	499,821
Total expenses	<u>\$ 17,483,253</u>	<u>\$ 14,579,605</u>	<u>\$ 15,764,305</u>	<u>\$ 14,146,920</u>	<u>\$ 33,247,558</u>	<u>\$ 28,726,525</u>

Governmental Activities

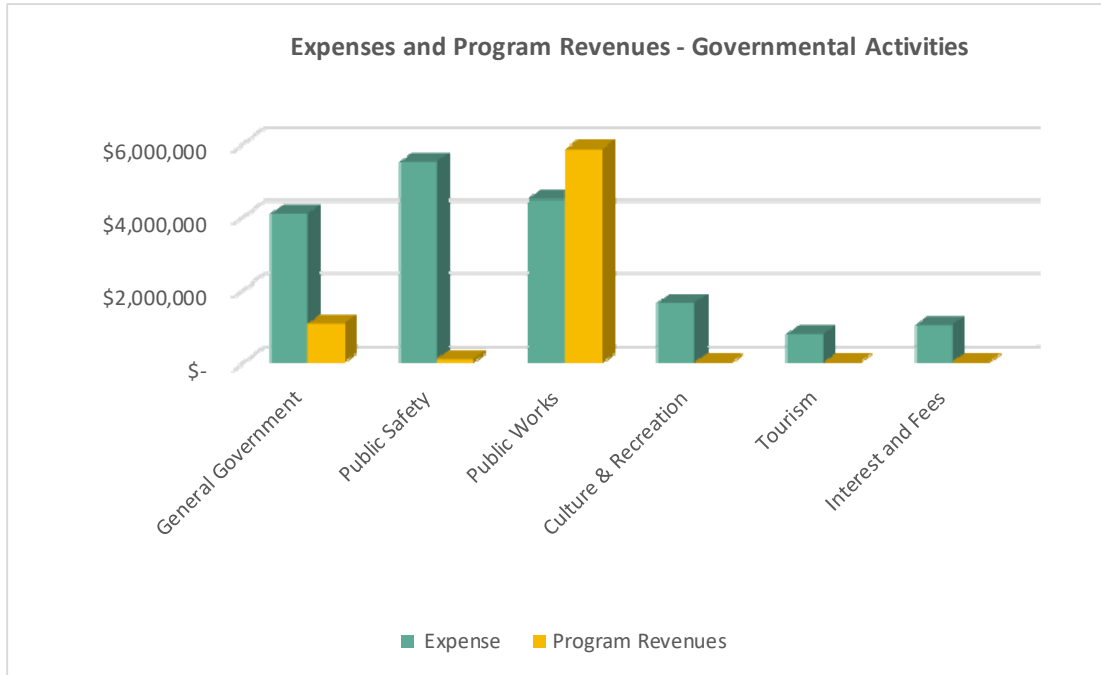
Governmental activities include the functions of general government, tourism, cultural and recreations, public safety and public works. Payment of interest on long-term debt is also considered a governmental activity and it is considered a class of activity but not a function of government. These are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

As shown in Table 3, Total Revenue increased by \$4,679,050. This increase is due to an increase in property tax, sales and use tax and FEMA grant revenues.

Total Expenses increased by \$2,903,648, this is due to increased personnel costs and costs associated with materials and supplies.

**CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022**

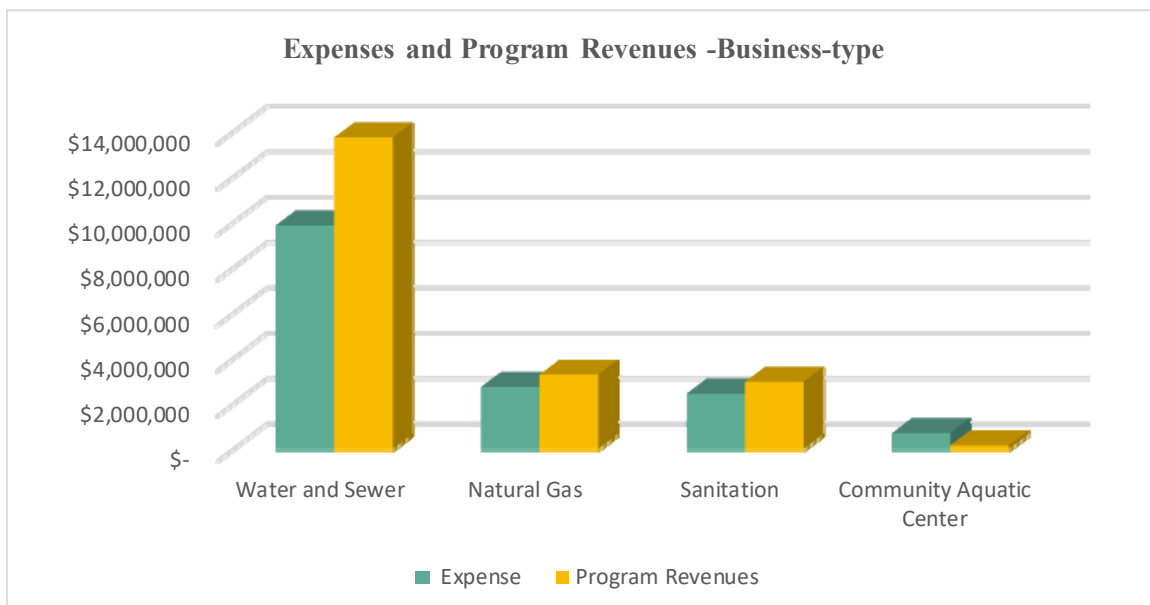
The chart below presents the City's major expenses by function, as well as the associated program revenues for governmental activities.



Business-Type Activities

As shown in Table 3, Total revenues increased by \$2,569,746 due mainly to increased water, wastewater, and natural gas sales revenue. Total expenses increased \$1,617,385 primarily due to increased personnel costs.

The chart below presents the City's expenses and program revenues for the business-type activities.



CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

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 \$30,440,696, a increase of \$4,702,775 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 \$3,470,999. This fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. The fund balance decreased \$943,671. Total revenues exceeded budgeted revenues as sales and use taxes increased and proceeds from FEMA associated with Hurricane Harvey continued to be received. Expenditures were less than budgeted due to reductions in operational capital projects, facility maintenance and training.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$77,251,678 (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 \$5,389,940 as a result of \$6,455,502 of additions offset by \$1,060,247 of depreciation and net retirements of \$5,315. Business-type activity capital assets decreased by \$1,012,602 as a result of \$740,057 additions less \$1,752,659 of depreciation.

Major capital asset additions during 2022 include the following:

- Concho Street Drainage - \$1,203,162
- City Hall – Architecture and Design - \$3,689,844
- Vehicles, Machinery, and Equipment –\$775,160
- Drainage Improvement – Grant Funded - \$1,926,539
- Park Improvements - \$84,509
- Water System Improvements - \$728,439
- Sewer System Improvements - \$39,010

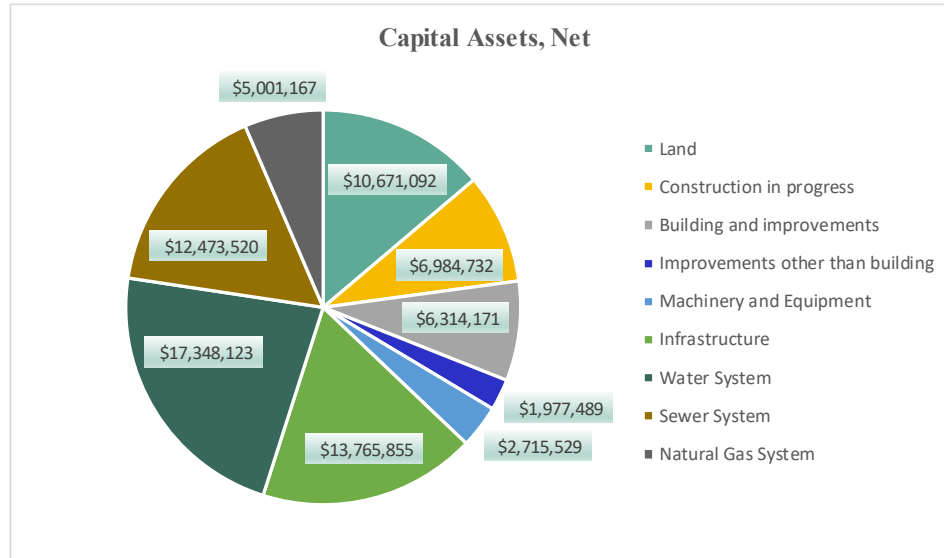
Additional information on the City's capital assets can be found in Note 3 of the financial statements.

The following capital asset information is presented net of depreciation:

Table 4 – Capital Assets at Year-End, Net of Accumulated Depreciation

	Governmental activities		Business-type activities		Total primary government	
	2022	2021	2022	2021	2022	2021
Land	\$ 10,456,139	\$ 10,456,139	\$ 214,953	\$ 214,953	\$ 10,671,092	\$ 10,671,092
Construction in progress	6,984,732	2,012,098	-	-	6,984,732	2,012,098
Building and improvements	2,765,500	2,891,189	3,548,671	3,718,783	6,314,171	6,609,972
Improvements other than building	1,977,489	2,157,230	-	-	1,977,489	2,157,230
Machinery and Equipment	1,794,766	1,214,565	920,763	389,826	2,715,529	1,604,391
Infrastructure	13,765,855	13,623,320	-	-	13,765,855	13,623,320
Water System	-	-	17,348,123	18,025,203	17,348,123	18,025,203
Sewer System	-	-	12,473,520	12,909,035	12,473,520	12,909,035
Natural Gas System	-	-	5,001,167	5,261,999	5,001,167	5,261,999
Total capital assets, net	<u>\$ 37,744,481</u>	<u>\$ 32,354,541</u>	<u>\$ 39,507,197</u>	<u>\$ 40,519,799</u>	<u>\$ 77,251,678</u>	<u>\$ 72,874,340</u>

CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022



See Note 3 – Capital Assets, for more detailed information on capital asset activity.

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt of \$40,196,575, a increase of \$2,816,575 over the prior year. Of this amount, \$26,040,000 are general obligation bond, \$6,516,575 are certificates of obligation and \$7,640,000 tax notes backed by the full faith and credit of the government. Additionally, there were \$7,842,708 in an Energy Conservation Bond and \$205,862 in capital leases. Additional information on the City's long-term debt can be found in Note 5 of the financial statements.

The following is a summary of outstanding debt:

Table 5 – Long-Term Liabilities

	Governmental activities		Business-type activities		Total primary government	
	2022	2021	2022	2021	2022	2021
General Obligation Debt	\$ 19,133,023	\$ 8,503,473	\$ 6,906,977	\$ 7,971,527	\$ 26,040,000	\$ 16,475,000
Certificates of Obligation	4,045,000	4,275,000	2,471,575	2,625,000	6,516,575	6,900,000
Tax Notes	7,640,000	14,005,000	-	-	7,640,000	14,005,000
Energy Conservation Bonds	1,187,386	1,247,728	6,655,322	6,993,541	7,842,708	8,241,269
Premium on Bonds	2,892,963	799,584	299,824	505,579	3,192,787	1,305,163
Capital Leases	205,862	313,649	-	-	205,862	313,649
Compensated Absences	615,241	660,749	200,780	217,122	816,021	877,871
Pension Liability	2,097,604	3,241,543	733,086	1,111,128	2,830,690	4,352,671
OPEB Liability	3,661,710	4,197,578	2,640,127	2,664,180	6,301,837	6,861,758
Total Long-Term Liabilities	<u>\$ 41,478,789</u>	<u>\$ 37,244,304</u>	<u>\$ 19,907,691</u>	<u>\$ 22,088,077</u>	<u>\$ 61,386,480</u>	<u>\$ 59,332,381</u>

The City's debt and long-term liabilities increased by \$2,054,099 or approximately 3.46%. The key factors to the net change are as follows:

- Debt payments of \$15,892,670 in governmental activities bonds and \$1,762,349 in business-type bonds were made. During the year \$14,005,000 in tax notes were refunded with the issuance of \$11,925,000 in general obligation bonds and \$7,640,000 in tax notes.
- Compensated absences decreased by \$61,850.
- Net change in Pension obligation of \$1,521,981.
- Net change in OPEB obligation of \$559,921.

See Note 4 – Long-Term Liabilities, for more detailed information on long-term debt activity.

**CITY OF ROCKPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022**

Economic Factors and Next Year's Budgets and Rates

The 2022-2023 budget will raise more revenue from property taxes than last year's budget by an amount of \$600,140, which is a 9.42% 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 \$179,789.

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.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	\$ 7,379,011	\$ 13,004,866	\$ 20,383,877
Investments (Note 2)	2,939,000	735,000	3,674,000
Receivables (Net of Allowance for Uncollectible)	4,469,813	1,560,573	6,030,386
Internal balances	28,429	(28,429)	-
Inventories	90,364	325,137	415,501
Restricted cash and Investments	27,221,597	1,089,369	28,310,966
Capital assets			
Land and Construction in Progress	17,440,871	214,953	17,655,824
Other Capital Assets, Net of Accumulated Depreciation	20,303,610	39,292,244	59,595,854
TOTAL ASSETS	79,872,695	56,193,713	136,066,408
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	1,861,665	707,216	2,568,881
LIABILITIES			
Obligations in Excess of Cash	7,299,248	223,639	7,522,887
Accounts Payable	1,301,077	1,000,767	2,301,844
Contractor's Retainage	513,150	-	513,150
Accrued Expenses	47,829	17,224	65,053
Accrued Interest	146,630	128,318	274,948
Deposits		2,029,500	2,029,500
Unearned Revenue	2,667,774	-	2,667,774
Unclaimed Property	50,834	-	50,834
Noncurrent liabilities:			
Due within one year	2,537,619	1,720,387	4,258,006
Due in more than one year	38,941,170	18,185,728	57,126,898
TOTAL LIABILITIES	53,505,331	23,305,563	76,810,894
DEFERRED INFLOW OF RESOURCES			
Deferred inflows of resources	2,436,390	796,310	3,232,700
NET POSITION			
Net Investment in Capital Assets	24,487,789	23,331,755	47,819,544
Restricted for:			
Tourism	2,158,007	-	2,158,007
Public Safety	138,940	-	138,940
Public Access TV	308,977	-	308,977
Security and Technology	15,305	-	15,305
Specified by Donors	11,384	-	11,384
Child Safety	2,391	-	2,391
Unrestricted	(1,330,154)	9,467,301	8,137,147
TOTAL NET POSITION	\$ 25,792,639	\$ 32,799,056	\$ 58,591,695

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,084,415	\$ 826,821	\$ 291,245	\$ -
Public Safety	5,498,742	80,210		-
Public Works	4,474,452	-	-	4,861,539
Culture and Recreation	1,627,805	-	-	
Tourism	772,422	-	-	-
Interest and Fees on Long-Term Debt	1,025,417	-	-	-
Total Governmental Activities	<u>17,483,253</u>	<u>907,031</u>	<u>291,245</u>	<u>4,861,539</u>
Business-Type Activities:				
Water and Sewer	9,865,621	13,738,327	-	-
Natural Gas	2,741,025	3,296,863	-	-
Sanitation	2,446,560	2,971,727	-	-
Community Aquatic Center	711,099	132,669	39,960	-
Total Business-Type Activities	<u>15,764,305</u>	<u>20,139,586</u>	<u>39,960</u>	<u>-</u>
Total Primary Government	<u>\$ 33,247,558</u>	<u>\$ 21,046,617</u>	<u>\$ 331,205</u>	<u>\$ 4,861,539</u>

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
TMRS
Other Revenues

Transfers

Total general revenues and special items

Change in net position

Net position--beginning

Net position--ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,966,349)	\$ -	\$ (2,966,349)
(5,418,532)	-	(5,418,532)
387,087	-	387,087
(1,627,805)	-	(1,627,805)
(772,422)	-	(772,422)
(1,025,417)	-	(1,025,417)
(11,423,438)	-	(11,423,438)
-	3,872,706	3,872,706
-	555,838	555,838
-	525,167	525,167
-	(538,470)	(538,470)
-	4,415,241	4,415,241
(11,423,438)	4,415,241	(7,008,197)
4,015,914	-	4,015,914
3,535,527	-	3,535,527
3,620,483	-	3,620,483
922,717	-	922,717
1,380,179	-	1,380,179
189,113	16,245	205,358
1,008,673	-	1,008,673
136,356	150,749	287,105
1,624,226	(1,624,226)	-
16,433,188	(1,457,232)	14,975,956
5,009,750	2,958,009	7,967,759
20,782,889	29,841,047	50,623,936
\$ 25,792,639	\$ 32,799,056	\$ 58,591,695

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,709,763	\$ 1,337,048	\$ -	\$ 3,332,200	\$ 7,379,011
Investments	1,714,000	-	1,225,000	-	2,939,000
Receivables (net):					
Property Taxes	80,181	60,088	-	-	140,269
Other Taxes	649,107	-	-	-	649,107
Accounts	447,757	-	-	207,438	655,195
Intergovernmental	855,983	-	-	2,164,460	3,020,443
Due from Other Funds	24,423	141,337	-	1,260,623	1,426,383
Inventories	40,000	-	-	-	40,000
Restricted Cash and Investments	-	-	27,221,597	-	27,221,597
Total Assets	<u>\$ 6,521,214</u>	<u>\$ 1,538,473</u>	<u>\$ 28,446,597</u>	<u>\$ 6,964,721</u>	<u>\$ 43,471,005</u>
LIABILITIES					
Obligations in Excess of Cash	\$ -	\$ -	\$ -	\$ 7,054,992	\$ 7,054,992
Accounts Payable	304,173	-	-	995,755	1,299,928
Contractor's Retainage	-	-	513,150	-	513,150
Accrued Expenditures	39,474	-	-	6,204	45,678
Due to Other Funds (Note 7)	23,193	-	1,373,530	1,230	1,397,953
Unearned Revenue	2,592,541	60,088	-	15,145	2,667,774
Unclaimed Property	50,834	-	-	-	50,834
Total Liabilities	<u>3,010,215</u>	<u>60,088</u>	<u>1,886,680</u>	<u>8,073,326</u>	<u>13,030,309</u>
FUND BALANCE					
Nonspendable	40,000	-	-	-	40,000
Restricted					
Capital Projects	-	-	26,559,917	-	26,559,917
Tourism	-	-	-	2,158,007	2,158,007
Public Safety	-	-	-	138,940	138,940
Public Access TV	-	-	-	308,977	308,977
Security and Technology	-	-	-	15,305	15,305
Specified by Donors	-	-	-	11,384	11,384
Child Safety	-	-	-	2,391	2,391
Committed	-	1,478,385	-	-	1,478,385
Assigned	-	-	-	668,581	668,581
Unassigned	3,470,999	-	-	(4,412,190)	(941,191)
Total Fund Balance	<u>3,510,999</u>	<u>1,478,385</u>	<u>26,559,917</u>	<u>(1,108,605)</u>	<u>30,440,696</u>
Total Liabilities and Fund Balance	<u>\$ 6,521,214</u>	<u>\$ 1,538,473</u>	<u>\$ 28,446,597</u>	<u>\$ 6,964,721</u>	<u>\$ 43,471,005</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2022

Total Fund Balances - Total Governmental Funds \$ 30,440,696

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 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 \$154,632)	\$ 49,870,725	
Accumulated Depreciation		
(Excluding Internal Service of \$79,232)	<u>(12,201,644)</u>	37,669,081

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

Deferred Loss on Bond Refunding	\$ 178,445	
Deferred Outflows Related to Pensions		
(Excluding Internal Service \$40,176)	1,089,601	
Deferred Outflows Related to OPEB		
(Excluding Internal Service \$22,552)	530,891	
Deferred Inflows Related to Pensions		
(Excluding Internal Service \$69,263)	(1,809,758)	
Deferred Inflows Related to OPEB		
(Excluding Internal Service \$19,627)	<u>(537,742)</u>	(548,563)

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	\$ (35,104,236)	
Net Pension Liability		
(Excluding Internal Service \$75,188)	(2,022,416)	
OPEB Liability		
(Excluding Internal Service \$188,982)	(3,472,728)	
Accumulated Compensated Absences		
(Excluding Internal Service \$30,117)	(585,125)	
Accrued Interest	<u>(146,629)</u>	(41,331,134)

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.

(437,441)

Net Position of Governmental Activities \$ 25,792,639

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and Business Fees	\$ 8,541,459	\$ 3,535,527	\$ -	\$ 1,595,360	\$ 13,672,346
Licenses and Permits	660,739	-	-	-	660,739
Intergovernmental	291,245	-	-	4,861,539	5,152,784
Fines and Forfeitures	154,894	-	-	11,188	166,082
Charges for Services	80,210	-	-	-	80,210
Interest on Investments	13,730	11,689	159,559	4,135	189,113
Other Revenues	136,300	-	-	56	136,356
Total Revenues	9,878,577	3,547,216	159,559	6,472,278	20,057,630
EXPENDITURES					
Current:					
General Government	3,954,840	-	-	9,963	3,964,803
Public Safety	3,795,873	-	-	1,467,739	5,263,612
Public Works	2,003,911	-	-	2,006,878	4,010,789
Culture and Recreation	1,260,259	-	-	167,028	1,427,287
Tourism	-	-	-	770,500	770,500
Capital Outlay	419,383	-	39,231	5,996,888	6,455,502
Debt service:					
Principal Retirement	60,342	2,268,445	-	10,276	2,339,063
Interest and Fiscal Charges	52,266	844,128	129,023	-	1,025,417
Total Expenditures	11,546,874	3,112,573	168,254	10,429,272	25,256,973
Excess (Deficiency) of Revenues over Expenditures	(1,668,297)	434,643	(8,695)	(3,956,994)	(5,199,343)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	7,640,000	-	7,640,000
Bond Premium	-	-	609,026	-	609,026
Transfers In	2,036,474	-	-	956,710	2,993,184
Transfers Out	(1,311,848)	-	-	(28,244)	(1,340,092)
Total Other Financing Sources (Uses)	724,626	-	8,249,026	928,466	9,902,118
Net Change in Fund Balance	(943,671)	434,643	8,240,331	(3,028,528)	4,702,775
Fund Balance at Beginning of Year	4,454,670	1,043,742	18,319,586	1,919,923	25,737,921
Fund Balance at End of Year	\$ 3,510,999	\$ 1,478,385	\$ 26,559,917	\$ (1,108,605)	\$ 30,440,696

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 4,702,775

Amounts reported for governmental activities in the statement of activities (page 18-19)
are different because:

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

Capital Outlay	6,455,502	
Depreciation (Excluding Internal Service \$ 12,588)	<u>(1,060,247)</u>	5,395,255

Loss on Sales and Retirements of Capital Assets

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.

Issuance of Bonds	(7,640,000)	
Bond Premiums	(609,026)	
Principal Retirement	2,339,063	
Net adjustment related to bond refunding	1,838,337	
Amortization of Bond Premiums	194,090	
Amortization of Deferred Charges on Refunding	<u>(108,205)</u>	(3,985,741)

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	(657,095)	
OPEB Expense	(351,578)	
Compensated Absence Expense	<u>(45,907)</u>	(1,054,580)

Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The net expenses and transfers to the business-type activities is reported in governmental activities	<u>(47,959)</u>	
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Change in net position of governmental activities	<u><u>\$ 5,009,750</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2022

	Original	Final		Variance With
	Budget	Amended	Actual	Final Budget
REVENUES		Budget	Amounts	Positive or
				(Negative)
Taxes and Business Fees	\$ 9,147,168	\$ 9,147,168	\$ 8,541,459	\$ (605,709)
Licenses and Permits	736,000	736,000	660,739	(75,261)
Intergovernmental	341,300	341,300	291,245	(50,055)
Fines and Forfeitures	216,475	216,475	154,894	(61,581)
Charges for Services	121,700	121,700	80,210	(41,490)
Interest on Investments	8,000	8,000	13,730	5,730
Other Revenues	97,000	97,000	136,300	39,300
Total Revenues	10,667,643	10,667,643	9,878,577	(789,066)
EXPENDITURES				
General Government	2,886,826	2,886,826	3,954,840	(1,068,014)
Public Safety	3,854,250	3,854,250	3,795,873	58,377
Public Works	3,635,491	3,635,491	2,003,911	1,631,580
Culture and Recreation	1,342,776	1,342,776	1,260,259	82,517
Debt service:				
Principal Retirement	-	-	60,342	(60,342)
Interest and Fiscal Charges	-	-	52,266	(52,266)
Capital Projects	781,845	781,845	419,383	362,462
Total Expenditures	12,501,188	12,501,188	11,546,874	954,314
Excess (Deficiency) of Revenues over Expenditures	(1,833,545)	(1,833,545)	(1,668,297)	165,248
OTHER FINANCING SOURCES (USES)				
Community Disaster Loan	1,814,165	1,814,165	-	(1,814,165)
Transfers In	1,143,526	1,143,526	2,036,474	892,948
Transfers Out	(1,124,146)	(1,124,146)	(1,311,848)	(187,702)
Total Other Financing Sources (Uses)	1,833,545	1,833,545	724,626	(1,108,919)
Net Change in Fund Balance	\$ -	\$ -	(943,671)	\$ (943,671)
Fund Balance at Beginning of Year			4,454,670	
Fund Balance at End of Year			\$ 3,510,999	

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water & Sewer	Natural Gas	Sanitation
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 10,813,583	\$ 839,896	\$ 1,351,187
Investments (Note 2)	735,000	-	-
Receivables (Net of Allowance for Uncollectible)	1,092,440	191,478	276,475
Due from Other Funds (Note 7)	530,005	-	-
Inventories	223,510	101,627	-
Restricted Cash and Investments (Note 2)	248,897	840,472	-
Total Current Assets	13,643,435	1,973,473	1,627,662
Noncurrent :			
Capital Assets:			
Land	110,653	-	-
Other Capital Assets, Net of Accumulated Depreciation	33,590,817	5,093,341	-
Total Noncurrent Assets	33,701,470	5,093,341	-
Total Assets	47,344,905	7,066,814	1,627,662
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources	563,353	125,962	-
LIABILITIES			
Current Liabilities:			
Obligations in Excess of Cash	-	-	-
Accounts Payable	494,076	225,830	279,802
Accrued Expenses	12,225	4,278	-
Accrued Interest	92,338	35,980	-
Due to Other Funds (Note 7)	141,337	417,097	-
Customers' Deposits	2,029,500	-	-
Long-Term Debt - Current (Note 5 & 6)	1,452,948	192,035	-
Compensated Absences - Current	58,329	17,075	-
Total Current Liabilities	4,280,753	892,295	279,802
Noncurrent Liabilities:			
Long-Term Debt (Note 5)	11,381,869	3,305,270	-
Compensated Absences	96,986	28,390	-
Net Pension Liability (Note 9)	541,522	167,728	-
OPEB Liability (Note 10)	1,950,230	604,053	-
Total Noncurrent Liabilities	13,970,607	4,105,441	-
Total Liabilities	18,251,360	4,997,736	279,802
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources	588,225	182,193	-
NET POSITION			
Net Investment in Capital Assets	21,023,332	1,596,037	-
Unrestricted (deficit)	8,045,341	416,810	1,347,860
Total Net Position	\$ 29,068,673	\$ 2,012,847	\$ 1,347,860

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

Business-type Activities		Governmental
Enterprise Funds		Activities
Nonmajor		
Community		Internal Service
Aquatic Center	Total	Fleet
\$ 200	\$ 13,004,866	\$ -
-	735,000	-
180	1,560,573	4,799
-	530,005	-
-	325,137	50,364
-	1,089,369	-
380	17,244,950	55,163
104,300	214,953	-
608,086	39,292,244	75,400
712,386	39,507,197	75,400
712,766	56,752,147	130,563
17,901	707,216	62,728
223,639	223,639	244,256
1,059	1,000,767	1,149
721	17,224	2,151
-	128,318	-
-	558,434	-
-	2,029,500	-
-	1,644,983	-
-	75,404	11,310
225,419	5,678,269	258,866
-	14,687,139	-
-	125,376	18,807
23,836	733,086	75,188
85,844	2,640,127	188,981
109,680	18,185,728	282,976
335,099	23,863,997	541,842
25,892	796,310	88,890
712,386	23,331,755	75,400
(342,710)	9,467,301	(512,841)
\$ 369,676	\$ 32,799,056	\$ (437,441)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water & Sewer	Natural Gas	Sanitation
OPERATING REVENUES			
Charges for Services	\$ 13,738,327	\$ 3,296,863	\$ 2,971,727
OPERATING EXPENSES			
Personnel Services	1,825,629	485,115	-
Contractual Services	1,048,658	209,686	2,446,560
Maintenance	4,423,552	210,359	-
Supplies	93,074	1,375,012	-
Other	572,288	21,952	-
Depreciation	1,403,986	281,768	-
Total Operating Expenses	9,367,187	2,583,892	2,446,560
Operating Income (Loss)	4,371,140	712,971	525,167
NONOPERATING REVENUES (EXPENSES)			
Interest on Investments	16,245	-	-
Payments from Other Governments	-	-	-
Interest Expense and Fiscal Charges	(498,434)	(157,133)	-
Other Revenues	135,046	15,703	-
Total Nonoperating Revenues (Expenses)	(347,143)	(141,430)	-
Net Income (Loss) Before Transfers	4,023,997	571,541	525,167
Transfers In	339,651	-	-
Transfers Out	(1,914,463)	(390,951)	(13,776)
Change in net position	2,449,185	180,590	511,391
Net position - beginning	26,619,488	1,832,257	836,469
Net position - ending	\$ 29,068,673	\$ 2,012,847	\$ 1,347,860

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Business-type Activities Enterprise Funds		Governmental Activities
Community Aquatic Center	Total	Internal Service Fleet
\$ 132,669	\$ 20,139,586	\$ 825,406
473,125	2,783,869	255,023
42,198	3,747,102	72,475
23,649	4,657,560	17,328
102,329	1,570,415	485,088
2,893	597,133	1,997
66,905	1,752,659	12,588
711,099	15,108,738	844,499
(578,430)	5,030,848	(19,093)
-	16,245	-
39,960	39,960	-
-	(655,567)	-
-	150,749	-
39,960	(448,613)	-
(538,470)	4,582,235	(19,093)
364,497	704,148	-
(9,184)	(2,328,374)	(28,866)
(183,157)	2,958,009	(47,959)
552,833	29,841,047	(389,482)
\$ 369,676	\$ 32,799,056	\$ (437,441)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water & Sewer	Natural Gas	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 14,208,988	\$ 3,269,424	\$ 2,948,278
Receipts from Interfund Services Provided	-	-	-
Payments to Suppliers	(6,114,246)	(1,648,252)	(2,647,818)
Payments to Employees	(1,961,809)	(638,088)	-
Net cash Provided by (Used in) Operating Activities	6,132,933	983,084	300,460
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Change in Interfund Borrowings	-	-	-
Transfers In from Other Funds	339,651	-	-
Transfers Out to Other Funds	(1,914,463)	(390,951)	(13,776)
Net Cash Provided by (Used in) Noncapital Financing Activities	(1,574,812)	(390,951)	(13,776)
CASH FLOWS FORM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(650,675)	(89,383)	-
Principal Paid on Long-term Debt	(1,458,922)	(305,003)	-
Interest Expense and Fiscal Charges	(498,434)	(157,133)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,608,031)	(551,519)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Investments	259,245	-	-
Net cash Provided by (Used in) Investing Activities	259,245	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	2,209,335	40,614	286,684
Cash and Cash Equivalents at Beginning of Year	8,853,145	1,639,754	1,064,503
Cash and Cash Equivalents at End of Year	\$ 11,062,480	\$ 1,680,368	\$ 1,351,187

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Business-type Activities		Governmental
Enterprise Funds		Activities
Community		Internal Service
Aquatic Center	Total	Fleet
\$ 172,981	\$ 20,599,671	\$ 831,899
-	-	(584,128)
(173,383)	(10,583,699)	-
(355,625)	(2,955,522)	(297,940)
(356,027)	7,060,450	(50,169)
-	-	-
364,497	704,148	-
(9,184)	(2,328,374)	(28,866)
355,313	(1,624,226)	(28,866)
-	(740,058)	(25,466)
-	(1,763,925)	-
-	(655,567)	-
-	(3,159,550)	(25,466)
-	259,245	-
-	259,245	-
(714)	2,535,919	(104,501)
(222,725)	11,334,677	(139,755)
<u>\$ (223,439)</u>	<u>\$ 13,870,596</u>	<u>\$ (244,256)</u>

(continued)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water & Sewer	Natural Gas	Sanitation
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating Income (Loss)	\$ 4,371,140	\$ 712,971	\$ 525,167
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	1,403,986	281,768	-
Nonoperating Revenues	135,046	15,703	-
Changes in Assets and Liabilities:			
Accounts Receivable	24,977	(43,143)	(23,449)
Inventories	(19,797)	(51,673)	-
Deferred Loss on Refunding of Bonds	65,451	-	-
Deferred Outflows Related to Pension	(75,960)	(16,739)	-
Deferred Outflows Related to OPEB	35,005	17,653	-
Accounts Payable	43,123	220,429	(201,258)
Accrued Expenses	(18,526)	(7,062)	-
Customer Deposits	310,638	-	-
Compensated Absences	(20,236)	3,894	-
OPEB Liability	(293,407)	(90,250)	-
Net Pension Liability	(11,817)	(116,382)	-
Deferred Inflows Related to Pension	183,502	55,914	-
Deferred Inflows Related to OPEB	(192)	-	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,132,933</u>	<u>\$ 983,083</u>	<u>\$ 300,460</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Business-type Activities		Governmental
Enterprise Funds		Activities
Community		Internal Service
Aquatic Center	Total	Fleet
\$ (578,430)	\$ 5,030,848	\$ (19,093)
66,905	1,752,659	12,588
39,960	190,709	-
352	(41,263)	6,493
-	(71,470)	(4,076)
-	65,451	-
(15,112)	(107,811)	(7,165)
(3,935)	48,723	-
748	63,042	68
(3,062)	(28,650)	(3,232)
-	310,638	-
-	(16,342)	1,409
78,014	(305,643)	(27,656)
31,747	(96,452)	(41,004)
17,806	257,222	31,499
8,980	8,788	-
<u>\$ (356,027)</u>	<u>\$ 7,060,449</u>	<u>\$ (50,169)</u>
		(concluded)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

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 reported 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 funds 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

C. FUND FINANCIAL STATEMENTS--continued

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 Projects Fund - The Capital Projects Fund is used to account for bond proceeds and related expenditures for capital projects.

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.

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 commingled 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.

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 AND BASIS OF ACCOUNTING

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING--continued

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 INFORMATION

Annual budgets are adopted for General Fund, Utility Surcharge Fund, Hotel/Motel Occupancy Tax Fund, Municipal Court Security & Technology Fund, City/County Dispatch Fund, Capital Projects 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.

F. CASH AND CASH EQUIVALENTS

Cash of all funds, including restricted cash, are combined 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

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.

J. INVENTORY

Inventories of supplies is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent "available spendable resources", even though they are a component of net current assets. Governmental fund inventories at year end are offset by a reservation of fund balance. Proprietary fund-type inventories are reported at the lower of cost or market.

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:

Buildings	20-40 years
Water and Sewer System	5-50 years
Infrastructure	50 years
Machinery and Equipment	5-10 years
Improvements Other than Buildings	20 years
Vehicles	3-10 years

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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 DEBT

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.

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 OPEB 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 Investment 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

P. FUND EQUITY--continued

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 investment in capital assets.”

In the governmental fund financial statements, fund balances are classified in the following categories:

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. Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the City’s highest level of decision-making authority. City Council is the highest decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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. The General Fund is the only fund that reports a positive unassigned fund balance.

R. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding - 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

R. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES—continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has 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.

The components of the City's Government-wide deferred outflows of resources and deferred inflows of resources are as follows

		Business-type Activities				
		Enterprise Funds				
	Governmental Activities	Water & Sewer	Natural Gas	Community Aquatic Center	Internal Service Fleet	Total
Deferred Outflows of Resources						
Deferred Loss on Bond Refundings	\$ 178,445	\$ 156,677	\$ -	\$ -		\$ 335,122
Deferred Outflows Related to Pension	1,089,601	273,056	84,575	12,019	40,176	1,499,427
Deferred Outflows Related to OPEB	530,891	133,620	41,387	5,882	22,552	734,332
Total Deferred Outflows of Resources	<u>\$ 1,798,937</u>	<u>\$ 563,353</u>	<u>\$ 125,962</u>	<u>\$ 17,901</u>	<u>\$ 62,728</u>	<u>\$ 2,568,881</u>
Deferred Inflows of Resources						
Deferred Gain on Bond Refundings	\$ -	\$ -	\$ -	\$ -	-	\$ -
Deferred Inflows Related to Pension	1,809,758	453,658	140,513	19,969	69,263	2,493,161
Deferred Inflows Related to OPEB	537,742	134,567	41,680	5,923	19,627	739,539
Deferred Inflows of Resources	<u>\$ 2,347,500</u>	<u>\$ 588,225</u>	<u>\$ 182,193</u>	<u>\$ 25,892</u>	<u>\$ 88,890</u>	<u>\$ 3,232,700</u>

S. 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.

T. 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

The bank deposits of \$17,192,337 (bank balances) at September 30, 2022, were covered by Federal Depository Insurance (FDIC) or by collateral held by the City's agent bank in the City's name. As of September 30, 2022, the City had \$24,574,634 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, 2022, the City had \$3,674,000 invested in certificates of deposit that are included as investments.

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 \$235,657 was uncollateralized as of September 30, 2022.

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.

Concentration 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3—CAPITAL ASSETS

Capital Assets for governmental and business-type activities are as follows:

	Governmental Activities				Ending Balance September 30, 2022
	Beginning Balance October 1, 2021	Additions	Deletions	Transfers	
Governmental Activities:					
Capital assets, not being depreciated					
Land	\$ 10,456,139	\$ -	\$ -	\$ -	\$ 10,456,139
Construction in progress	2,012,098	5,240,384	-	(267,750)	6,984,732
Total capital assets, not being depreciated	12,468,237	5,240,384	-	(267,750)	17,440,871
Capital assets, being depreciated					
Buildings and Improvements	4,831,702	-	-	-	4,831,702
Improvements other than Building	3,578,886	-	-	-	3,578,886
Machinery and Equipment	5,096,969	945,140	(28,982)	-	6,013,127
Infrastructure	17,623,043	269,978	-	267,750	18,160,771
Total capital assets, being depreciated	31,130,600	1,215,118	(28,982)	267,750	32,584,486
Less accumulated depreciation for:					
Buildings and Improvements	(1,940,513)	(125,689)	-	-	(2,066,202)
Improvements other than Building	(1,421,656)	(179,741)	-	-	(1,601,397)
Machinery and Equipment	(3,882,404)	(359,624)	23,667	-	(4,218,361)
Infrastructure	(3,999,723)	(395,193)	-	-	(4,394,916)
Total accumulated depreciation	(11,244,296)	(1,060,247)	23,667	-	(12,280,876)
Total capital assets, being depreciated, net	19,886,304	154,871	(5,315)	267,750	20,303,610
Governmental activities, capital assets, net	\$ 32,354,541	\$ 5,395,255	\$ (5,315)	\$ -	\$ 37,744,481

	Business-type Activities				Ending Balance September 30, 2022
	Beginning Balance October 1, 2021	Additions	Deletions	Transfers	
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 214,953	\$ -	\$ -	\$ -	\$ 214,953
Construction in Progress	-	-	-	-	-
Total capital assets, not being depreciated	214,953	-	-	-	214,953
Capital assets, being depreciated					
Building and Improvements	6,207,831	-	-	-	6,207,831
Water System	29,356,800	-	-	-	29,356,800
Sewer System	24,075,770	74,885	-	-	24,150,655
Natural Gas System	6,937,295	11,720	-	-	6,949,015
Machinery and Equipment	2,276,379	653,452	-	-	2,929,831
Total capital assets, being depreciated	68,854,075	740,057	-	-	69,594,132
Less accumulated depreciation for:					
Building and Improvements	(2,489,048)	(170,112)	-	-	(2,659,160)
Water System	(11,331,597)	(677,080)	-	-	(12,008,677)
Sewer System	(11,166,735)	(510,400)	-	-	(11,677,135)
Natural Gas System	(1,675,296)	(272,552)	-	-	(1,947,848)
Machinery and Equipment	(1,886,553)	(122,515)	-	-	(2,009,068)
Total	(28,549,229)	(1,752,659)	-	-	(30,301,888)
Total capital assets, being depreciated, net	40,304,846	(1,012,602)	-	-	39,292,244
Business-type activities, capital assets, net	\$ 40,519,799	\$ (1,012,602)	\$ -	\$ -	\$ 39,507,197

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3—CAPITAL ASSETS—continued

Depreciation expense was charged as follows:

Governmental functions		Business-type functions	
General Government	\$ 142,795	Water & Sewer	\$ 1,403,986
Public Safety	250,393	Natural Gas	281,768
Public Works	463,223	Aquatic Center	66,905
Culture and Recreation	203,836	Total business-type functions	<u>\$ 1,752,659</u>
Total governmental functions	<u>\$ 1,060,247</u>		

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, 2022:

	Beginning Balance	Additions	Retirements/ Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligations	\$ 8,503,473	\$ 11,925,000	\$ (1,295,450)	\$ 19,133,023	\$ 1,653,454
Certificates of Obligation	4,275,000	-	(230,000)	4,045,000	240,000
Tax Notes	14,005,000	7,640,000	(14,005,000)	7,640,000	150,000
Energy Conservation Bond	1,247,728	-	(60,342)	1,187,386	52,062
Premium on Bonds	799,584	2,287,470	(194,091)	2,892,963	109,527
Capital Leases	313,649	-	(107,787)	205,862	101,520
Total Long-Term Debt	<u>29,144,434</u>	<u>21,852,470</u>	<u>(15,892,670)</u>	<u>35,104,234</u>	<u>2,306,563</u>
Other Long-Term Liabilities					
Compensated Absences	660,742	185,555	(231,056)	615,241	231,056
Pension Liability	3,241,543	-	(1,143,939)	2,097,604	-
OPEB Liability	4,197,578	-	(535,868)	3,661,710	-
Total Other Long-Term Liabilities	<u>8,099,863</u>	<u>185,555</u>	<u>(1,910,863)</u>	<u>6,374,555</u>	<u>231,056</u>
Total Governmental Activities	<u>\$ 37,244,297</u>	<u>\$ 22,038,025</u>	<u>\$ (17,803,533)</u>	<u>\$ 41,478,789</u>	<u>\$ 2,537,619</u>
	Beginning Balance	Additions	Retirements/ Deductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
General Obligations	\$ 7,971,527	\$ -	\$ (1,064,550)	\$ 6,906,977	\$ 1,106,547
Certificates of Obligation	2,625,000	-	(155,000)	2,470,000	160,000
Energy Conservation Bond	6,993,541	-	(338,219)	6,655,322	291,812
Premium on Bonds	505,979	-	(206,155)	299,824	86,624
Total Long-Term Debt	<u>18,096,047</u>	<u>-</u>	<u>(1,763,924)</u>	<u>16,332,123</u>	<u>1,644,983</u>
Other Long-Term Liabilities					
Compensated Absences	217,122	59,062	(75,404)	200,780	75,404
Pension Liability	1,111,128	-	(378,042)	733,086	-
OPEB Liability	2,664,180	-	(24,053)	2,640,127	-
Total Other Long-Term Liabilities	<u>3,992,430</u>	<u>59,062</u>	<u>(477,499)</u>	<u>3,573,993</u>	<u>75,404</u>
Total Business-Type Activities	<u>\$ 22,088,477</u>	<u>\$ 59,062</u>	<u>\$ (2,241,423)</u>	<u>\$ 19,906,116</u>	<u>\$ 1,720,387</u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4—LONG-TERM LIABILITIES--continued

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, 2022:

	Governmental Activity	Business-Type Activity
General Obligation Refunding Bonds, Series 2012, Original Issuance \$6,880,000 Callable February 15, 2023 at par; Varying Interest Rates 1% to 3%	\$ 1,536,416	\$ 1,123,584
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%	1,262,814	342,186
General Obligation Refunding Bonds, Series 2017, Original Issuance \$5,710,000 Callable February 15, 2028 at par; Interest rate 4%	-	4,535,000
General Obligation Refunding Bonds, Series 2022, Original Issuance \$11,925,000 Callable February 15, 2031 at par; Interest rate 4% to 5%	11,925,000	-
Total General Obligations	19,133,023	6,906,977
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%	-	2,470,000
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%	1,430,000	-
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%	2,615,000	-
Total Certificates of Obligation	4,045,000	2,470,000
Tax Notes, Series 2022, Original Issuance \$7,640,000 Redeemable after February 15, 2026 at par, Interest rate 4%	7,640,000	-
Taxable Direct Pay Qualified Energy Conservation Bond; Original Amount \$9,319,538, Due in semi-annual payments; Interest rate 4%	1,187,385	6,655,322
Total Long-Term Liabilities at September 30, 2022	\$ 32,005,408	\$ 16,032,299

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5—LONG-TERM DEBT--continued

Debt service requirements on outstanding bonds and certificates of obligation are as follows:

Year Ended September 30,	Governmental Activities		Business-type Activities		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	2,095,516	1,345,316	1,558,358	624,495	3,653,874	1,969,811
2024	2,462,292	1,139,240	1,642,485	563,592	4,104,776	1,702,832
2025	2,768,682	1,039,026	1,708,309	498,449	4,476,990	1,537,475
2026	2,976,373	928,018	1,783,610	429,999	4,759,982	1,358,017
2027	3,079,201	809,583	1,564,579	362,983	4,643,780	1,172,566
Thereafter	18,623,345	3,856,681	7,774,960	1,349,363	26,398,305	5,206,044
	<u>\$ 32,005,408</u>	<u>\$ 9,117,865</u>	<u>\$ 16,032,300</u>	<u>\$ 3,828,880</u>	<u>\$ 48,037,707</u>	<u>\$ 12,946,745</u>

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. This lease agreement qualifies as capital leases for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception. At September 30, 2022, the Center is carried at the cost of \$1,607,000 net of accumulated depreciation of \$723,150. The City acquired four vehicles under a lease purchase agreement that are carried at a cost of \$44,914 net of accumulated depreciation of \$44,914 as of September 30, 2022. 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, 2022:

Year Ended September 30,	BUILDING	EQUIPMENT	TOTAL
2023	101,520	-	101,520
2024	104,342	-	104,342
	<u>\$ 205,862</u>	<u>\$ -</u>	<u>\$ 205,862</u>

NOTE 7--INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 2022, is as follows:

	Due From	Due To
Governmental Funds		
General Fund	\$ 588	\$ -
Debt Service	141,337	-
Nonmajor Governmental Funds	-	113,497
Business-Type Funds		
Water & Sewer	530,005	141,337
Natural Gas	-	417,096
Total	<u>\$ 671,930</u>	<u>\$ 671,930</u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8—INTERFUND TRANSFERS

The following is a summary of transfers to and from other funds by individual major fund and nonmajor funds in the aggregate for governmental, proprietary and internal service funds.

Governmental Activities	Transfers	
	In	Out
General Fund		
Water & Sewer	\$ 1,477,451	\$ -
Natural Gas	225,343	-
Sanitation	22,960	-
Community Aquatic Center	9,184	246,604
Internal Service	19,506	-
Nonmajor Governmental Funds	28,921	930,652
Total General Fund	1,783,365	1,177,256
Nonmajor Governmental Funds		
Utility Bill Surcharge	-	9,184
Stonegarden Grant	-	12,050
City/County Dispatch Services	506,211	20,053
Storm Uri	9,962	22,483
Vehicle and Equipment Replacement	442,787	-
2007 Capital Project	-	311,761
Total Nonmajor Funds	958,960	375,531
Total Governmental Funds	\$ 2,742,325	\$ 1,552,787

Business-Type Activities	Transfers	
	In	Out
Water & Sewer		
General Fund	-	1,477,451
Natural Gas	90,000	143,643
Vehicle and Equipment Replacement	515,567	329,078
Storm Uri	-	5,118
Debt Service	2,144,182	2,144,182
Total Water & Sewer	2,749,749	4,099,472
Natural Gas		
General Fund	-	225,343
Vehicle and Equipment Replacement	151,157	18,300
Storm Uri	-	510
Water & Sewer	136,059	90,000
Total Natural Gas	287,216	334,153
Sanitation		
General Fund	-	18,368
Total Sanitation	-	18,368
Community Aquatic Center		
General Fund	246,604	9,184
Total Community Aquatic Center	246,604	9,184
Total Proprietary Funds	3,283,569	4,461,177
Fleet Fund		
General Fund	16,993	28,923
Total Fleet Fund	16,993	28,923
Total All Funds	\$ 6,042,887	\$ 6,042,887

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8—INTERFUND TRANSFERS--continued

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 9—PROPERTY TAXES

The City's taxes are billed and collected by the Aransas County Tax office. Ad valorem taxes of \$7,175,254 were assessed on property values totaling \$1,610,751,822 using a tax rate of .39272 per \$100 assessed value.

NOTE 10—DUE FROM OTHER GOVERNMENTS

The City participates in certain federal financial assistance programs for which grant revenues are expenditure driven. Receivables have been recorded as necessary to recognize revenue in an amount equivalent to program expenditures.

NOTE 11—RECEIVABLES

Receivables are recorded net of allowances for uncollectible accounts, as follows:

	Gross Receivables	Allowance for Uncollectible	Net Receivables
General Fund			
Property Taxes	\$ 145,100	\$ (64,919)	\$ 80,181
Other Taxes	649,107	-	649,107
Accounts Receivable	447,757	-	447,757
Intergovernmental	855,983	-	855,983
Debt Service Fund			
Property Taxes	107,688	(47,600)	60,088
Nonmajor Funds			
Accounts Receivable	207,527	(89)	207,438
Intergovernmental	2,164,460	-	2,164,460
Internal Service Fund			
Accounts Receivable	4,799	-	4,799
Water & Sewer			
Accounts Receivable	1,101,490	(9,050)	1,092,440
Natural Gas			
Accounts Receivable	191,478	-	191,478
Sanitation			
Accounts Receivable	276,848	(373)	276,475
Community Aquatic Center			
Accounts Receivable	180	-	180
Total	<u>\$ 6,152,417</u>	<u>\$ (122,031)</u>	<u>\$ 6,030,386</u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12—FUND BALANCE CLASSIFICATIONS

The following table presents additional detail of fund balances as of September 30, 2022:

	General	Debt Service	Capital Projects	NON-MAJOR GOVERNMENT FUNDS		Total
				Special Revenue	Capital Projects	
Non-spendable:						
Inventories and prepayments	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Total Non-spendable	40,000	-	-	-	-	40,000
Restricted:						
General Fund - Sesquicentennial	-	-	-	-	-	-
Utility Bill Surcharge	-	-	-	133,088	-	133,088
Stonegarden Grant	-	-	-	(11,965)	-	(11,965)
Contribution Fund	-	-	-	11,384	-	11,384
Public Access TV	-	-	-	308,977	-	308,977
Hotel Motel Tax	-	-	-	2,158,007	-	2,158,007
Key Allegro Property Improvement	-	-	-	-	-	-
Border Star Grant	-	-	-	(3,175)	-	(3,175)
Child Safety	-	-	-	2,391	-	2,391
Forfeiture	-	-	-	20,992	-	20,992
Municipal Court	-	-	-	15,305	-	15,305
Capital Project	-	-	26,559,917	-	-	26,559,917
Total Restricted	-	-	26,559,917	2,635,004	-	29,194,921
Committed:						
Debt Service	-	1,478,385	-	-	-	1,478,385
Total Committed	-	1,478,385	-	-	-	1,478,385
Assigned:						
Storm Uri	-	-	-	10,719	-	10,719
City/Council Dispatch Services	-	-	-	(14,383)	-	(14,383)
Vehicle and Equipment Replacement	-	-	-	-	672,245	672,245
Total Assigned	-	-	-	(3,664)	672,245	668,581
Unassigned:						
General Fund Unassigned	3,470,999	-	-	-	-	3,470,999
2017 Capital Project	-	-	-	-	-	-
CDBG	-	-	-	-	-	-
General Capital Improvements	-	-	-	-	(4,399,394)	(4,399,394)
Juvenile Case Manager	-	-	-	(12,796)	-	(12,796)
Total Unassigned	3,470,999	-	-	(12,796)	(4,399,394)	(941,191)
Total	\$ 3,510,999	\$ 1,478,385	\$ 26,559,917	\$ 2,618,544	\$ (3,727,149)	\$ 30,440,696

NOTE 13—PENSION PLAN

A. Plan Description

The City participates as one of 930 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 that can be obtained at www.tmr.com.n All eligible employees of the City are required to participate in TMRS.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13—PENSION PLAN--continued

B. Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the 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 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.

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

Employee Deposit Rate	7.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility	20 years at any age, 10 years at age (Expressed as
Age/Years of Service)	60 and above

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	88
Inactive Employees Entitled to but not Receiving Benefits	74
Active employees	<u>120</u>
Total	<u><u>282</u></u>

C. 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 2022, the City made contributions of 16.98% which included .027%, for supplemental death benefits for the calendar year 2022 and 17.65% which included .030% for supplemental death benefits for the calendar year 2021.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13—PENSION PLAN—continued

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.5% to 11.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2021, valuation was based on the results of actuarial experience studies. The experience study in TMRS 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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13—PENSION PLAN--continued

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.10%
Core Fixed Income	6.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Other Public & Private Markets	12.0%	3.78%
Real Estate	12.0%	4.44%
Hedge Funds	5.0%	3.56%
Private Equity	10.0%	7.75%
Total	100.0%	

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

Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balance at 12/31/20	\$ 36,719,225	\$ 32,366,554	\$ 4,352,671
Changes for the Year:			
Service Cost	1,307,529		1,307,529
Interest	2,463,862		2,463,862
Difference between Expected and Actual Experience	663,561		663,561
Contributions - Employer		1,251,275	(1,251,275)
Contributions - Employee		504,837	(504,837)
Net Investment Income		4,220,211	(4,220,211)
Benefit Payments, Including Refunds of Employee Contributions	(1,742,674)	(1,742,674)	-
Administrative Expenses		(19,523)	19,523
Other Changes		134	(134)
Net Changes	2,692,278	4,214,260	(1,521,982)
Balance at 12/31/21	\$ 39,411,503	\$ 36,580,814	\$ 2,830,689

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13—PENSION PLAN--continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 8,177,973	\$ 2,830,689	\$ (1,545,422)

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.

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

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after Measurement Date	\$ 1,010,235	\$ -
Difference in Projected and Actual Earnings on Pension Assets	-	2,167,400
Difference in Projected and Actual Pension Experience	473,428	325,761
Difference in Actuarial Assumptions Used to Determine Pension Liability	15,764	-
Total	<u>\$ 1,499,427</u>	<u>\$ 2,493,161</u>

For the year ended September 30, 2022, \$994,171 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31,	Net deferred outflows (inflows) of resources
2022	\$ (428,232)
2023	(804,057)
2024	(364,583)
2025	(407,097)
Total	<u>\$ (2,003,969)</u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION

The City provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-member defined benefit medical pay (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	5,602,553	548,194	6,150,747
Deferred Outflow of Resources	635,858	98,473	734,331
Deferred Inflow of Resources	700,293	39,246	739,539
OPEB Expense	504,723	39,883	544,606

MEDICAL BENEFITS

Plan description:

In addition to the pension benefits described in Note 10, 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 premiums paid increases annually and at twenty years of service the City pays 80% of the premium.

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

After 4/24/2001, eligible employees must enroll for this coverage within thirty days of retirement. The health care benefit provided by the plan is for the retiree only.

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, which is roughly 80% of the overall retiree premium. In the December 31, 2019, 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 September 30, 2022, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	51
Inactive Employees Entitled to but not Receiving Benefits	
Active employees	120
Total	<u>171</u>

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City has funded all obligations arising under this plan on a pay-as-you-go basis, which is the practice of paying for these benefits as they become due each year. Funds must be used for the exclusive purpose of providing benefits to eligible retirees and their dependents. The City intends to make subsequent annual contributions to the OPEB in accordance with a plan that results in fully funding the actuarially determined annual required contributions for those benefits over a period.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Total OPEB Liability – Medical Benefits

The City's total OPEB liability of \$5,602,553 was measured as of December 31, 2021, 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 2022 was \$7,077,342, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 79.16%.

Actuarial Methods and Assumptions

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

For December 31, 2021, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 11.5% payroll growth rate, including inflation; 2.5% inflation rate; and 7.0% initial rate, declining to an ultimate rate of 4.15% 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. 80% 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 2.0% (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 2.75% as of the prior measurement date.

Changes in the Total OPEB Liability

	<u>MEDICAL OPEB</u>
Balance at January 1, 2020	\$ 6,338,353
Changes for the year	
Service Cost	482,551
Interest on Total OPEB Liability	129,909
Changes of Benefit Terms	(881,598)
Difference between Expected and Actual Experience	(224,035)
Changes in Assumptions	(74,229)
Benefit Payments	(168,398)
Net Change in Total OPEB Liability	<u>(735,800)</u>
Balance at December 31, 2021	<u><u>\$ 5,602,553</u></u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.0%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Discount Rate Assumption		
	1% Decrease	No Change	1% Increase
Total Medical OPEB Liability	\$ 6,306,254	\$ 5,602,553	\$ 4,999,918

	Healthcare Cost Trend Rate Assumption		
	1% Decrease	No Change	1% Increase
Total Medical OPEB Liability	\$ 5,166,253	\$ 5,602,553	\$ 6,131,162

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

For the year ended September 30, 2022, the City reported OPEB expense of \$351,578 and deferred outflows of resources and determined inflows of resources related to OPEB from the following sources:

Deferred Outflows and Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions after Measurement Date	\$ 156,120	
Difference in Projected and Actual Experience		\$ 552,539
Change in Assumptions	479,738	147,754
Total	<u>\$ 635,858</u>	<u>\$ 700,293</u>

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, 2022 (i.e., recognized in the city's financial statements September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to OPEB at September 30, 2022 will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Inflows of Resources
2023	\$ (52,957)
2024	(99,460)
2025	(34,392)
2026	733
2027	(34,479)
Total	<u>\$ (220,555)</u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

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).

At September 30, 2022, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	68
Inactive Employees Entitled to but not Receiving Bene	13
Active employees	120
Total	<u>201</u>

Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.27% for 2022 and 0.30% for 2021, 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, 2022, and 2021 were \$20,953 and \$21,129 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 \$548,194 was measured as of December 31, 2021, 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 2021 was \$7,211,964, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.60%.

Actuarial Methods and Assumptions

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

For the December 31, 2021, 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.

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

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, 2020	\$ 523,405
Changes for the year	
Service Cost	29,569
Interest on Total OPEB Liability	10,641
Difference Between Expected and Actual Experience	(18,822)
Changes in Assumptions	15,661
Benefit Payments	<u>(12,260)</u>
Net Change in Total OPEB Liability	<u>24,789</u>
Balance at December 31, 2021	<u><u>\$ 548,194</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

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

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Total TMRS SDBF Liability	\$ 661,714	\$ 548,194	\$ 459,324

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

For the year ended September 30, 2022, the City reported OPEB expense of \$50,301 and deferred outflows of resources and determined inflows of resources related to OPEB from the following sources:

Deferred Outflows and Inflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions after Measurement Date	\$ 19,944	
Difference in Projected and Actual Experience		\$ 33,723
Change in Assumptions	<u>78,529</u>	<u>5,523</u>
Total	<u><u>\$ 98,473</u></u>	<u><u>\$ 39,246</u></u>

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$10,418 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2022 (i.e., recognized in the city's financial statements September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to OPEB at September 30, 2022 will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Inflows of Resources
2023	\$ 11,550
2024	17,143
2025	11,159
2026	(569)
2027	
Total	<u>\$ 39,283</u>

NOTE 15—COMMITMENTS AND CONTINGENT LIABILITIES

The City is exposed to various risks of loss related to third party liability claims; theft of damage to and destruction of assets; errors and omissions and injuries to employees. The City obtains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

NOTE 16—RISK MANAGEMENT

The City's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

NOTE 17—FUND DEFICITS

As of September 30, 2022, the General Capital Improvements fund had a deficit balance of (\$3,591,248).

CITY OF ROCKPORT, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 18—SIGNIFICANT BUDGET OVERAGES

The budgetary comparison for the General Fund reflected budgetary overages as follows:

- General Government expenditures overage of \$1,068,013

The following are the budgetary overages for nonmajor governmental funds:

- Utility Bill Surcharge Fund – Public Safety expenditures overage of \$21,134.
- Overage due to prior year distribution.
- City/County Dispatch Fund – Public Safety expenditures overage of \$60,203.
- Overage due to timing for County to remit fund.
- Municipal Court Security & technology Fund – Public Safety expenditures overage of \$2,263.
- Debt Service Fund – Principal Retirement expenditures overage of \$143,972.

NOTE 19—EVALUATION OF SUBSEQUENT EVENTS

In preparing the financial statements the management of the City of Rockport has evaluated events and transactions for potential recognition or disclosure through February 23, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKPORT, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 1,307,529	\$ 1,200,234	\$ 1,164,313	\$ 1,114,592	\$ 1,558,081	\$ 982,451	\$ 876,152	\$ 740,391
Interest (on Total Pension Liability)	2,463,862	2,375,106	2,271,179	2,136,342	1,915,431	1,750,739	1,721,744	1,625,684
Changes of Benefit Terms:								
Difference Between Expected and Actual Experience	663,561	(598,085)	(350,839)	162,769	1,248,532	(14,404)	(291,293)	(29,335)
Change of Assumptions:	-	-	76,395	-	-	665,897	126,355	-
Benefit Payments, including Refunds of Employee Contributions	(1,742,674)	(1,689,335)	(1,589,356)	(1,292,599)	(1,162,491)	(1,331,557)	(930,802)	(1,133,860)
Net Change in Total Pension Liability	2,692,278	1,287,920	1,571,692	2,121,104	3,559,553	2,053,126	1,502,156	1,202,880
Total Pension Liability - Beginning	36,719,225	35,431,305	33,859,613	31,738,509	28,178,956	26,125,830	24,623,674	23,420,794
Total Pension Liability - Ending (a)	<u>\$ 39,411,503</u>	<u>\$ 36,719,225</u>	<u>\$ 35,431,305</u>	<u>\$ 33,859,613</u>	<u>\$ 31,738,509</u>	<u>\$ 28,178,956</u>	<u>\$ 26,125,830</u>	<u>\$ 24,623,674</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 1,251,275	\$ 1,198,891	\$ 1,108,588	\$ 961,933	\$ 1,375,596	\$ 877,449	\$ 830,773	\$ 777,084
Contributions - Employee	504,837	469,628	444,879	413,468	608,286	398,907	365,498	339,762
Net Investment Income	4,220,211	2,286,145	4,041,271	(805,105)	3,172,753	1,453,921	31,339	1,150,850
Benefit Payments, including Refunds of Employee Contributions	(1,742,674)	(1,689,335)	(1,589,356)	(1,292,599)	(1,162,491)	(1,331,557)	(930,802)	(1,133,860)
Administrative Expenses	(19,523)	(14,792)	(22,830)	(15,558)	(16,446)	(16,421)	(19,088)	(12,015)
Other	134	(577)	(685)	(812)	(833)	(885)	(943)	(988)
Net Change in Plan Fiduciary Net Position	4,214,260	2,249,960	3,981,867	(738,673)	3,976,865	1,381,414	276,777	1,120,833
Plan Fiduciary Net Position - Beginning	32,366,554	30,116,594	26,134,727	26,873,400	22,896,535	21,515,121	21,238,344	20,117,511
Plan Fiduciary Net Position - Ending (b)	<u>\$ 36,580,814</u>	<u>\$ 32,366,554</u>	<u>\$ 30,116,594</u>	<u>\$ 26,134,727</u>	<u>\$ 26,873,400</u>	<u>\$ 22,896,535</u>	<u>\$ 21,515,121</u>	<u>\$ 21,238,344</u>
Net Pension (Asset) Liability - Ending (a)-(b)	<u>\$ 2,830,689</u>	<u>\$ 4,352,671</u>	<u>\$ 5,314,711</u>	<u>\$ 7,724,886</u>	<u>\$ 4,865,109</u>	<u>\$ 5,282,421</u>	<u>\$ 4,610,709</u>	<u>\$ 3,385,330</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.82%	88.15%	85.00%	77.19%	84.67%	81.25%	82.35%	86.25%
Covered Payroll	\$ 7,211,964	\$ 6,708,966	\$ 6,355,418	\$ 5,906,687	\$ 8,689,797	\$ 5,698,673	\$ 5,221,406	\$ 4,853,742
Net Pension Liability as a Percentage of Covered Payroll	39.25%	64.88%	83.62%	130.78%	55.99%	92.70%	88.30%	69.75%

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

CITY OF ROCKPORT, TEXAS
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	Fiscal Year Ended September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,187,965	\$ 1,230,488	\$ 1,198,891	\$ 1,069,089	\$ 1,153,763	\$ 917,078	\$ 877,449	\$ 831,456	\$ 758,836	\$ 679,157
Contributions in relation to actuarially determined contribution	1,308,319	1,230,488	1,237,615	1,054,491	1,153,763	917,078	877,449	831,456	758,836	418,917
Contribution deficiency (excess)	\$ 120,354	\$ -	\$ 38,724	\$ (14,598)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (260,240)
Covered payroll	\$ 6,822,433	\$ 6,708,088	\$ 6,870,088	\$ 6,149,048	\$ 7,163,204	\$ 5,793,290	\$ 5,698,673	\$ 5,136,730	\$ 4,853,742	\$ 4,369,466
Contributions as a percentage of covered payroll	-19.18%	-18.34%	-18.01%	-17.15%	-16.11%	-15.83%	-15.40%	-16.19%	-15.63%	-9.59%

CITY OF ROCKPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 29,569	\$ 24,152	\$ 17,160	\$ 12,404	\$ 16,511
Interest	10,641	12,279	13,574	13,074	12,874
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	(18,822)	(8,742)	(13,755)	(31,557)	-
Change in Assumptions or Other Inputs	15,661	63,296	63,429	(22,651)	30,715
Benefit Payments	(12,260)	(4,025)	(2,542)	(2,953)	(4,345)
Net Change in OPEB Liability	24,789	86,960	77,866	(31,683)	55,755
Total OPEB Liability - Beginning	523,405	436,445	358,579	390,262	334,507
Total OPEB Liability - Ending	<u>\$ 548,194</u>	<u>\$ 523,405</u>	<u>\$ 436,445</u>	<u>\$ 358,579</u>	<u>\$ 390,262</u>
Covered Payroll	\$ 7,211,964	\$ 6,708,966	\$ 6,355,418	\$ 5,906,687	\$ 8,689,797
Total OPEB Liability as a Percentage of Covered Payroll	7.60%	7.80%	6.87%	6.07%	4.49%

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

2021	1.84%
2020	2.00%
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
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 482,551	\$ 378,651	\$ 357,387	\$ 447,574	\$ 391,117
Interest	129,909	153,610	210,376	212,555	214,798
Changes of Benefit Terms	(881,598)	-	-	(868,485)	-
Difference Between Expected and Actual Experience	(224,035)	(15,765)	(700,917)	(72,989)	-
Change in Assumptions or Other Inputs	(74,229)	502,691	203,490	(249,986)	324,340
Benefit Payments	(168,398)	(154,661)	(176,676)	(172,625)	(176,658)
Net Change in OPEB Liability	(735,800)	864,526	(106,340)	(703,956)	753,597
Total OPEB Liability - Beginning	6,338,353	5,473,827	5,580,167	6,284,123	5,530,526
Total OPEB Liability - Ending	<u>\$ 5,602,553</u>	<u>\$ 6,338,353</u>	<u>\$ 5,473,827</u>	<u>\$ 5,580,167</u>	<u>\$ 6,284,123</u>
Covered Payroll	\$ 7,077,342	\$ 6,581,617	\$ 6,507,443	\$ 5,930,211	\$ 7,994,196
Total OPEB Liability as a Percentage of Covered Payroll	79.16%	96.30%	84.12%	94.10%	78.61%

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

2021	1.84%
2020	2.00%
2019	2.75%
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.

**COMBINING STATEMENTS AND
SUPPLEMENTARY SCHEDULES SECTION**

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

	Special Revenue Funds				
	Utility Bill Surcharge	Stonegarden Grant	Juvenile Case Manager	Contribution Fund	City/County Dispatch Services
ASSETS					
Cash and Cash Equivalents	\$ 320,295	\$ -	\$ -	\$ 11,384	\$ -
Receivables (Net of Allowance for Uncollectible)					
Accounts	15,587	-	-	-	-
Intergovernmental	-	34,527	-	-	-
Due from Other Funds	-	-	-	-	-
Total Assets	\$ 335,882	\$ 34,527	\$ -	\$ 11,384	\$ -
LIABILITIES					
Obligations in Excess of Cash	\$ -	\$ 44,542	\$ 12,796	\$ -	\$ 4,486
Accounts Payable	187,649	802	-	-	4,075
Accrued Expenditures	-	-	-	-	5,822
Due to Other Funds	-	1,148	-	-	-
Unearned Revenue	15,145	-	-	-	-
Total Liabilities	202,794	46,492	12,796	-	14,383
FUND BALANCE					
Restricted for:					
Tourism	-	-	-	-	-
Public Safety	133,088	(11,965)	-	-	-
Public Access TV	-	-	-	-	-
Security and Technology	-	-	-	-	-
Specified by Donors	-	-	-	11,384	-
Child Safety	-	-	-	-	-
Assigned	-	-	-	-	(14,383)
Unassigned	-	-	(12,796)	-	-
Total Fund Balance	133,088	(11,965)	(12,796)	11,384	(14,383)
Total Liabilities and Fund Balance	\$ 335,882	\$ 34,527	\$ -	\$ 11,384	\$ -

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

Special Revenue Funds								
Public Access TV	Hotel Motel Tax	Border Star Grant	Child Safety	Forfeiture	Community Development Block Grant	Municipal Court Security & Technology	Storm Uri	
\$ 308,977	\$ 1,968,172	\$ 1,720	\$ 2,391	\$ 20,992	\$ -	\$ 15,305	\$ 10,719	
-	191,851	-	-	-	-	-	-	
-	-	-	-	-	266,687	-	-	
-	-	-	-	-	-	-	-	
<u>\$ 308,977</u>	<u>\$ 2,160,023</u>	<u>\$ 1,720</u>	<u>\$ 2,391</u>	<u>\$ 20,992</u>	<u>\$ 266,687</u>	<u>\$ 15,305</u>	<u>\$ 10,719</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,687	\$ -	\$ -	
-	1,634	4,813	-	-	-	-	-	
-	382	-	-	-	-	-	-	
-	-	82	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	2,016	4,895	-	-	266,687	-	-	
-	2,158,007	-	-	-	-	-	-	
-	-	(3,175)	-	20,992	-	-	-	
308,977	-	-	-	-	-	-	-	
-	-	-	-	-	-	15,305	-	
-	-	-	-	-	-	-	-	
-	-	-	2,391	-	-	-	-	
-	-	-	-	-	-	-	10,719	
-	-	-	-	-	-	-	-	
<u>308,977</u>	<u>2,158,007</u>	<u>(3,175)</u>	<u>2,391</u>	<u>20,992</u>	<u>-</u>	<u>15,305</u>	<u>10,719</u>	
<u>\$ 308,977</u>	<u>\$ 2,160,023</u>	<u>\$ 1,720</u>	<u>\$ 2,391</u>	<u>\$ 20,992</u>	<u>\$ 266,687</u>	<u>\$ 15,305</u>	<u>\$ 10,719</u>	

(continued)

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

	<u>Capital Projects Funds</u>		<u>Total</u>
	<u>General Capital Improvements</u>	<u>Vehicle and Equipment Replacement</u>	<u>Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 672,245	\$ 3,332,200
Receivables (Net of Allowance for Uncollectible)			
Accounts	-	-	207,438
Intergovernmental	1,863,246	-	2,164,460
Due from Other Funds	1,260,623	-	1,260,623
Total Assets	<u>\$ 3,123,869</u>	<u>\$ 672,245</u>	<u>\$ 6,964,721</u>
LIABILITIES			
Obligations in Excess of Cash	\$ 6,726,481	\$ -	\$ 7,054,992
Accounts Payable	796,782	-	995,755
Accrued Expenditures	-	-	6,204
Due to Other Funds	-	-	1,230
Unearned Revenue	-	-	15,145
Total Liabilities	<u>7,523,263</u>	<u>-</u>	<u>8,073,326</u>
FUND BALANCE			
Restricted for:			
Tourism	-	-	2,158,007
Public Safety	-	-	138,940
Public Access TV	-	-	308,977
Security and Technology	-	-	15,305
Specified by Donors	-	-	11,384
Child Safety	-	-	2,391
Assigned	-	672,245	668,581
Unassigned	(4,399,394)	-	(4,412,190)
Total Fund Balance	<u>(4,399,394)</u>	<u>672,245</u>	<u>(1,108,605)</u>
Total Liabilities and Fund Balance	<u>\$ 3,123,869</u>	<u>\$ 672,245</u>	<u>\$ 6,964,721</u>

(concluded)

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	Special Revenue Funds				
	Utility Bill Surcharge	Stonegarden Grant	Juvenile Case Manager	Contribution Fund	City/County Dispatch Services
REVENUES					
Taxes and Business Fees	\$ 197,525	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	153,118	-	-	479,384
Fines and Forfeitures	-	-	4,403	-	-
Interest on Investments	-	-	-	-	-
Other Revenues	-	-	-	-	-
Total revenues	197,525	153,118	4,403	-	479,384
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	187,649	260,580	17,199	-	985,838
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Tourism	-	-	-	-	-
Principal Retirement	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total expenditures	187,649	260,580	17,199	-	985,838
Excess (deficiency) of revenues over expenditures	9,876	(107,462)	(12,796)	-	(506,454)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	504,925
Transfers Out	(9,876)	-	-	-	(18,368)
Total other financing sources (uses)	(9,876)	-	-	-	486,557
Net change in fund balance	-	(107,462)	(12,796)	-	(19,897)
Fund balances - beginning	133,088	95,497	-	11,384	5,514
Fund balances - ending	\$ 133,088	\$ (11,965)	\$ (12,796)	\$ 11,384	\$ (14,383)

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

Special Revenue Funds								
Public Access TV	Hotel Motel Tax	Border Star Grant	Child Safety	Forfeiture	Community Development Block Grant	Municipal Court Security & Technology	Storm Uri	
\$ 30,216	\$ 1,367,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	9,951	-	-	2,345,121	-	10,719	
-	-	-	115	-	-	6,670	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	56	-	
30,216	1,367,619	9,951	115	-	2,345,121	6,726	10,719	
-	-	-	-	-	-	9,963	-	
-	-	14,042	-	2,431	-	-	-	
-	-	-	-	-	2,006,878	-	-	
-	35,000	-	-	-	-	-	-	
-	770,500	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	338,243	-	-	
-	805,500	14,042	-	2,431	2,345,121	9,963	-	
30,216	562,119	(4,091)	115	(2,431)	-	(3,237)	10,719	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
30,216	562,119	(4,091)	115	(2,431)	-	(3,237)	10,719	
278,761	1,595,888	916	2,276	23,423	-	18,542	-	
\$ 308,977	\$ 2,158,007	\$ (3,175)	\$ 2,391	\$ 20,992	\$ -	\$ 15,305	\$ 10,719	

(continued)

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	Capital Projects Funds		Total
	General Capital Improvements	Vehicle and Equipment Replacement	Nonmajor Governmental Funds
REVENUES			
Taxes and Business Fees	\$ -	\$ -	\$ 1,595,360
Intergovernmental	1,863,246	-	4,861,539
Fines and Forfeitures	-	-	11,188
Interest on Investments	-	4,135	4,135
Other Revenues	-	-	56
Total revenues	1,863,246	4,135	6,472,278
EXPENDITURES			
Current:			
General Government	-	-	9,963
Public Safety	-	-	1,467,739
Public Works	-	-	2,006,878
Culture and Recreation	99,876	28,663	163,539
Tourism	-	-	770,500
Principal Retirement	-	10,276	10,276
Capital Outlay	4,902,141	759,993	6,000,377
Total expenditures	5,002,017	798,932	10,429,272
Excess (deficiency) of revenues over expenditures	(3,138,771)	(794,797)	(3,956,994)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	451,785	956,710
Transfers out	-	-	(28,244)
Total other financing sources (uses)	-	451,785	928,466
Net change in fund balance	(3,138,771)	(343,012)	(3,028,528)
Fund balances - beginning	(1,260,623)	1,015,257	1,919,923
Fund balances - ending	\$ (4,399,394)	\$ 672,245	\$ (1,108,605)
			(concluded)

CITY OF ROCKPORT, TEXAS
BUDGETARY COMPARISON SCHEDULE
UTILITY BILL SURCHARGE
For the Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual Amounts	Variance With Final Budget Positive or (Negative)
REVENUES				
Taxes and Business Fees	\$ 175,300	\$ 175,300	\$ 197,525	\$ 22,225
Total Revenues	175,300	175,300	197,525	22,225
EXPENDITURES				
Current				
Public Safety	166,515	166,515	187,649	(21,134)
Total Expenditures	166,515	166,515	187,649	(21,134)
Excess (Deficiency) of Revenues over Expenditures	8,785	8,785	9,876	1,091
OTHER FINANCING SOURCES (USES)				
Transfers out	8,785	8,785	(9,876)	(9,876)
Total Other Financing Sources (Uses)	8,785	8,785	(9,876)	(9,876)
Net Change in Fund Balance	\$ 17,570	\$ 17,570	-	\$ (8,785)
Fund Balance at Beginning of Year			133,088	
Fund Balance at End of Year			\$ 133,088	

CITY OF ROCKPORT, TEXAS
BUDGETARY COMPARISON SCHEDULE
CITY/COUNTY DISPATCH
For the Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual Amounts	Variance With Final Budget Positive or (Negative)
REVENUES				
Intergovernmental	\$ 476,017	\$ 476,017	\$ 479,384	\$ 3,367
Total Revenues	<u>476,017</u>	<u>476,017</u>	<u>479,384</u>	<u>3,367</u>
EXPENDITURES				
Current				
Public Safety	<u>925,635</u>	<u>925,635</u>	<u>985,838</u>	<u>(60,203)</u>
Total Expenditures	<u>925,635</u>	<u>925,635</u>	<u>985,838</u>	<u>(60,203)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(449,618)</u>	<u>(449,618)</u>	<u>(506,454)</u>	<u>(56,836)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	495,446	495,446	504,925	(9,479)
Transfers out	<u>(45,828)</u>	<u>(45,828)</u>	<u>(18,368)</u>	<u>(27,460)</u>
Total Other Financing Sources (Uses)	<u>449,618</u>	<u>449,618</u>	<u>486,557</u>	<u>(36,939)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(19,897)	<u>\$ (93,775)</u>
Fund Balance at Beginning of Year			<u>5,514</u>	
Fund Balance at End of Year			<u>\$ (14,383)</u>	

CITY OF ROCKPORT, TEXAS
BUDGETARY COMPARISON SCHEDULE
HOTEL MOTEL TAX
For the Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual Amounts	Variance With Final Budget Positive or (Negative)
REVENUES				
Taxes and Business Fees	\$ 1,120,000	\$ 1,120,000	\$ 1,367,619	\$ 247,619
Total Revenues	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,367,619</u>	<u>247,619</u>
EXPENDITURES				
Current				
Culture and Recreation	55,000	55,000	35,000	20,000
Tourism	<u>1,065,000</u>	<u>1,065,000</u>	<u>770,500</u>	<u>294,500</u>
Total Expenditures	<u>1,120,000</u>	<u>1,120,000</u>	<u>805,500</u>	<u>314,500</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>562,119</u>	<u>\$ 562,119</u>
Net Change in Fund Balance			562,119	
Fund Balance at Beginning of Year			<u>1,595,888</u>	
Fund Balance at End of Year			<u>\$ 2,158,007</u>	

CITY OF ROCKPORT, TEXAS
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL COURT SECURITY & TECHNOLOGY
For the Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual Amounts	Variance With Final Budget Positive or (Negative)
REVENUES				
Fines and Forfeitures	\$ 7,700	\$ 7,700	\$ 6,670	\$ (1,030)
Other Revenues	-	-	56	56
Total Revenues	<u>7,700</u>	<u>7,700</u>	<u>6,726</u>	<u>(974)</u>
EXPENDITURES				
Current				
Public Safety	<u>7,700</u>	<u>7,700</u>	<u>9,963</u>	<u>(2,263)</u>
Total Expenditures	<u>7,700</u>	<u>7,700</u>	<u>9,963</u>	<u>(2,263)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(3,237)</u>	<u>\$ 1,289</u>
Net Change in Fund Balance			(3,237)	
Fund Balance at Beginning of Year			<u>18,542</u>	
Fund Balance at End of Year			<u>\$ 15,305</u>	

CITY OF ROCKPORT, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual Amounts	Variance With Final Budget Positive or (Negative)
REVENUES				
Taxes and Business Fees	\$ 3,166,861	\$ 3,166,861	\$ 3,535,527	\$ 368,666
Interest on Investments	-	-	11,689	11,689
Total Revenues	<u>3,166,861</u>	<u>3,166,861</u>	<u>3,547,216</u>	<u>380,355</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	2,124,473	2,124,473	2,268,445	(143,972)
Interest and Fiscal Charges	1,129,114	1,129,114	844,128	284,986
Total Expenditures	<u>3,253,587</u>	<u>3,253,587</u>	<u>3,112,573</u>	<u>141,014</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(86,726)</u>	<u>(86,726)</u>	<u>434,643</u>	<u>521,369</u>
Net Change in Fund Balance	<u>\$ (86,726)</u>	<u>\$ (86,726)</u>	<u>434,643</u>	<u>\$ 521,369</u>
Fund Balance at Beginning of Year			<u>1,043,742</u>	
Fund Balance at End of Year			<u>\$ 1,478,385</u>	

FEDERAL AND STATE FINANCIAL ASSISTANCE



PARK FOWLER & CO.

*Certified Public Accountants & Management Consultants
A Professional Limited Liability Company*

MANAGING PARTNER:
Ronald H. Park, CPA

IN-OFFICE COUNCIL:
Daniel T.A. Cotts, JD, LLM

ASSOCIATES:
Clara A. Moreno, CPA
Marc D. Kennedy, CPA
P. Andrew Hall, CPA
Pamela De La Pena, CPA

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as items 2022-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-001.

City of Rockport's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Rockport's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Rockport's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Park Fowler & CO., PLLC

Park Fowler & CO., PLLC
Corpus Christi, Texas
February 23, 2024



PARK FOWLER & CO.

Certified Public Accountants & Management Consultants
A Professional Limited Liability Company

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

To the Honorable Mayor and Members of the City Council
City of Rockport Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Rockport, Texas (the "City") 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, 2022. 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.

In our opinion, the City, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and The Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Rockport, Texas compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is

considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Rockport, Texas compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters. Government Auditing Standards requires the auditor to perform limited procedures on City of Rockport's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Rockport's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Park Fowler & CO., PLLC
Park Fowler & CO., PLLC
Corpus Christ
February 23, 2024

CITY OF ROCKPORT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND OTHER AWARDS
YEAR ENDING SEPTEMBER 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures
U.S. DEPARTMENT OF TREASURY			
Corona Virus State & Local Recovery Funds	21.027	2021CLFRF	12,700
Total CFDA Number 21.027			12,700
TOTAL U.S. DEPARTMENT OF TREASURY			12,700
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
FEMA-Hurricane Harvey	97.036	4332	1,884,031
FEMA-Hazard Mitigation Grant	97.036	4332	2,785
FEMA- Texas COVID19 Pandemic	97.036	4485	47,836
Total Disaster Grants			1,934,652
Passed Through Texas Office of the Governor - Homeland Security Grants Division (HSGD)			
OPSG 2021	97.067	3171907	115,763
OPSG 2020	97.067	3171906	80,932
Total CFDA Number 97.067			196,695
Total Passed Through Texas Office of the Governor - HSDG			196,695
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			2,144,047
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Texas General Land Office			
Community Development Block Grant	14.228	20-065-090-C252	2,342,337
Total CFDA Number 14.228			2,342,337
Total Passed Through Texas General Land Office			2,342,337
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,342,337
U.S. DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant	16.738	3586302	63,885
Total CFDA Number 16.738			63,885
TOTAL U.S. DEPARTMENT OF JUSTICE			63,885
TOTAL EXPENDITURES OF FEDERAL AWARDS			4,550,269
State Awards:			
Texas Office of the Governor - Homeland Security Grants Division (HSGD)			
Border Star	N/A	3136406	14,042
Total Texas Office of the Governor - HSGD			14,042
TOTAL STATE AWARDS			14,042
TOTAL AWARDS:			\$ 4,564,311

CITY OF ROCKPORT, TEXAS
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2022

NOTE 1 -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state award activity of the primary government of the City of Alice, Texas (City) under programs of the federal and state government for the year ended September 30, 2022. The City's reporting entity is defined in Note 1 in the City's basic financial statements for the year ended September 30, 2022.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of Texas Uniform Grant Management Standards (UGMS) issued by the Texas Comptroller of Public Accounts. 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 position/fund balance or cash flows of the City.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Governmental fund expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Proprietary fund expenses reported on the Schedule are reported on the accrual basis of accounting. The City's summary of significant accounting policies is presented in Note 1 to the City's basic financial statements for the year ended September 30, 2022. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, other applicable regulatory guidance or State of Texas Uniform Grant Management Standards (UGMS), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, 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 elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF ROCKPORT, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

I. Summary of Auditor's Results

A. Financial Statements

- | | |
|---|--|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| - Material weakness(es) identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| - Significant deficiency(ies) identified that are not considered to be material | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported |
| 3. Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

B. Federal Awards

- | | |
|---|---|
| 1. Internal control over major programs: | |
| - Material weakness(es) identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| - Significant deficiency(ies) identified that are not considered to be material | <input checked="" type="checkbox"/> Yes See finding 2022-001 |

- | | |
|--|------------|
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
|--|------------|

- | | |
|--|--|
| - Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance? | <input checked="" type="checkbox"/> Yes See finding 2022-001 |
|--|--|

3. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants
97.067	Homeland Security Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**CITY OF ROCKPORT, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended September 30, 2022**

Section II - Financial Statement Finding

None reported.

Section III - Federal Award Finding and Questioned Costs

Finding 2022-001: Single Audit Submission to the Federal Audit Clearinghouse

Program:

14.228 – Community Development Block Grants

97.067 – Homeland Security Grant

Criteria:

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, §.320, requires APCD to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the federal oversight agency approves an extension of this deadline.

Condition:

The federal reporting deadline for the City of Rockport's Single Audit Reporting Package was June 30, 2023; however, the City of Rockport did not issue its Single Audit Reporting Package until March 2024.

Cause:

The single audit was not completed by June 30, 2023, because the Annual Financial Report was not ready until March 2024. Due to the unforeseen turnover of critical finance department staff, the City experienced delays in completing the audit and issuing the Annual Financial Report.

Effect:

The late submission affects the federal programs. This finding is a significant deficiency in internal control over compliance and noncompliance with the Uniform Guidance.

Recommendation:

The City should improve its financial reporting process so that it can submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after the fiscal year-end.

Management Response and Corrective Action:

The City of Rockport filled the vacant positions as quickly as possible. The Finance Department is now staffed and is working diligently to catch up in all delayed finance and accounting matters.